

# Public Document Pack

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17 October 2019

## Pensions Panel

A meeting of the panel will be held at **10.00 am** on **Friday, 25 October 2019** at **County Hall, Chichester**.

**Tony Kershaw**  
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## Agenda

### Part I

10.00 am 1. **Declarations of Interests**

Members and officers are invited to make any declaration of personal or prejudicial interests that they may have in relation to items on the agenda and are reminded to make any declarations at any stage during the meeting if it becomes apparent that this may be required when a particular item or issue is considered.

It is recorded in the register of interests that:

- Mr Donnelly is a Horsham District Councillor
- Mr Elkins is a Member of the Littlehampton Harbour Board and Arun District Council
- Mr Hunt is the Chairman of the Chichester Harbour Conservancy
- Mr Jupp is a Member of Horsham District Council and has a daughter who works for Blackrock
- Dr Walsh is a Member of the Littlehampton Harbour Board, Arun District Council and Littlehampton Town Council

These financial interests only need to be declared at the meeting if there is an agenda item to which they relate.

10.00 am 2. **Part I Minutes of the last meeting** (Pages 5 - 10)

The Panel is asked to agree the Part I minutes of the meeting of the Panel held on 24 July 2019 attached (cream paper).

- 10.03 am 3. **Minutes from the Annual Meeting of the Pensions Panel and the Employers in the Fund** (Pages 11 - 14)
- The Panel is asked to agree the minutes from the annual meeting held on 24 July 2019 attached (cream paper).
- 10.03 am 4. **Urgent Matters**
- Items not on the agenda, which the Chairman of the meeting is of the opinion, should be considered as a matter of urgency by reason of special circumstances.
- 10.03 am 5. **Part II Matters**
- Members are asked to indicate at this stage if they wish the meeting to consider bringing into Part I any items on the Part II agenda.
- 10.03 am 6. **Pension Advisory Board Minutes - Part I**
- The Panel is asked to note the confirmed Part I minutes from the meeting of the Pension Advisory Board on 22 May 2019 and the agenda from the meeting of the Pension Advisory Board on 4 September 2019.
- (a) **22 May - Part I Pension Advisory Board Minutes** (Pages 15 - 22)
- (b) **4 September - Pension Advisory Board Agenda** (Pages 23 - 26)
- 10.05 am 7. **Actuarial Valuation 2019** (Pages 27 - 30)
- Report by the Director of Finance and Support Services.
- The Panel is asked to note the update.
- The Panel also to receive a presentation from the fund actuary.
- 10.25 am 8. **Business Plan** (Pages 31 - 44)
- Report by the Director of Finance and Support Services.
- The Panel is asked to note the updates to the Business Plan.
- 10.28 am 9. **Equitable Life transfer to Utmost Life and Pensions (AVCs)** (Pages 45 - 68)
- Report by Director of Finance and Support Services.
- The Panel is asked to approve the recommendation to vote in favour of the Scheme and Change to the Articles.

- 10.35 am 10. **Pension Administration Performance** (Pages 69 - 92)
- Report by the Director of Finance and Support Services.
- The Panel is asked to note the update on the Administration Performance; the changes to the Administration Strategy; and agree the Breaches Policy.
- 10.50 am 11. **Date of the next meeting**
- The next meeting of the Pensions Panel will be 10.00 a.m. 27 January 2020 at County Hall.
- Part II**
- 10.50 am 12. **Exclusion of Press and Public**
- The Board is asked to consider in respect of the following item(s) whether the public, including the press, should be excluded from the meeting on the grounds of exemption under Part I of Schedule 12A of the Local Government Act 1972, as indicated below, and because, in all the circumstances of the case, the public interest in maintaining the exemption of that information outweighs the public interest in disclosing the information.
- 10.50 am 13. **Part II Minutes of the last meeting** (Pages 93 - 98)
- To confirm the Part II minutes of the meeting of the Panel held on 24 July 2019, for members of the Panel only (yellow paper).
- 10.55 am 14. **Pension Advisory Board Minutes - Part II** (Pages 99 - 100)
- The Panel is asked to note the confirmed Part II minutes from the meeting of the Pension Advisory Board on 22 May 2019 (yellow paper).
- 10.55 am 15. **ACCESS Update** (Pages 101 - 128)
- Report by the Director of Finance and Support Services attached for members of the Panel only (yellow paper).
- The Panel is asked to consider the recommendations within the report.

- 11.15 am    16.    **Review of Pension Performance**
- The following reports are for the Panel to review Pension performance over the last quarter.
- (a)    **Transaction and Performance** (To Follow)
- Paper by the Director of Finance and Support Services summarising transactions and performance during the quarter, for members of the Panel only (yellow paper).
- (b)    **Independent Fund Advisor Comments** (To Follow)
- Paper from the independent fund advisor giving comments on the quarter, for members of the Panel only (yellow paper).
- 11.30 am    17.    **Presentation by UBS**
- The Panel to receive a presentation on portfolio performance.

**To all members of the Pensions Panel**

## **Pensions Panel**

24 July 2019 – At a meeting of the Pensions Panel held at 10.30 am at County Hall, Chichester.

Present: Mr Hunt (Chairman)

Mr Bradford, Mrs Dennis, Mr Elkins, Mr Jupp, Mrs Urquhart, Dr Walsh, Mr Donnelly and Ms Taylor

### **Part I**

#### **14. Declarations of Interests**

14.1 Mr Elkins declared a personal interest as a Member of Arun District Council and the Littlehampton Harbour Board.

14.2 Mr Jupp declared a personal interest as a Member of Horsham District Council.

14.3 The Chairman requested that these interests be added to future agendas.

#### **15. Part I Minutes of the last meeting**

15.1 Rachel Wood, Pension Fund Investment Strategist, clarified for minute 4.2 that the Pension Advisory Board had considered the Administering Authority Discretions in July 2018 and was a different version from the one considered by the Pensions Panel in April 2019.

15.2 Rachel Wood also clarified that the number of employers quoted in minute 5.5, bullet 1, should be 201.

15.3 Resolved – That the Part I minutes of the Pensions Panel held on 29 April 2019 be approved as a correct record, and that they be signed by the Chairman.

#### **16. Part II Matters**

16.1 The Panel queried why the ACCESS update was in Part II. – Rachel Wood confirmed that the update included information that was commercially sensitive.

#### **17. Pension Advisory Board Minutes - Part I**

17.1 The Panel considered the confirmed Part I minutes from the 6 March 2019 Pension Advisory Board meeting; and the Agenda from the 22 May 2019 meeting (copies appended to the signed minutes).

17.2 The Panel welcomed Peter Scales, Chairman of the Pension Advisory Board. Peter Scales gave the Panel a summary of the recent work and activity of the Pension Advisory Board. This included a performance review of the year, 1:1 interviews between the Chairman and each of the

Board members, policy document reviews and agreeing a business plan that aimed to align with the Pension Panel’s plan. Peter Scales explained that he ensured that the work of the Board did not duplicate the work of the Panel.

17.3 The Chairman welcomed the additional of Pension Advisory Board minutes to the Pensions Panel and confirmed that he would be attending the November Pension Advisory Board meeting.

17.4 Resolved – That the minutes and agenda be noted.

**18. Annual Report and Accounts**

18.1 The Panel considered a report by the Director of Finance and Support Services (copy appended to the signed minutes).

18.2 Rachel Wood introduced the report and explained that the Audit Results Report had been considered at the recent Regulation, Audit and Accounts Committee. Adjustments had been made for Private Equity valuations following the publication of fund manager reports after the draft financial statements had been completed.

18.3 The external auditor Ernst and Young (EY) had also requested that additional accounting consideration be included for the McCloud outcome.

18.4 Supplementary wording had also been added relating to ACCESS, which would be consistent with all ACCESS authorities.

18.5 The Panel made comments including those that follow.

- Queried the level of overpayments. - *Rachel Wood explained that this mainly related to member deaths.*
- Sought clarity on the figures for stock lending as the net figures were similar for the 2 periods listed. - *Rachel Wood resolved to investigate the figures but proposed that the net figures were linked to fees.*

POST MEETING CLARIFICATION – The correct figures are shown below and have been amended in the published annual report

	2017/18	2018/19
Gross	£0.200m	£0.736m
Net	£0.142m	£0.589m

- Considered the wording for the Pensions Panel in the scheme management section and requested that the wording be refined.
- Queried the plans to fill the vacancy on the Pensions Panel for the Employer representative. - *Rachel Wood reported that officers were working with the Director of Law and Assurance on an appointment. The role had previously been occupied from the Police Authority.*
- Asked if it was normal to sort employers alphabetically and not by materiality size. - *Rachel Wood confirmed that the information could be sorted differently.*
- Sought clarity on the backing for academies. - *Steven Law, Hymans Robertson, confirmed that academies stood on their*

*own, but backing from the Department of Education was available if necessary.*

- Queried the failure to hit the target for the payment of pension benefits. – *The Chairman explained that this was linked to data following the administration transfer. The focus would be on assurance going forwards with Hampshire County Council.*

18.6 Resolved – that the Panel agrees the Annual Report; and notes the Statement of Accounts appended to the Annual Report and the items raised by the external auditors.

## **19. Funding Strategy Statement**

19.1 The Panel considered a report by the Director of Finance and Support Services (copy appended to the signed minutes).

19.2 Rachel Wood introduced the report and explained the current focus for the fund was the actuarial valuation which occurred every three years. Officers were working with Hymans Robertson and Hampshire County Council on the required data.

19.3 The Funding Strategy Statement had been reviewed by the Pension Advisory Board, and feedback from employers had been included in the report. Once the Pensions Panel had approved the Statement, Steven Law would proceed with the valuation work.

19.4 Steven Law gave a presentation to the Panel on the Actuarial Valuation (copy appended to the signed minutes).

19.5 Steven Law spoke through the presentation which outlined the timescales for the valuation, the actuarial assumptions, the projected funding level results and some of the unknowns including the Ministry of Housing, Communities and Local Government (MHCLG)'s consultation on moving towards 4 year valuation cycles to align with the unfunded public sector pension scheme cycle (such as the National Health Service Superannuation Scheme (NHSSS)). This cycle change would require either a 3 year, then a 2 year valuation; or a 5 year valuation.

19.6 Cost sharing options from the Scheme Advisory Board and HM Treasury were on hold pending the outcome of the McCloud case. The case concerned age discrimination within public sector pension fund reform. The treasury want one solution to resolve the issues; however the Local Government Pension Scheme may be allowed their own solution which would be likely to include protection for all members who joined before 2012 up to 2022.

19.7 Steven Law finished the presentation by outlining the fund objectives and the aim to maintain a better than 2/3rd's chance of full funding over 20 years.

19.8 The Panel made comments including those that follow.

- Queried if it was possible to perform more frequent valuations. – *Steven Law confirmed that interim valuations could take place. Additional valuations for high risk employers already took place.*
- Asked if the outcome for McCloud would impact other discussions regarding female state pension age issues. – *Steven Law was not sure if this would be impacted.*
- Queried if a 1% employer rate decrease was a reasonable estimation before McCloud was finished. – *Steven Law explained that he would be monitoring this but felt that 1% would be a good estimate at this point in time.*
- Sought clarity on the impact of staff turnover on cashflow. – *Steven Law explained that this would be discussed with Katherine Eberhart and the Police when modelling work was undertaken on outlook. The approach to risk would have to be considered depending on cashflow.*

19.9 Resolved – that the Panel:

1. Notes the update on the McCloud judgment
2. Considers the feedback from Employers relating to the draft Funding Strategy Statement.
3. Agrees the current version of the Funding Strategy Statement as the approach assumed by the Actuary when calculating employer liabilities and determining the pace at which these liabilities are funded.
4. Agrees that further minor changes to the document can be made by the Director of Finance and Support Services in consultation with the Chairman; with any material changes being brought back to the Pension Panel.
5. The Panel agrees that the final response to the valuation cycle consultation and management of employer risk is sent by the Director of Finance and Support Services in consultation with the Chairman.

## **20. Business Plan**

20.1 The Panel considered a report by the Director of Finance and Support Services (copy appended to the signed minutes).

20.2 Rachel Wood introduced the report and outlined the key areas of focus and the training options that were available to members.

20.3 The Panel made comments including those that follow.

- Asked if there were any specific training recommendations. – *Rachel Wood highlighted the training events in the report and explained that attendees could choose their own breakout activities. Members were encouraged to speak to Rachel Wood to discuss their individual training needs.*



- Queried if there would be a Local Government Association conference in January. -*Rachel Wood resolved to look into this and circulate information to Panel members.*

20.4 Resolved – that the Panel notes the updates to the Business Plan.

## **21. Date of the next meeting**

21.1 The Panel noted that its next scheduled meeting would take place on 25 October 2019 at County Hall, Chichester.

## **22. Exclusion of Press and Public**

Resolved - That under Section 100(4) of the Local Government Act 1972, the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Part I, of Schedule 12A, of the Act by virtue of the paragraph specified under the item and that, in all the circumstances of the case, the public interest in maintaining the exemption of that information outweighs the public interest in disclosing the information.

## **23. Part II Minutes of the last meeting**

The Panel agreed the Part II minutes of the Pensions Panel held on 29 April 2019.

## **24. Pension Advisory Board Minutes - Part II**

The Panel noted the contents of the Part II minutes from the 6 March 2019 Pension Advisory Board meeting.

## **25. ACCESS Update**

The Panel considered a report by the Director of Finance and Support Services.

The Panel noted the update.

## **26. Administration Performance**

The Panel considered a report by the Director of Finance and Support Services.

The Panel noted the update on administration performance.

## **27. Review of Pension Performance**

The Panel considered a paper by the Director of Finance and Support Services.

The Panel received an update from Caroline Burton relating to the quarterly performance reports from the fund managers.

The Panel welcomed the advice.

**28. Presentation by Baillie Gifford**

The Panel received an update from Anne-Marie Gillon and Tim Gooding from Baillie Gifford on the portfolio performance for the quarter.

The meeting ended at 1.15 pm

Chairman

## **Pensions Panel AGM**

24 July 2019 – At a meeting of the Pensions Panel AGM held at 2.15 pm at County Hall, Chichester.

### **1. Welcome**

1.1 Jeremy Hunt, Chairman of the Pensions Panel, welcomed the attending employers to the meeting.

1.2 Jeremy Hunt welcomed and introduced Katherine Eberhart – Director of Finance and Support Services; Rachel Wood - Pension Fund Investment Strategist; Tim Gooding and Anne-Marie Gillon from Baillie Gifford; Steven Law – Actuary from Hymans Robertson; Andrew Lowe – Hampshire County Council and Peter Scales – Chairman of the Pension Advisory Board.

1.3 Jeremy Hunt reported on the recent transfer of Pension Administration from Capita to Hampshire County Council. Thanks were given to the staff from Capita on their work for the fund.

1.4 Jeremy Hunt highlighted the new member pension portal and encouraged employers to ask their employees to use the portal.

1.5 Jeremy Hunt gave an update on the pension fund and reported a £300m outperformance over the decade and also reported that Baillie Gifford funds would be moving into the ACCESS pool in November.

1.6 Jeremy Hunt spoke on Environmental, Social and Governance (ESG) and explained that fund managers worked with invested companies to ensure correct governance approaches. The Pensions Panel's primary task was ensuring fiduciary responsibility, but it was also important to consider ESG issues.

1.7 Jeremy Hunt reported that in 2016 the West Sussex Pension Fund was the best performing local authority pension fund in England and Wales.

### **2. Draft Annual Report of the Pension Fund**

2.1 Katherine Eberhart – Director of Finance and Support Services, introduced the draft annual report which gave a summary of the activity for the year, covering fund performance and administration activity.

2.2 Katharine Eberhart reported that there had been a £250m asset increase for the year and that the fund was in receipt of positive cashflow (money being paid into the fund was higher than the money being paid out).

2.3 Katharine Eberhart reported that at the last triennial valuation the fund was 95% funded. The fund was now maintaining a 105% funding level.

2.4 Katharine Eberhart highlighted the previous administration performance issues experienced by employers and hoped that the transfer to Hampshire County Council would improve things once employers were used to the new arrangements. Communications would also be improved going forwards. The first quarter targets had not been met, but this was linked to the recent transfer and Hampshire Pension Services were working to improve this.

2.5 Jeremy Hunt thanked Katharine Eberhart for her presentation.

### **3. Investment Markets**

3.1 Tim Gooding and Anne-Marie Gillon gave a presentation on Baillie Gifford's strategy and performance for the pension fund.

3.2 Anne-Marie Gillon explained that there had been no change in strategy and that Baillie Gifford takes a long-term approach to investing.

3.3 Tim Gooding outlined how Baillie Gifford manages the equity portion of the portfolio, highlighting the importance not only of a long-term investment horizon but also the durability and diversity of growth sought. Responsible stewardship is built into the investment process, the premise being that companies that are well managed and that act responsibly to their stakeholders will, on average, outperform over the long run companies that act in an irresponsible manner. Investment teams have a dedicated resource from the Governance & Sustainability team which ensures that every decision takes full account of any relevant ESG issues.

3.4 An attendee queried the responsible investment policy and West Sussex County Council's recent motion to attempt to be carbon neutral by 2030; and asked if the fund would be disinvesting from fossil fuels. – *Jeremy Hunt explained that Baillie Gifford invested according to the Pension Panel's instructions and that fund managers were signed up to the United Nations Principles for Responsible Investment (UNPRI). Consideration was given to ESG matters which includes emissions. It was noted that some fossil fuel companies were investing in renewable energy and that investment withdrawal could impact this research. The Pension Panel's principal task was to ensure maximum returns for the fund, however the need to transition to renewable energy was noted. There were currently no exclusions on any asset type for the pension fund.*

3.5 Jeremy Hunt thanked Tim Gooding and Anne-Marie Gillon for their presentation.

### **4. Actuarial Matters**

4.1 Steven Law, Hymans Robertson, gave a presentation on the actuarial considerations for the fund valuation.

4.2 Steven Law outlined the milestones for the valuation and explained that the new contribution rates for employers would come into effect from 1 April 2020.

4.3 Steven Law outlined the current proposal from Ministry of Housing, Communities and Local Government (MHCLG) to move towards 4 year valuation cycles and how this may impact interim valuations.

4.4 Steven Law also explained the McCloud case which was linked to an age discrimination case for pension funds. The impact of the outcome could mean backdated protection to 2014 for more members. This would lead to uncertainty with the calculation for employer contribution rates.

4.5 Jeremy Hunt thanked Steven Law for his presentation.

## **5. Pension Administration Update**

5.1 Rachel Wood, Pension Fund Investment Strategist, introduced the item and explained that the administration transfer to Hampshire County Council had completed on time and the payroll system was running well. The external auditor EY was happy with the data transfer.

5.2 Andrew Lowe from Hampshire County Council gave a presentation that explained how the partnership working was happening and what the organisation structure for Hampshire Pension Services looked like.

5.3 Andrew Lowe explained how Hampshire Pension Services delivered their administration service, and explained that their next key piece of work would be publishing the annual benefit statements on the portal.

5.4 An attendee queried the timescales for when Hampshire Pension Services expected business as usual levels to resume. – *Andrew Lowe explained that Hampshire County Council were working with the West Sussex County Council to improve performance as soon as possible.*

5.5 Jeremy Hunt reiterated his request that employers encourage their employees to use the portal, where they would be able to check their pension record and also update their personal details. Andrew Lowe welcomed this encouragement and reported that Hampshire Pension Services had received good feedback on portal usage.

5.6 Jeremy Hunt thanked Andrew Lowe and his team.

The meeting ended at 15:10

Chairman

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## **Pension Advisory Board**

22 May 2019 – At a meeting of the Pension Advisory Board held at 9.30 am at County Hall, Chichester, PO19 1RQ.

Present: Peter Scales (Chairman)

Richard Cohen, Miranda Kadwell, Kim Martin, Becky Caney, Chris Scanes and Tim Stretton

### **Part I**

#### **1. Declarations of Interests and Conflicts**

1.1 None declared.

#### **2. Part I Minutes of the last meeting**

2.1 Resolved – That the part I minutes of the meeting of the Board held on 6 March 2019 be approved as a correct record and signed by the Chairman.

#### **3. Pension Advisory Board Membership**

3.1 The Board noted that the Chairman had agreed to reappoint both Richard Cohen and Chris Scanes as representatives on the Board for a second 4 year term.

#### **4. Progress Report**

4.1 The Board considered the progress report on matters arising from previous meetings (copy appended to the signed minutes).

4.2 Adam Chisnall (Democratic Services Officer) introduced the report and provided an update for the action against minute 76.5 in that the Chairman of the Pensions Panel would attend a Board meeting later in the year. It was likely that this would be the November Board meeting.

4.3 The Board considered the outstanding actions and agreed that the action against minute 74.6 could be removed.

4.4 Resolved – That the Board noted the report.

#### **5. Pensions Panel Minutes - Part I**

5.1 The Board considered the confirmed part I minutes from the 28 January 2019 Pensions Panel meeting; and the Agenda from the 29 April 2019 Pensions Panel meeting (copy appended to the signed minutes).

5.2 The Board considered the minutes and noted that the year within minute 84.1 should be 2018.

5.3 The Board considered the agenda and noted that the Board had previously considered discretions.

5.4 Resolved – That the minutes and agenda be noted.

## **6. Regulations and Guidance update**

6.1 The Board received a report by the Chairman of the Pension Advisory Board (copy appended to the signed minutes).

6.2 The Chairman introduced the report and explained that the most recent CIPFA bulletin had not been included and that the Good Governance Project referenced in Appendix B was included on the Board agenda.

6.3 The Board discussed report and commented on the possibility of a change in guidance. The Board felt that there was confusion with statutory and guidance information and that this required clarification.

6.4 Resolved – That the Board notes the current issues relating to Scheme Regulations and Guidance.

## **7. Business Planning and Performance**

7.1 The Board received a report by the Chairman of the Pension Advisory Board (copy appended to the signed minutes).

7.2 The Chairman introduced the report and explained the report looked to bring consistency with the Business Plan for the Pensions Panel. Objectives had been included for the Board with key tasks, activities and identified risks outlined.

7.3 The Board made comments including those that follow.

- Queried the title 'West Sussex County Council Pension Fund' in the Business Plan. – *Rachel Wood (Pension Fund Investment Strategist) clarified that the County Council was the administering authority for the West Sussex Pension Fund.*
- Commented that the wrong 'complimentary' had been used in the document.
- Asked if policy documents should be considered within the work programme. – *The Chairman felt the timing of the item would depend on the work of the Pensions Panel and when different policies would be updated. Policy documents was a standing agenda item for the Board and so documents could be monitored when timing was appropriate.*
- Queried if the Business Plan would go to the Pensions Panel. – *Rachel Wood confirmed that the Business Plan would be approved by the Governance Committee and would then go to the Pensions Panel.*



7.4 Resolved – That the Board agrees the draft Business Plan for 2019/20; agrees to refer the Business Plan to the Governance Committee for their approval; and agree that the Business Plan is provided to the Pensions Panel for noting.

## 8. Review of Pension Fund Policy Documents

8.1 The Board received a report by the Director of Finance and Support Services (copy appended to the signed minutes).

8.2 Rachel Wood introduced the report and asked members to consider the list of policy documents at Appendix A.

8.3 The Board made comments including those that follow.

- Noted the lack of Board review date in the list. – *Rachel Wood explained that the next date of review column referred to the Board. Tara Atkins (Principal Pensions Consultant (Administration & Employers)) added that the previous appendix had included the last officer review date. The Board requested that in future the appendix should include the last time the Board reviewed the document, when it should be reviewed next and a link to the document.*
- Queried the lack of the Treasury Management policy which had previously been reviewed by the Board. – *Rachel Wood resolved to add this to future appendices.*

8.4 Tara Atkins introduced the Communications Strategy and explained that processes had changed following the appointment of Hampshire County Council (HCC) for pension administration. HCC had sent out their newsletter and officers would now work with them on the format and contents for next year. Webpages had been updated to give reassurance and clarification over the change in administration provider.

8.5 The Board made comments including those that follow.

- Asked who wrote the newsletters. – *Tara Atkins confirmed that HCC wrote the newsletters, that were previously written by Capita. The process was currently in a transition period. HCC would discuss future newsletters with the Board. HCC would be expected to attend Board meetings for the Administration Procedures and Performance item which could be utilised for newsletter discussions. The Board proposed a working group with HCC on newsletters. Tara Atkins agreed to discuss this with HCC.*
- Queried the definition of 'reasonable timescales' for response to letters, emails, enquires and phone calls. – *Tara Atkins confirmed that deadlines were covered within the administration strategy. Rachel Wood clarified that the timescale would be 5 working days. The Board felt this detail should be added to the policy document.*
- The Board commented that members expect immediate response to email and acknowledged that HCC used an auto response system for emails to confirm receipt.

- Sought clarity on the phone query process. – *Tara Atkins confirmed that HCC had a dedicated team for this. The team also monitored the mailbox and would attempt to keep members informed if queries were likely to take longer than expected. The transition period was resulting in a higher volume of queries than normal.*
- Queried the frequency of payslips for pensioner members. – *Tara Atkins confirmed that pensioner members would receive an annual payslip, but would also receive another payslip if amounts changed. Payslips were available on the portal. The £1 threshold had been set by HCC.*
- Asked why the Firefighters Scheme would be looking at Pension Advisory Board documentation. – *Tara Atkins confirmed that this related to the Pension Advisory Board for the Firefighters Scheme. Tara Atkins resolved to check the title of the Board.*
- Queried if information such as 50/50 contributions was advertised. – *Tara Atkins confirmed that it was the expectation for employers to refer their employees to relevant information. Newsletters had previously included this information.*
- Felt that communications between the Pensions Panel and the Pension Advisory Board should be clarified. – *Tara Atkins noted that the Board had different objectives to the Panel.*
- Asked if Orbis could be utilised for the legal arrangements. – *Tara Atkins explained that legal were only required for admissions and not for legislative discussions.*
- Highlighted the employer briefing sessions from HCC which had been well received and attended.

8.6 Rachel Wood introduced the Funding Strategy Statement which would be a key piece of work for the valuation. The Statement outlined how the actuary would consider the funding position. The statement would be sent to employers for consideration.

8.7 The Board made comments including those that follow.

- Highlighted that the regulation extract was from Regulation 58 and not Regulation 61.
- Commented on the difficulty for the Board to ensure compliance when the guidance kept changing.
- Queried the impact of employer rates from the outcome of the McCloud case. – *Rachel Wood confirmed that employer rates were likely to increase in both outcomes of the appeal.*
- Asked if there had been much take up of ill health insurance. – *Rachel Wood confirmed that this had mainly been taken up by town and parish councils. As part of the valuation work this could be highlighted to employers.*

8.8 Resolved – That the Board notes the register of policy documents, the contents of the Communication Strategy and the Funding Strategy Statement.

## 9. Administration procedures and performance

9.1 The Board received a report by the Director of Finance, Performance and Procurement (copy appended to the signed minutes).

9.2 The Board welcomed Lois Downer, Deputy Head of Pensions at Hampshire County Council (HCC). Lois introduced herself to the Board and explained that HCC provided pension administration service for Hampshire Police and Hampshire Fire Services. West Sussex County Council was the only external local government client.

9.3 Tara Atkins introduced the report and reported that officers were liaising with HCC over benefit arrangements for members who had been affected by the amendment to the regulations.

9.4 The Board made comments including those that follow.

- Asked if an exit credit had ever been paid. – *Rachel Wood reported that there was currently one pending which concerned an employer who was in surplus.*
- Queried officer progress with the MHCLG Valuation Cycle consultation. – *Rachel Wood confirmed that officers were drafting a response. Officers could send Board members a draft of the response and the submitted version could be brought to the next Board meeting for noting. Officers were working on an approach to inform employers of the consultation.*
- Asked why there were so few West Sussex County Council pensioners, (14,599) out of 27,253. – *Tara Atkins commented that this may be linked to who the final employer was for the member. Rachel Wood resolved to look into this and check the figures.*
- Sought clarity on the figure for the number of employers that was missing from Appendix D. – *Rachel Wood confirmed it should be 201.*
- Commented that it would be interesting to look at the number of people who have signed up to the portal compared to the previous system. – *Rachel Wood resolved to look into this. Tara Atkins commented that the Annual Benefit Statement (ABS) notifications would be expected to increase portal sign up.*
- Sought clarity on the number of open cases from Capita that HCC were working through. – *Rachel Wood explained that HCC were working to understand the open cases and any disparity with members with open/closed cases.*

9.5 The Board commented that guidance should be statutory.

9.6 Lois Downer gave a presentation to the Board which gave an overview of Hampshire Pension Services (copy appended to the signed minutes).

9.7 Lois Downer explained that HCC used the Civica system to handle pension workflow. The system allowed urgent cases to be identified and prioritised. The system also highlighted cases nearing Service Level Agreements (SLA), which allowed them to be picked out and resolved to ensure compliance. Temporary staff had been hired to assist with the

workload following the transfer. It was acknowledged that the initial month would miss the 100% SLA due to the transfer work. Steps had been put in place to make improvements going forwards. Call volumes had been five to six times higher than expected. Members seemed reassured with how their cases were being handled. Differences had been noted with employer annual returns, and so HCC were working with West Sussex County Council on data cleansing work.

9.8 Rachel Wood confirmed that officers would be working with HCC and the actuary, Hymans Robertson, towards the valuation work. A data improvement plan was being drafted.

9.9 The Board made comments including those that follow.

- Commented that systems were only as good as the users. – *Lois Downer reported that it was a central team that inputted data, so cases were not waiting on individuals.*
- Sought clarity on the process for queries. – *Lois Downer explained that HCC had moved away from queries having an individual case officer. The central team could look into queries and also see who was the last officer to look at a case. Most queries related to estimates. The system resulted in better resilience as all officers were able to see all information. Members would still be able to speak to senior officers for complex cases.*
- Sought clarity on the process for complaints. – *Lois Downer explained that informal complaints were handled straight away, ensuring that members were not given unrealistic expectations. Formal complaints went to a specific team, which would enable lessons to be learnt as an investigation would follow.*
- Queried the sort of issues that had been discovered with the data. – *Tara Atkins reported that there were issues with historic data. Rachel Wood reported that HCC were already working on data improvements outside of the formal plan. Lois Downer confirmed that HCC were prioritising the issue as it would impact the valuation and it was important that members were able to see their ABSs.*
- Commented on the data that the Board would like to see in standard reports going forwards. – *Tara Atkins reported that officers had not had membership data discussions with HCC yet. The intention would be to match previous report information following a discussion with HCC.*
- The Board highlighted that they would want to communicate with HCC on communication newsletters.

9.10 Lois Downer expressed her wish to work openly with the County Council and resolve any transparency issues. HCC had a customer service excellence accreditation which they were keen to retain.

9.11 Resolved – That the Board notes the report and requests that reports include more data following officer discussions with Hampshire County Council.

## 10. Good Governance

10.1 The Board received a report by the Director of Finance and Support Services (copy appended to the signed minutes).

10.2 Vickie Hampshire (Finance Manager - Pension Fund Governance) introduced the report and explained that the Scheme Advisory Board (SAB) had engaged with Hymans Robertson to facilitate a consultation on good governance structures. The project was not about separating host authority pension functions but looking to ensure a good system and removing any conflicts of interest. It had been acknowledged that all funds were different. The report appendix outlined the different options. The SAB had said a status quo was not an option, but a hybrid of options was expected.

10.3 The Chairman spoke through the different options that had been proposed during the project and some of the consultation responses that had been received. Comments received had included concerns like the lack of elected member continuity following elections; recruitment for authorities if they had recruitment bans in place; representation impact for county, district and parish; conflicts of interest with fund goals versus authority goals.

10.4 The Board made comments including those that follow.

- Queried the impact of the changes during pooling arrangements. – *The Chairman felt that the governance arrangements for West Sussex were as good as they should be and was not aware of any conflicts. Any option introduced would ensure clearer guidance for what all parties should be doing.*
- Asked if pools consolidating the administration arrangements had been considered. – *Rachel Wood confirmed that administration had been discussed in the past.*
- Raised concerns over the cost of any changes. – *Vickie Hampshire confirmed that the cost of options would be considered.*

10.5 The Chairman confirmed that he was due to meet with Steven Law from Hymans Robertson and would be discussing his views. Other Board members were encouraged to contact Vickie Hampshire if they had any particular views.

10.6 Resolved – That the Board notes the report and asks that their comments be passed to Hymans Robertson.

## 11. Training

11.1 The Board received a document outlining the training that been recorded for Board members (copy appended to the signed minutes).

11.2 The Board made comments including those that follow.

- Queried if the Pension Regulator Toolkit had been updated since it was completed by the Board members. – *Vickie Hampshire resolved to look into this.*

- Sought an update on Internal Audit training. – *Rachel Wood noted that Internal Audit training had been proposed for November. Vickie Hampshire resolved to look into training timeframe to see if the training would align with the November plan.*

11.3 Resolved – That the Board members note the training log and will continue to report progress on training.

## **12. Date of Next Meeting**

12.1 The Board noted that its next scheduled meeting would take place on Wednesday 4 September 2019 at 9.30 a.m. at County hall, Chichester.

## **13. Exclusion of Press and Public**

Resolved – That under Section 100(4) of the Local Government Act 1972, the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Part I, of Schedule 12A, of the Act by virtue of the paragraph specified under the item and that, in all the circumstances of the case, the public interest in maintaining the exemption of that information outweighs the public interest in disclosing the information.

## **14. Part II Minutes of the last meeting**

The Board agreed the Part II minutes of the 6 March 2019 meeting.

## **15. Pensions Panel Minutes – Part II**

The Board noted the contents of Part II minutes from the 28 January 2019 Pensions Panel meeting.

## **16. Investment Pooling**

The Board considered an Investment Pooling report by the Director of Finance and Support Services which had gone to the 29 April 2019 Pensions Panel Meeting.

The Director's title at the time of the Pensions Panel was Director of Finance, Performance and Procurement.

The Board noted the report.

The meeting ended at 12.35 pm

Chairman

**Tony Kershaw**  
Director of Law and Assurance

If calling please ask for:

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County Hall  
Chichester  
West Sussex  
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23 August 2019

## **Pension Advisory Board**

A meeting of the committee will be held at **9.30 am** on **Wednesday, 4 September 2019** at **County Hall, Chichester, PO19 1RQ**.

Tony Kershaw  
Director of Law and Assurance

### **Agenda**

#### **Part I**

1. **Declarations of Interests and Conflicts**

Members and officers must declare any pecuniary or personal interest, or any potential conflicts of interest in any business on the agenda. They should also make declarations at any stage such an interest becomes apparent during the meeting. Consideration should be given to leaving the meeting if the nature of the interest warrants it. If in doubt, contact Democratic Services before the meeting.

2. **Part I Minutes of the last meeting** (Pages 5 - 12)

The Board is asked to agree the Part I minutes of the meeting of the Board held on 22 May 2019 (cream paper).

3. **Urgent Matters**

Items not on the agenda, which the Chairman of the meeting is of the opinion, should be considered as a matter of urgency by reason of special circumstances.

4. **Part II Matters**

Members are asked to indicate at this stage if they wish the meeting to consider bringing into Part I any items on the Part II agenda.

5. **Progress Report** (Pages 13 - 16)

This report contains updates on matters arising from previous meetings.

The Board is asked to note the report and the progress on actions.

6. **Pensions Panel Meetings** (Pages 17 - 28)

Report by the Chairman of the Pension Advisory Board.

The Board is asked to note the report.

7. **Business Plan Update** (Pages 29 - 42)

Report by the Chairman of the Pension Advisory Board.

The Board is asked to note the updates to the Business Plans of the Board and the Pensions Panel.

8. **Regulations and Guidance update** (Pages 43 - 58)

Report by the Chairman of the Pension Advisory Board.

The Board is asked to note the current issues relating to Scheme Regulations and Guidance.

9. **Governance Reviews and Surveys** (Pages 59 - 68)

Report by the Chairman of the Pension Advisory Board.

The Board is asked to note the publication of the Hymans Robertson Good Governance Review for future consideration; note the outcome of the Pensions Regulator's 2018 Survey; and agree the suggested responses to the draft Scheme Advisory Board's survey for 2019.

10. **Review of Pension Fund Policy Documents** (Pages 69 - 160)

Report by Director of Finance and Support Services.

The Board is asked to note the register of policy documents and provide feedback on the policy presented at the meeting.

11. **Funding Strategy Statement** (Pages 161 - 172)

The Board is asked to consider the following report by the Director of Finance and Support Services which went to the Pensions Panel on 24 July 2019.

12. **Date of Next Meeting**

The next meeting of the Board will be held at 9.30 am on 20 November 2019.

**Part II**

13. **Exclusion of Press and Public**

The Board is asked to consider in respect of the following item(s) whether the public, including the press, should be excluded from the meeting on the grounds of exemption under Part I of Schedule 12A of the Local Government Act 1972, as indicated below, and because, in all the circumstances of the case, the public



interest in maintaining the exemption of that information outweighs the public interest in disclosing the information.

Exempt: paragraph 3, financial or business affairs of any person (including the authority).

14. **Part II Minutes of the last meeting** (Pages 173 - 174)

The Board is asked to agree the Part II minutes of the meeting of the Board held on 22 May 2019 (yellow paper).

15. **Pensions Panel Minutes – Part II** (Pages 175 - 180)

The Board is asked to note the confirmed Part II minutes from the meeting of the Pensions Panel on 29 April 2019 (yellow paper).

16. **Administration procedures and performance** (Pages 181 - 192)

Report by Director of Finance and Support Services attached for members of the Board only (yellow paper).

The Board is asked to note the report and confirm any further information that they require.

17. **ACCESS Update** (Pages 193 - 198)

The Board is asked to consider the following report which went to the Pensions Panel on 24 July 2019.

Report by Director of Finance and Support Services attached for members of the Board only (yellow paper).

**To all members of the Pension Advisory Board**

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**Pension Panel****25 October 2019****Actuarial Valuation 2019****Report by Director of Finance and Support Services**

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**Summary**

The Pension Fund has commenced its triennial valuation.

The Valuation process seeks to ensure the long-term solvency of the Fund through ensuring that it holds sufficient assets to be able to pay all its members benefits and calculates employer liabilities – and their contribution.

The Panel have been advised of a number of factors which may impact the outcome or the period that rates need to be set. Each of these matters remains unresolved and the Actuary has therefore calculated Fund and employer liabilities on the known benefit structure at 31 March 2019.

Since the Pension Panel last met, the Actuary has completed his calculation of the whole Fund position (112%). Further work is required to calculate the position for individual employers.

**Recommendation**

That the update on the Actuarial Valuation 2019 is noted.

**Background**

1. The Fund has commenced its triennial valuation. In the absence of any further guidance this will set employer contributions from 1 April 2020 until 31 March 2023.
2. A number of developments which provide significant uncertainty remain (e.g. the McCloud judgement, HM Treasury's cost control mechanism and the Scheme Advisory Board's (SAB) cost control mechanism and the outcome of several consultations or Government decisions, including a consultation on the frequency of the Local Government Pension Scheme valuation cycles). Whilst the Actuary has reviewed the level of additional prudence in the discount rate in the context of these outstanding matters, the valuation has been completed on the basis of the known benefit structure as at 31 March 2019.

## Timetable

3. The table below shows the progress against the key valuation milestones.

Milestone	Date	Status
<b>Data Submission</b>	12/08/2019	Complete
<b>Data Validation</b>	12/08/2019	Complete
<b>Resolution of data queries</b>	12/08/2019	Complete
<b>Clean data sign off</b>	30/08/2019	Complete
<b>Compass (Asset Liability) Modelling</b>	02/09/2019	In progress
<b>Provision of initial Whole Fund results</b>	04/10/2019	Complete
<b>Provision of initial individual employer results</b>	04/10/2019	In progress
<b>Finalisation of employer results</b>	29/02/2019	
<b>Final valuation report – Regulatory Requirement</b>	31/03/2020	

## Amendments to the Funding Strategy Statement

4. The purpose of the Funding Strategy Statement is to set out the Administering Authority's approach to funding its liabilities and how employer liabilities are measured (the value of the benefits to be paid to members), the pace at which these liabilities are funded (the balance between investment risk and the level of contributions required) and how employers or pools of employers pay for their own liabilities. The FSS is reviewed in detail at each valuation or between valuations for any minor amendments required reflecting regulatory changes or alterations to the way the Scheme operates.
5. At their meeting in July 2019 the Pension Panel:
- a. Considered the feedback from Employers relating to the draft Funding Strategy Statement.
  - b. Agreed the current version of the Funding Strategy Statement as the approach assumed by the Actuary when calculating employer liabilities and determining the pace at which these liabilities are funded.
  - c. Agreed that further minor changes to the document can be made by the Director of Finance and Support Services in consultation with the Chairman, with any material changes to be brought back to the Pension Panel.
6. In the absence of guidance the following wording will be added to the FSS in relation to the McCloud judgement:

*The Actuary has reserved additional prudence within the discount rate which can be adjusted to deal with the Government's response to the McCloud judgement as required.*

7. In addition the Pension Fund has commissioned the Actuary to prepare a paper covering the following areas which will be impacted by the McCloud judgement:
- Employer contribution rates
  - New academy asset allocation
  - Cessation valuations
  - Ongoing funding positions
  - New contractor asset allocation
  - Other new employer asset allocation
  - Accounting reporting
  - Bulk transfers
8. No further amendments are proposed at this stage although the Strategy will need to be updated for the financial and demographic assumptions applied.

### Whole of fund results

9. The table below summarises the funding position of the Fund as at 31 March 2019 in respect of benefits earned by members up to this date (along with a comparison at the last formal valuation at 31 March 2016).

	31 March 2016	31 March 2019
<b>Past Service Liabilities</b>		
Employees	1,099	1,277
Deferred Pensioners	620	971
Pensioners	1,425	1,672
Total	3,144	3,919
<b>Assets</b>	2,986	4,374
<b>Surplus / (Deficit)</b>	(158)	455
<b>Funding Level</b>	95%	112%

10. The improvement in funding level between 2016 and 2019 is primarily due to strong financial market experience (returns over the period were 44.7% compared to the Actuary's assumption of 11.9%).
11. The initial minimum contributions to be paid by each employer will be calculated by the Actuary in advance of November 2019.

### **Employer covenant work**

12. PWC have been commissioned by the Actuary as part of the valuation work to consider the broad employer groupings within the FSS (scheduled employer, admitted body with guarantor, admitted body without guarantor) and whether there are any particular employer risks which the Fund needs to be aware of. PWC will also assist officers with developing a framework for reviewing employer risk between valuations.
13. The Actuary and officers met with PWC in early October to consider their initial findings.

### **Compass (Asset Liability) Modelling**

14. The Actuary has been commissioned to model the Fund's investment and contribution strategies to ensure that they remain appropriate and highlighting issues for consideration in the future, such as addressing Environmental Social and Governance issues in a more direct way, the suitability of the asset classifications and the sustainability of contribution strategies.
15. The outcomes will be presented to the Pension Panel at their meeting in January 2020.

**Katharine Eberhart**  
**Director of Finance and Support Services**

**Contact:** Rachel Wood (0330 222 3387 | [rachel.wood@westsussex.gov.uk](mailto:rachel.wood@westsussex.gov.uk))

## **Pension Panel**

**25 October 2019**

### **Business Plan Update**

#### **Report by Director of Finance and Support Services**

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#### **Summary**

The Pensions Panel approved its Business Plan for 2019/20 when it met on 29 April 2019.

The Panel will receive an update on progress against the Business Plan objectives, details impact on risk (where applicable) and proposes actions each quarter.

#### **Recommendation**

That the updates to the Business Plan are noted.

#### **Background**

1. The Business Plan sets out the aims and objectives of the fund over the coming year, its core work and how the objectives will be achieved.
2. The Pensions Panel approach, historically, has been to review its business plan annually at the start of the year and consider the risks faced by the Fund. A report based on any emerging key business issues, any issue with the highest levels of risk identified, any area of concern with administration performance or any other matter the Director of Finance Performance and Procurement wishes to bring to the attention of the Panel is then provided to the Panel each quarter.
3. The Fund's overarching objectives are set out below:
  - **Governance:** Act with integrity and be accountable to stakeholders for decisions, ensuring that they are robust, and well based, ensuring sound governance, risk management and compliance and that the management of the Fund is undertaken by people who have the appropriate knowledge and expertise.
  - **Investments and Funding:** To maximise returns from investments within reasonable risk parameters and with clear investment decisions based on a prudent long term funding priorities given the preference to keep employer contribution rates are reasonably stable where appropriate.
  - **Administration and Communication:** Deliver a high quality administration service to all stakeholders with processes and procedures to ensure that the Fund receives all income due and payments are made to the right people at the right time, clear communication and robust accounting and reports.

**Update on Business Plan Priorities – Q2**

4. The table below provides an update on the Business Plan Priorities for 2019/20.

	<b>Area</b>	<b>Update</b>
<b>a)</b>	Pension Administration (including Employer data quality)	<p>Hampshire Pension Services have published Annual Benefit Statements for active and deferred members by the statutory deadline. Work is now underway between Hampshire Pension Services and West Sussex County Council to agree and implement plans for data quality improvement and to consider the findings from the Pension Regulators 'deep dive' with other Administering Authorities (a summary of which has been appended (Appendix A)).</p> <p>A detailed update is provided elsewhere on the agenda.</p>
<b>b)</b>	Reconciliation to HMRC of GMP (Guaranteed Min Pension)	Officers are continuing to work with specialist reconciliation team.
<b>c)</b>	Annual Report and Accounting	The Annual Report and Accounts have been published on the Pension Fund's website prior to the 31 December 2019 deadline. The final Auditor letter will be considered by the County Council's Regulation, Audit and Accounts Committee at their meeting on 4 November 2020 following external audit work by Ernst & Young.
<b>d)</b>	GDPR	The County Council currently has a Data Sharing Agreements with 67% of the Fund employers. Further reminders will be sent employers during the next quarter.
<b>e)</b>	Investment Strategy	Following the Pension Panel's agreement to consider further investment in infrastructure and private debt investments via a market search, officers have engaged with the County Council's procurement team to determine the appropriate route.
<b>f)</b>	Working collaboratively on the ACCESS Pool and working at Fund level to reflect the addition of the ACCESS Pool	The ACCESS Joint Committee met on 9 September 2019. A detailed update is provided elsewhere on the agenda.
<b>g)</b>	ESG	Officers are working to develop the reporting on ESG.



	<b>Area</b>	<b>Update</b>
<b>h)</b>	Custodian transition	Complete.
<b>i)</b>	2019 valuation preparation	The draft Funding Strategy Statement has been consulted. Data has been provided to the Actuary and employer meetings are scheduled for October and November to provide initial results, with further engagement opportunities prior to March 2020.
<b>j)</b>	Work by the Scheme Advisory Board	Initial Good Governance findings presented in July 2019. A summary is included as Appendix B. SAB has formed two working groups to put forward options for implementation which officers will consider.

### **Risks**

5. The Risk Register includes a risk relating to the political environment (locally or nationally) which impacts on investment markets and legislative requirements. The likelihood of this is considered to have increased due to inactivity in relation to various potential benefit changes and the delay to the Government's pooling consultation.
6. The Risk Monitor is included in Appendix C.

### **Training**

7. A Training Strategy has been established to aid the Pension Panel and Pension Advisory Board members in performing and developing personally in their individual roles and to equip them with the necessary skills and knowledge to act effectively in line with their responsibilities.
8. Training completed by the Panel and appropriate future training events are shown in Appendix D.

### **Katharine Eberhart Director of Finance and Support Services**

Contact: Rachel Wood, Pension Fund Strategist (0330 222 3387)

### **Appendices**

Appendix A - Sixty Second Summary TPR Headline Conclusions  
Appendix B - Scheme Advisory Board Good Governance Survey  
Appendix C - Risk Register  
Appendix D - Training Register

### **Background Document**

The Pension Regulators Report -

<https://www.thepensionsregulator.gov.uk/en/document-library/research-and-analysis/governance-and-administration-risks-in-public-service-pension-schemes-an-engagement-report#0beb0d2047954672b2a73de451ef7eab>

Good Governance report – <http://www.lgpsboard.org/images/PDF/GGreport.pdf>

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# Sixty second summary

## TPR headline conclusions:

- TPR recognises that not all funds are the same and there are equally valid approaches to the mitigation of risk across LGPS funds
- Clear benefits to the operation of LGPS funds when there is an engaged s.151 (E&W) or s.95 (Scotland) officer who is directly involved
- Robust internal controls and risk management are required to ensure the scheme is administered and managed in accordance with scheme rules and the wider requirements of the law
- Good quality data and record keeping underpins a successful LGPS fund

## TPR 'deep dive'

Back in Autumn of 2018, The Pensions Regulator (TPR) announced plans to conduct engagement sessions with 10 LGPS funds throughout the latter half of 2018 and into summer 2019. These sessions were sparked as TPR identified a slowdown in improvements across LGPS funds and wanted to gain a better understanding of the reasons for this. The reviews were to be completed at a high level and were, in the main, based on the Code of Practice 14: Governance and administration of public service pension schemes. Each Fund completed 5 meetings with TPR on various risk areas:

- Administration, data and communication
- Internal controls and complaint handling
- Contributions, employer compliance and funding affordability
- Pension Board knowledge and understanding, relationship between Board and Scheme manager and conflicts of interest
- Fraud, mitigation of scams and cyber security

These meetings gave TPR a strong insight into current governance and administration practice and standards at LGPS funds. In order to be "Regulator ready", our recent 60 Second Summary suggested focus needs to be placed on the 3 P's – Policies, Processes and People. This messaging has been backed up in the findings set out in TPR's recently published engagement report which covers feedback from its meetings with the 10 LGPS funds.

**Conclusions of TPR engagement – lots for funds to consider and action**

As part of the recent Good Governance project we undertook on behalf of the SAB, there is recognition that a universal structure and mandated policies and processes may hinder, rather than help, good outcomes at LGPS funds. This is reflected in TPR's findings, where it is recognised that one size does not fit all. They also recognise that an engaged s.151 officer leads to better run funds. Even so, as you might expect, a number of recommendations are made across each element covered as part of TPR's engagement with funds, and the key points are summarised below.

**Record keeping** – accuracy of member data should be measured correctly, regularly reviewed and, importantly, understood by the scheme manager and pension board. Ensuring you have an administration strategy in place can assist in clearly setting out roles and responsibilities and consequences of non-compliance.

**Internal controls** – while taking a holistic view of risk funds should have a risk register in place, that should be regularly reviewed by the pension board. Funds should also record all internal controls and processes, reducing the possible impact of key-person risks

**Administrators** – whether in-house or outsourced, performance targets should be agreed, measured and if required challenged if not met. Funds should have an open dialogue with the service provider to monitor performance.

**Member communication** – ensure all communication is clear, precise and free from jargon. Consideration should also be given to measuring the effectiveness of all material, to ensure it is understood by the audience.

**Internal dispute resolution** – information on the dispute process should be easily available for those who might use it. Funds should have a policy on dealing with complaints, with the pension board having regular oversight on them, along with their outcomes. Learning lessons from complaints, and compliments, should be used as a means of improving the service.

**Pension Boards** – funds should ensure individual training plans are in place and ensure appropriate training is available and, importantly, attended. A process should exist for dealing with ineffective pension board members.

**Employers and contributions** – funds should have a greater understanding of the financial position of their participating employers. Reviewing strength of covenant should be considered more regularly than at each formal valuation. An admissions and cessation policy can help in managing the introduction of new employers, security required and dealing with employers when they exist the scheme.

**Cyber security** – funds should put this on their risk registers, carry out penetration testing and not rely solely on Local Authority security processes and systems.

**Internal fraud and false claims** – funds should ensure procedures are in place to minimise the risk of fraud, including the actions to be taken where a fraud has been uncovered.

Conclusion

TPR's findings continue the theme and trends that we hear daily from LGPS funds – their push to improve their Policies, Processes and People. It is pleasing TPR confirms that many of the governance and administration conversations and actions happening in the LGPS are heading in the direction expected of them, although there is always room for further improvement.

**Andrew McKerns** Benefits and Governance Consultant

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## **Scheme Advisory Board Good Governance Survey**

In February 2019 the Scheme Advisory Board (SAB) commissioned Hymans Robertson to facilitate a consultation on Good Governance structures for the LGPS. Hymans issued a survey to all stakeholder groups and fund types throughout April and May. The Pension Advisory Board received a report on the survey at their meeting in May.

Hymans presented their findings to the SAB on 8 July and SAB published the report on the 31 July. The report is summarised below.

### **Findings**

The results show that improved practice and greater ringfencing of pension fund management are preferred to creating a new joint committee for decision making or creating a separate legal entity to carry out the pension function.

There was also an almost unanimous view that a single model of LGPS governance should not be imposed on all funds and that one size does not fit all. The training requirement of Pension Committee/Panel members should be mandated to be the same as Pension Board members.

There was strong support for the professionalism of s151 officers and the role they play but felt that statutory/fiduciary clarity would be useful. There was also a sense that conflicts were managed well but that there needed to be a better distinction between the employer and the administering authority role within Councils.

### **Proposals**

Hymans have made a number of proposals –

1. **Outcomes based approach** to LGPS governance rather than a prescribed governance structure. This would involve a consultation from SAB regarding desirable features and attributes of LGPS governance, what outcomes governance arrangements should be expected to deliver and how this can be evidenced by administering authorities. Once identified this should be set out in statutory MHCLG guidance.
2. The **critical features of the outcomes based model** Hymans recommend are mandatory include –
  - a. **Robust conflict management** including a published conflicts policy, protocols for setting and managing budgets, schemes of delegations and documented roles and responsibilities of elected members on s101 committees, s151 officers and pension fund officers.
  - b. **Assurance administration and other resource sufficient to meet regulatory requirements and budget appropriate** including a transparent budget setting and managing process, possibly using market supplements to attract and retain staff who should not be tied to council staffing policies such a recruitment freezes. This could be evidenced by benchmarking, internal or external audit or using the Pension Board with appropriate expert advice.

- c. Explain policy on employer and member engagement and representation in governance. Currently employer and member representation should be encouraged but not compelled. Decisions on the approach to member representation should remain at a local level but administering authorities should explain their approach.
  - d. Regular independent review of governance to assess the effectiveness of administering authority's governance arrangements. This could be done by internal or external audit, Pension Board scrutiny or a peer review process.
3. **Enhanced training requirements** for all s151s and s101 committee members. This is to include all s151 officers and not just those with current administering authority responsibility. Hymans suggest that CIPFA develop a CPD model for s151 officers and that SAB/MHCLG issue guidance to require s101 committees to have the same level of training as Pension Boards.
  4. **Update relevant guidance and provide better signposting.** This will provide greater clarity to officers and elected members on their statutory and fiduciary responsibilities. There are currently a few of documents that are out of date and pre date the involvement of the Pensions Regulator and therefore Hymans recommends that CIPFA and MHCLG review and update their guidance.

### **Next steps**

The Scheme Advisory Board has invited the Hymans Robertson project team to assist the Secretariat in taking forward the next stage of the good governance project. Two working groups will be established, one to focus on defining good governance outcomes and the guidance needed to clearly set them out and the other to focus on options for the independent assessment of outcomes and mechanisms to improve the delivery of those outcomes. Both groups will comprise a wide range of scheme stakeholders to ensure a full range of views and options are considered. The aim is for an options report to be ready for the Board's consideration when it meets in November. Any proposals agreed by the Board would be subject to a full stakeholder consultation before being put to MHCLG.



## Risk Register

<b>Risk Theme</b>	<b>Action</b>
Insufficient funds to meet liabilities resulting in increased contributions required from employers or changing to a higher risk investment strategy	Prudent assumptions adopted by the Fund Actuary. Monitor, maintain and review the Investment Strategy Statement and Funding Strategy Statement. Regularly review investment performance and funding levels.
Insufficient resources to comply with the Administering Authority's Regulatory responsibilities.	Develop and monitor Business Plan on a regular basis. Ensure service contracts are clearly specified and obligations met.
Poor quality data resulting in error and misstatement.	Develop and implement a Data Improvement Plan. Maintain robust accounting records.
Officer, Panel and Board knowledge and understanding resulting in poor decision making and disengagement on key issues.	Develop, implement and monitor a Training Strategy.
Performance of the Fund's assets creates volatility and pressure on employer contribution rates.	Monitor, maintain and review the Investment Strategy Statement and Funding Strategy Statement. Clear Investment Management Agreements in place. Regularly review investment performance and funding levels. Consideration of Environmental, Social and Governance issues on the performance of the portfolio.
The introduction of asset pooling impacts on the Fund's ability to implement its investment strategy successfully or the Administering Authority is considered to not comply with the relevant statutory guidance.	Continued strong involvement in the work of the ACCESS Group at officer and at Fund Chairman level.
Change to payroll and pension admin provider resulting in incomplete or inaccurate data being transferred and stakeholders not adopting new requirements.	Well defined project which is robustly managed including appropriate due diligence and testing throughout the project. Clear communication with stakeholders during project and as part of business as usual.
Failure to secure value for money through managing contracts with third parties	Strong contract management Compliance with procurement requirement and standing orders for provision of services to the Fund.
Political environment (locally or nationally) impact on investment markets and legislative requirements.	Work closely with investment managers, other suppliers and advisers to understand potential impacts and responses. Develop, implement and monitor a Training Strategy.
Conflict of interest for members and employers	Clearly defined roles and responsibilities for those working for the Pension Fund. Maintenance of Conflict of Interest policy and register by the County Council.
Increase in variety and number of employers participating in the Scheme resulting in risk of non-compliance with obligations.	Clear Admission Agreements in place. Guidance published and reviewed relating to the Scheme requirements. Proactive engagement with employers.
Cyber crime resulting in personal data for members being accessed fraudulently.	Strong IT environment for administration system and web-based Portals.

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## Training Register

Training	Trainer	Date	David Bradford	Joy Dennis	Brian Donnelly	Roger Elkins	Jeremy Hunt	Nigel Jupp	Judith Taylor	Deborah Urquhart	James Walsh
Local Authority Governance	PLSA	13 - 15 May 2019		✓							
Financial Statements 2018/19	WSCC	13 June 2019		✓	✓	✓	✓	✓			✓
Introduction to the LGPS	CIPFA	25th September 2019						✓			
ACCESS Investor Day	Link	16 October 2019	✓					✓	✓		
LGPS Governance Training Fundamentals - Day 2	LGA	06 November 2019					✓				
LGPS Governance Training Fundamentals - Day 3	LGA	18 December 2019					✓				
Baillie Gifford: LGPS training & Investment Seminar	Baillie Gifford	9-10 October 2019	✓				✓	✓	✓		✓
Local Authority update	PLSA	12 November 2019		✓				✓	✓		
Annual LGPS Governance Conference	LGA	23 - 24 January 2020							✓		
2020 Aberdeen Standard Investments Global Investment Forum	Aberdeen Standard	6 February 2020					✓	✓			
Local Authority Conference	PLSA	18-20 May 2020							✓		

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## **Pension Panel**

**25 October 2019**

### **Equitable Life transfer to Utmost Life and Pensions (AVCs)**

#### **Report by Director of Finance and Support Services**

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#### **Summary**

LGPS administering authorities are legally obliged to provide access to an in-house Additional Voluntary Contribution (AVC) arrangement for their members.

The County Council has a legacy AVC arrangement with Equitable Life (from 2001) and in June 2018 Equitable Life announced that it had entered into an agreement to transfer its business to Utmost Life.

The County Council is now required to vote on the Scheme on behalf of the 79 members with historical AVCs with Equitable.

Hymans Robertson have been commissioned to consider the options.

#### **Recommendation**

That the Panel agree to approve the Scheme and Change to the Articles.

#### **Background**

1. LGPS administering authorities are legally obliged to provide access to an in-house Additional Voluntary Contribution (AVC) arrangement for their members.
2. The West Sussex Pension Fund entered into arrangements with Equitable Life as an AVC provider until 2001, when Equitable Life announced it would not write any new business. Whilst the Pension Fund put in place alternative arrangements with Standard Life, 79 members still hold historical AVCs with Equitable.

#### **Equitable Life transfer to Utmost Life and Pensions (AVCs)**

3. On 15 June 2018, Equitable Life announced that it had entered into an agreement to transfer its business to Utmost Life and Pensions (previously Reliance Mutual). A communication was sent to members to alert them to the change in April 2019.
4. In August 2019, Equitable Life wrote to all the LGPS administering authorities affected by the transfer to advise them that as both 'Scheme Policy Holders' and 'Eligible Members' they are able to vote on two matters:

<b>Voting matter</b>	<b>Impact</b>	<b>Context</b>
To approve the Scheme	This would increase with-profits investments with an immediate one-off 'Uplift', remove any investment guarantees and convert with-profits policies to unit-linked investments	<p>Scheme Policyholders cannot choose to opt out of the Scheme transfer.</p> <p>The Scheme will only go ahead if the statutory majorities are obtained in the vote on the Scheme (50% of the Scheme Policy holders which represents 75% or more of the total Voting Value of the Scheme).</p>
To Change the Articles	This would make Utmost the Equitable Life's only Member.	<p>The Change to the Articles requires approval of at least 75% of the votes cast.</p> <p>If the Change to the Articles is not passed the Scheme will not be implemented.</p>

5. Administering authorities are also able to object to the transfer of Equitable Life's business to Utmost Life and Pensions.

**Administering Authority responsibilities**

6. The Local Government Association have provided advice on the role of the Administering Authority in the context of the Equitable vote which is summarised as:
  - an Administering Authority is entitled to vote
  - the Administering Authority has a duty to secure that the value of additional benefits from AVCs is 'reasonable' having regard to the amount of the voluntary contributions and the value of other scheme benefits
  - it is for Administering Authority's to determine how they exercise their votes; they cannot and must not abdicate their responsibility in this regard
  - an Administering Authority must not allow themselves to be dictated to by Scheme members
  - Administering Authority's will not generally be liable if they act reasonably.
  - communication with scheme members would be prudent (for the reasons set out in the opinion).

**Advice and Recommendation**

7. Advice has been commissioned from Hymans Robertson to inform the vote cast (or split of votes) on behalf of West Sussex County Council and its members. Their report has been appended (Appendix A – Restricted).
8. On this basis the recommendation is that the Fund should vote in favour of the two resolutions.
9. The deadline for the receipt of postal and online votes is 10am on 30 October 2019.

**Katharine Eberhart  
Director of Finance and Support Services**

Contact: Rachel Wood, Pension Fund Strategist (0330 222 3387)

**Appendices – Part II for members of the Panel only**

Appendix A - Hymans Robertson Trustee Report

Appendix B - Hymans Robertson Officer Report

**Background papers**

Legal opinion on legal framework -

<http://lgpslibrary.org/assets/opinions/201909Equitable.pdf>

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## **Pension Panel**

**25 October 2019**

### **Pension Administration Performance**

#### **Report by Director of Finance and Support Services**

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#### **Summary**

Hampshire Pension Services provide Pension Administration, on behalf of West Sussex County Council, to the 79,210 active, deferred and pensioner members participating in the Local Government Pension Scheme.

An Administration Strategy has been agreed and is monitored. Current performance against service standards for key processes has been impacted due to legacy issues following the transfer. Issues identified are being used to inform a data improvement plan and the expectation is that this would reduce the legacy issues and improve the performance.

Annual Benefit Statements were provided to most active and deferred members by 31 August 2019, and were made available to members via the member portal, unless members had elected for a hard copy.

#### **Recommendations**

1. That the update on the Administration Performance is noted.
2. That the changes to the Administration Strategy are noted.
3. That the Breaches Policy is agreed.

#### **Background**

1. Hampshire County Council now provides the Pension Administration Service for West Sussex County Council. The administration team are based in Winchester and the County Council work closely with Hampshire County Council as our Pension Administration Partner.
2. The Pension Panel has a key objective within its Business Plan to deliver a high quality administration service to all stakeholders with processes and procedures to ensure that the Fund receives all income due and payments are made to the right people at the right time.
3. The table below summarises membership within the Scheme at the end of each month. Membership movements may vary more than expected whilst backlog and cleanse activities are completed.

	<b>July</b>	<b>Aug</b>	<b>Sept</b>
Active	30,038	30,255	29,807
Deferred	27,791	27,749	28,119
Pensioners	20,344	20,422	21,284
Total	78,173	78,426	79,210

**Performance**

4. The Pension Panel have agreed an Administration Strategy which sets out performance expectations for employers and the Administering Authority. The current performance against service standards for key processes (1 April to 30 Sept) are summarised below, and shown in detail in Appendix A. For the majority of cases the service standard is 15 working days.

	<b>Quarter 1</b>		<b>Quarter 2</b>		<b>YTD</b>	
	Total Cases	% Completed on Time	Total Cases	% Completed on Time	Total Cases	% Completed on Time
Active Retirement	113	98.2%	110	100.0%	223	99.1%
Deferred Retirement	166	89.2%	210	100.0%	376	95.2%
Estimates	417	68.3%	419	83.1%	836	75.7%
Deferred Benefits	274	50.7%	811	55.1%	1085	54.0%
Transfers in / out	18	50.0%	13	92.3%	31	67.7%
Divorce	57	59.7%	28	35.7%	85	51.8%
Refunds	100	92.0%	160	99.4%	260	96.5%
Rejoiners	36	66.7%	51	100.0%	87	86.2%
Interfunds	33	60.6%	38	23.7%	71	40.8%
Death Benefits	99	92.9%	135	98.5%	234	96.2%
Total	1,313		1,975		3,288	

5. It should be noted:

- The team have continued to ensure that processes resulting in payments to members or beneficiaries are prioritised

- The quarterly information includes the processing of 246 leaver forms received in March 2019 but which were not processed due to capacity. The timescales for completing this work is included within the Deferred Benefits performance, which is impacted as a result.
  - The continued 'backlog' and 'data quality' issues has been impacting performance. This was anticipated as part of the transfer and the Hampshire team are working with West Sussex officers on resourcing requirements. Issues identified are being used to inform a data improvement plan and the expectation is that this would reduce the legacy issues and improve the performance.
6. The Administration Strategy has also been updated to correct some erroneous service level timescales (15 working days rather than 10 working days in line with the delegation agreement), to include reference to the charging arrangements for estimates and remove references to the legacy administrator. An extract showing the changes has been included as Appendix B.

#### Breach Reporting

7. There are a number of statutory requirements within the Local Government Pension Scheme (LGPS) for which there is a statutory duty to report to the Pensions Regulator if a material breach occurs.
8. Officers have recently reviewed the breaches policy and a copy of the policy is available at Appendix C. There were no material changes made to the policy, other than to the format, to provide clarity in the process.
9. There has been a breach with regards to the production of annual benefit statements that is currently being investigated as to whether this is constituted as a material breach. More details are set out in the section below.

#### Key Milestones - Annual Benefit Statement

10. The statutory deadline for production of Annual Benefit Statements (ABS) is 31 August each year. Hampshire County Council produces these on the Funds behalf.
11. The team produced annual benefit statements for most members and these were made available via the member portal, unless members have elected for a hard copy.
12. For those members considered 'transitional' there is a need to work with employers to understand the member status and update the member record accordingly.
13. Since the ABS deadline further statements have bene produced.

14. Whilst the Fund has produced all records where it holds the necessary information, the non-production of annual benefit statements constitutes a breach in Regulations. This is being investigated, as to whether it constitutes as a material breach.

**Key Milestone - Pension Saving Statements**

15. The statutory deadline to produce Pension Saving Statements is 6 October each year. Hampshire Pension Services produce these on the Funds behalf.
16. The team have written to 35 members of the West Sussex LGPS who have exceeded their annual allowance for 2018/19.

**Member Portal Access**

17. LGPS members can register for a pensions account so that they can see their annual benefit statements online, as well as access and update their personal details. Pensioner members are able to view their payslips and P60s. The table below shows current registrations:

	Number	% of population
Active	6,184	20.8%
Deferred	2,131	7.6%
Pensioner	1,093	5.1%
Total	9,408	11.9%

18. A promotion of the Portal was included as part of the Annual Benefit Statements becoming available. This has seen an increase in registrations.

**Katharine Eberhart**  
**Director of Finance and Support Services**

**Appendices**

- Appendix A - Administration Performance
- Appendix B - Extract of Amendments to the Administration Strategy
- Appendix C - Reporting Breaches of the Law to the Pensions Regulator



## Administration Performance

1 April 2019 – 30 September 2019

The table below shows performance against the relevant targets for the three months during the quarter.

The table does not include:

- Periodic tasks such as the triennial valuation, publication of the Annual Benefit Statements, End of Year processes or notification of changes to Regulations.
- Response times to enquiries made by members (which has a five working day expectation, but with a requirement to keep members or employers informed if it will take longer to resolve) or change of member details.

	<b>April</b>		<b>May</b>		<b>June</b>		<b>Quarter 1</b>	
	<b>Total Cases</b>	<b>% Completed on Time</b>	<b>Total Cases</b>	<b>% Completed on Time</b>	<b>Total Cases</b>	<b>% Completed on Time</b>	<b>Total Cases</b>	<b>% Completed on Time</b>
<b>Active Retirement</b>	33	100.00%	29	100.00%	51	96.10%	113	98.20%
<b>Deferred Retirement</b>	35	94.30%	52	100.00%	79	79.80%	166	89.20%
<b>Estimates</b>	124	99.20%	144	39.60%	149	70.50%	417	68.30%
<b>Deferred Benefits</b>	17	100.00%	115	66.10%	142	32.40%	274	50.70%
<b>Transfers in / out</b>	2	50.00%	6	50.00%	10	50.00%	18	50.00%
<b>Divorce</b>	11	90.90%	35	51.40%	11	54.60%	57	59.70%
<b>Refunds</b>	42	100.00%	40	92.50%	18	72.20%	100	92.00%
<b>Rejoiners</b>	3	66.70%	12	58.30%	21	71.40%	36	66.70%
<b>Interfunds</b>	16	93.80%	2	0.00%	15	33.30%	33	60.60%

	April		May		June		Quarter 1	
	Total Cases	% Completed on Time	Total Cases	% Completed on Time	Total Cases	% Completed on Time	Total Cases	% Completed on Time
<b>Death Benefits</b>	27	100.00%	28	100.00%	44	84.10%	99	92.90%
<b>Total</b>	<b>310</b>		<b>463</b>		<b>540</b>		<b>1,313</b>	

	July		August		September		Quarter 2		YTD	
	Total Cases	% Completed on Time	Total Cases	% Completed on Time	Total Cases	% Completed on Time	Total Cases	% Completed on Time	Total Cases	% Completed on Time
<b>Active Retirement</b>	21	100.00%	41	100.00%	48	100.00%	110	100.00%	233	99.1%
<b>Deferred Retirement</b>	77	100.00%	81	100.00%	52	100.00%	210	100.00%	376	95.2%
<b>Estimates</b>	186	66.13%	130	99.23%	103	93.20%	419	83.05%	836	75.7%
<b>Deferred Benefits</b>	143	35.66%	139	81.29%	529	53.50%	811	55.12%	1085	54.0%
<b>Transfers in / out</b>	1	100.00%	7	100.00%	5	80.00%	13	92.31%	31	67.7%
<b>Divorce</b>	18	38.89%	5	20.00%	5	40.00%	28	35.72%	85	51.8%
<b>Refunds</b>	58	100.00%	31	100.00%	71	98.59%	160	99.37%	260	96.5%
<b>Rejoiners</b>	10	100.00%	14	100.00%	27	100.00%	51	100.00%	87	86.2%
<b>Interfunds</b>	22	18.18%	13	15.38%	3	100.00%	38	23.68%	71	40.8%
<b>Death Benefits</b>	40	100.00%	50	96.00%	45	100.00%	135	98.52%	234	96.2%
<b>Total</b>	<b>576</b>		<b>511</b>		<b>888</b>		<b>1,975</b>		<b>3,288</b>	

The table below shows outstanding work as of 30th September 2019. The time outstanding reflects the time from date of receipt of the initiating request, so includes time whilst cases are on hold pending further information;

Type of Case	Time Outstanding						Total
	0-5 days	6-10 days	11-15 days	16-20 days	21-30 days	31+ days	
Active Retirement	11	9	1	0	0	0	21
Deferred Retirement	11	4	1	0	1	1	18
Estimates	26	47	22	8	7	5	115
Deferred Benefits	99	64	94	127	139	343	866
Transfers In & Out	0	5	0	4	2	8	19
Divorce	1	4	2	10	7	18	42
Refunds	12	0	3	0	0	0	15
Rejoiners	13	4	6	4	0	0	27
Interfunds	14	12	11	14	27	131	209
Death Benefits	12	4	1	1	5	2	25
<b>GRAND TOTAL</b>	<b>199</b>	<b>153</b>	<b>141</b>	<b>168</b>	<b>188</b>	<b>508</b>	<b>1,357</b>

**Extract of Amendments to the Pension Administration Strategy (October 2019)**

The table below sets out the levels of performance which Scheme employers, their contractors and the administering authority are expected to achieve in carrying out their Scheme functions.

<b>Task</b>	<b>Scheme Employer (or their contractors) performance</b>	<b>Administering Authority (or their contractors) performance</b>
Divorce Estimates		<p>The Administering Authority will provide estimates/actuals for pension sharing provided during the year within 15 working days of receiving all necessary information.</p> <p><u>The Administering Authority charges for estimates in accordance with its Pension Administrators estimates policy</u>  <a href="https://www.hants.gov.uk/hampshire-services/pensions/local-government/employers/forms">https://www.hants.gov.uk/hampshire-services/pensions/local-government/employers/forms</a></p>
Death Benefits	Notification must be provided to the Administrator within 5 working days of the death of the member.	<p>The Administering Authority will:</p> <ul style="list-style-type: none"> <li>• acknowledge in writing the death of a member enclosing claim forms to the informant or next of kin within 5 working days of being notified of the death.</li> <li>• Supply survivor beneficiaries with notification of their entitlements including the method of calculation within 15 working days of all the information being received.</li> <li>• pay any death grant due within <del>10</del> <u>15</u> working days of receipt of all necessary paperwork to be able to produce the calculation (this includes Grant of Probate or Letters of Administration).</li> </ul> <p>As agreed by exception in certain circumstances (e.g. hardship cases)) the timescale can be contracted</p>

<b>Task</b>	<b>Scheme Employer (or their contractors) performance</b>	<b>Administering Authority (or their contractors) performance</b>
<p>Provision of the LGPS Employee Guide to all new employees</p>	<p>An employer must ensure that all new employees eligible to join the Local Government Pension Scheme (LGPS) receive a copy of the Employee Guide to the Scheme within two months of becoming employed.</p> <p>The Employee Guide can be found on the Fund's website.</p>	
<p>New Starter including for Bulk Transfer In</p>	<p>New Starter form to be provided within 10 working days following the end of the month in which the employee joined the LGPS.</p> <p>A member may elect to transfer other pensions into the Scheme by completing the necessary form within 12 months of joining.</p> <p>The Employer should notify the Administering Authority as soon as they identify that a bulk transfer is likely to take place.</p>	<p>The Administering Authority will set up a member record within 20 working days of receipt of the new starter form.</p> <p>Where a member transfers in other pension benefits the Administering Authority will update the members pension record and issue member with statutory notification with relevant details within <del>10</del> <u>15</u> working days of confirmation that the payment from the other pension scheme has been allocated to the pension fund.</p> <p>For bulk transfers, the performance level will be agreed between the Administering Authority, its Actuary the Administrator and the Predecessor Scheme on a case by case basis.</p>

Task	Scheme Employer (or their contractors) performance	Administering Authority (or their contractors) performance
Retirement Estimates	<p>The Employer must provide estimated pensionable pay details within 10 working days of the members' request.</p> <p>Employers may consider a previous years pay may be more beneficial to the member and should provide such information if necessary.</p>	<p>In line with the Employer Estimate Policy the Administrator will provide the retirement estimate within 15 working days of receipt of accurate pensionable pay details from an employer.<sup>1</sup></p> <p><u>The Administering Authority charges for estimates in accordance with its Pension Administrators estimates policy</u>  <a href="https://www.hants.gov.uk/hampshire-services/pensions/local-government/employers/forms">https://www.hants.gov.uk/hampshire-services/pensions/local-government/employers/forms</a></p>
Year End Information	<p>The employer (or their payroll contractor / agency for whom the employer is responsible) shall provide <del>Capita</del> <u>the administrators</u> with year-end information as at 31 March each year in the notified format no later than 30 April.</p> <p>The information should distinguish those amounts representing deductions for voluntary contributions and the employees paying those voluntary contributions.</p>	<p>The Administering Authority will request information and provide specification to employers not later than the end of <del>the first week in</del> March. A reminder will be sent out 10 working days before the due date of 30 April.</p>

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<sup>1</sup> In addition to online functionality employers can request a maximum of two estimates per employee in any 12 month period. Additional estimates provided to employers, subject to a separate administration charge. A member is restricted to one estimate in any 12 month period (in addition to their annual benefit statement).

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## Reporting Breaches of the Law to the Pensions Regulator

### Background

In April 2015 the Pensions Regulator (the Regulator) published its Code of Practice no 14 (the Code) covering Governance and Administration of Public Service Pension Schemes.<sup>1</sup>

This document sets out the procedure established to ensure that those with a responsibility to make reports are able to meet their legal obligations by describing the procedure for the West Sussex LGPS and relates to all of the Fund's areas of operation.

### A Breach

There are a number of statutory requirements within the Local Government Pension Scheme (LGPS) for which there is a statutory duty to report to the Pensions Regulator if these are not complied with, i.e. a breach occurs. The objective is to:

- protect the benefits of pension scheme members
- promote, and improve understanding of, the good administration of work-based pension schemes;
- maximise compliance with the duties and safeguards of the Pension Act 2008;
- minimise any adverse impact on the sustainable growth of an employer (in relation to the exercise of the regulator's functions under Part 3 of the Pensions Act 2004 only) it therefore carries great weight in relation to pension Funds complying with their responsibilities under the above legislation.

Examples of breaches have been set out in Annex 1 and the Highlight report template is set out in Annex 2.

### Reporters

Certain people are required to report breaches to the Pensions Regulator ("the Regulator") where they have reasonable cause to believe that a legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with and the failure to comply is likely to be of material significance to the Regulator in the exercise of any of its functions.

People who are subject to the reporting requirement ('Reporters') for public service pension schemes are:

- scheme managers;
- members of the pension board (meaning, in the case of the WSPF, the Local Pension Advisory Board);
- any person who is otherwise involved in the administration of the Fund;
- employers, and any participating employer who becomes aware of a breach should consider their statutory duty to report, regardless of whether the breach relates to, or affects, members who are its employees or those of other employers;

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<sup>1</sup> [Pensions Act 2004 –section 70\(1\), 70\(1\) \(a\) to \(e\), 70\(2\) and 70\(2\)\(a\) // Section 90A - Inserted by Schedule 4 of Public Service Pensions Act 2013](#)

## Agenda Item 10

### Appendix C

- professional advisers including auditors, actuaries, legal advisers and fund managers; and
- any person who is otherwise involved in advising the managers of the scheme in relation to the scheme.

The statutory duty to report a breach of the Law or Regulations overrides any other duties a Reporter may have such as confidentiality but does not mean that oral and written communications between a professional legal adviser and their client, or a person representing that client, while obtaining legal advice, must be disclosed (legal privilege).

Process for notifying, considering and reporting (suspected) breaches

The table below sets out the process followed for notifying, considering and reporting a (suspected) breach.

1.	<p>A Reporter should notify the Principal Pensions Consultant (Administration and Employers) of a suspected breach in a timely and expedient manner.</p> <p>Tara Atkins, Principal Pensions Consultant (Administration and Employers) Room 216, East Wing, County Hall, Chichester, PO19 1RG 0330 222 8787 <a href="mailto:tara.atkins@westsussex.gov.uk">tara.atkins@westsussex.gov.uk</a></p> <p>In the absence of the Principal Pensions Consultant (Administration and Employers) a Reporter should notify the Pension Fund Strategist</p> <p>Rachel Wood, Pension Fund Strategist Room 216, East Wing, County Hall, Chichester, PO19 1RG 0330 222 3387 / 07540 641821 <a href="mailto:rachel.wood@westsussex.gov.uk">rachel.wood@westsussex.gov.uk</a></p>
2.	<p>The Principal Pensions Consultant will consider whether there is reasonable cause to believe that a breach has occurred and will investigate.</p> <p>In cases of potential dishonesty or suspected fraud checks which might alert those implicated or impede the actions of the police or a regulatory authority should be avoided.</p>
3.	<p>If the Principal Pensions Consultant determines that a breach has occurred it should be logged and actively managed by the Principal Pensions Consultant.</p>

4.	<p>The Principal Pensions Consultant will need to be notified of the proposed response to the breach.</p> <p>In all cases this should include the action taken to investigate and correct the breach, what steps have been put in place to minimise the risk of it happening again, how many members have been affected and whether those members have been notified of the breach.</p>
5.	<p>Once the relevant steps above have been taken the Principal Pensions Consultant should consider whether the breach should be considered material taking into account:</p> <ul style="list-style-type: none"> <li>• the cause of the breach (dishonesty, poor governance or administration, slow or inappropriate decision making practices, incomplete or inaccurate advice and acting or failing to act in deliberate contravention of the law are all considered to be of material significance by the Regulator);</li> <li>• the effect of the breach including, any other breaches occurring as a result of the initial breach and the effects of those resulting breaches should also be taken into account.</li> <li>• the response to the breach (e.g. whether prompt and effective action is taken to investigate and correct the breach to a proper conclusion in order to minimise the risk of recurrence and if affected scheme members have been notified).</li> <li>• the wider implications of the breach (e.g. whether it is more likely that other breaches will emerge in the future).</li> <li>• other reported and unreported breaches of which they are aware (although historical information should be considered with care)</li> </ul>
6.	<p>If a breach is considered to be material breach a recommendation will be made to the Scheme Manger. The report must include:</p> <ul style="list-style-type: none"> <li>• Full name, address and registry number of the Fund;</li> <li>• Breach date and any relevant dates;</li> <li>• Description of the breach or breaches (and the reason the breach is thought to be of material significance to the Regulator);</li> <li>• Whether the breach has been rectified and the steps taken to rectify the breach;</li> <li>• Name of the employer or scheme manager (where known);</li> <li>• Name, position and contact details of the Reporter; and</li> <li>• Role of the Reporter in relation to the Fund.</li> </ul>

7. The Scheme Manager will then determine whether, in their opinion, the breach is of material significance.

If the breach is considered to be of material significance to the Regulator, the Pensions Regulator must be informed and necessary responses and information will be provided.

### Periodic Reporting

A highlight report showing all breaches will be provided to the Director of Finance, Corporate Resources and Services, and the Director of Law, Assurance and Strategy (the Scheme Manager) on a quarterly basis based on the Pension Regulators "traffic light system":

- Red breaches must be reported to the Pension Regulator;
- Amber breaches are less clear cut: and judgement is needed to decide whether it needs to be reported;
- Green breaches do not need to be reported to the Pension Regulator

A version of the report will be provided to the Pension Panel and Pension Advisory Board.

### Whistleblowing protection and confidentiality

When a breach is reported, the Regulator will do his best to protect a Reporter's identity (if desired) and will not disclose this information except where lawfully required to do so. This is in addition to protection for employees making a whistleblowing disclosure to the Regulatory under the Employment Rights Act 1996 (ERA).

Where individuals employed by firms or another organisation having a statutory duty to report disagree with a decision from their employer not to report to the Regulator, they may have protection under the ERA if they make an individual report in good faith. The Regulator expects such individual reports to be rare and confined to the most serious cases.

The County Council's whistleblowing policy can be found in its [Constitution](#).<sup>2</sup>

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<sup>2</sup> <https://www.westsussex.gov.uk/about-the-council/how-the-council-works/constitution/>

Example of breaches

The following table shows examples of potential breaches, set out using a traffic light system. These examples are not exhaustive and are illustrative only:

As each breach of law will have a unique set of circumstances, there may be elements which apply from one or more of the red, amber and green sections. Judgement should be used to determine which overall reporting traffic light the breach falls into.

Note: Red breaches must be reported to the Pension Regulator, Amber breaches are less clear cut: and judgement is needed to decide whether it needs to be reported and Green breaches do not need to be reported to the Pension Regulator

<b>Knowledge and understanding required by pension board members</b>				
<b>Example scenario: The scheme manager has breached a legal requirement because pension board members failed to help secure compliance with scheme rules and pension law.</b>				
<b>Potential investigation outcomes:</b>				
	<b>Cause</b>	<b>Effect</b>	<b>Reaction</b>	<b>Wider implications</b>
● Red	Pension board members have failed to take steps to acquire and retain the appropriate degree of knowledge and understanding about the scheme’s administration policies	A pension board member does not have knowledge and understanding of the scheme’s administration policy about conflicts of interest. The pension board member fails to disclose a potential conflict, which results in the member acting improperly	Pension board members do not accept responsibility for their failure to have the appropriate knowledge and understanding or demonstrate negative/non-compliant entrenched behaviours The scheme manager does not take appropriate action to address the failing in relation to conflicts	It is highly likely that the scheme will be in breach of other legal requirements. The pension board do not have an appropriate level of knowledge and understanding and in turn are in breach of their legal requirement. Therefore, they are not fulfilling their role to assist the scheme manager and the scheme is not being properly governed

<p><b>Knowledge and understanding required by pension board members</b></p> <p><b>Example scenario: The scheme manager has breached a legal requirement because pension board members failed to help secure compliance with scheme rules and pension law.</b></p>				
<p><b>Potential investigation outcomes:</b></p>				
	<p><b>Cause</b></p>	<p><b>Effect</b></p>	<p><b>Reaction</b></p>	<p><b>Wider implications</b></p>
<ul style="list-style-type: none"> <li>● Amber</li> </ul>	<p>Pension board members have gaps in their knowledge and understanding about some areas of the scheme’s administration policies and have not assisted the scheme manager in securing compliance with internal dispute resolution requirements</p>	<p>Some members who have raised issues have not had their complaints treated in accordance with the scheme’s internal dispute resolution procedure (IDRP) and the law</p>	<p>The scheme manager has failed to adhere precisely to the detail of the legislation where the breach is unlikely to result in an error or misunderstanding or affect member benefits</p>	<p>It is possible that the scheme will be in breach of other legal requirements. It is possible that the pension board will not be properly fulfilling their role in assisting the scheme manager</p>
<ul style="list-style-type: none"> <li>● Green</li> </ul>	<p>Pension board members have isolated gaps in their knowledge and understanding</p>	<p>The scheme manager has failed to adhere precisely to the detail of the legislation where the breach is unlikely to result in an error or misunderstanding or affect member benefits</p>	<p>Pension board members take action to review and improve their knowledge and understanding to enable them to properly exercise their functions and they are making quick progress to address gaps in their knowledge and understanding. They assist the scheme manager to take prompt and effective action to remedy the breach</p>	<p>It is unlikely that the scheme will be in breach of other legal requirements. It is unlikely that the pension board is not fulfilling their role in assisting the scheme manager</p>

	<b>Scheme record-keeping</b>			
	<b>Example scenario: An evaluation of member data has identified incomplete and inaccurate records</b>			
	<b>Potential investigation outcomes:</b>			
	<b>Cause</b>	<b>Effect</b>	<b>Reaction</b>	<b>Wider implications</b>
● Red	Inadequate internal processes that fail to help employers provide timely and accurate data, indicating a systemic problem	All members affected (benefits incorrect/not paid in accordance with the scheme rules, incorrect transactions processed and poor quality information provided in benefit statements)	Action has not been taken to identify and tackle the cause of the breach to minimise the risk of recurrence nor to notify members	It is highly likely that there are wider scheme issues caused by inadequate processes and that the scheme will be in breach of other legal requirements
● Amber	A failure by some – but not all – participating employers to act in accordance with scheme procedures, indicating variable standards of implementing those procedures	small number of members affected	Action has been taken to identify the cause of the breach, but progress to tackle it is slow and there is a risk of recurrence	It is possible that there are wider scheme issues and that the scheme may be in breach of other legal requirements
● Green	A failure by one participating employer to act in accordance with scheme procedures, indicating an isolated incident	No members affected at present	Action has been taken to identify and tackle the cause of the breach and minimise the risk of recurrence	It is unlikely that there are wider scheme issues or that the scheme manager will be in breach of other legal requirements

<p><b>Providing Information to Members</b></p> <p><b>Example scenario: An active member of a defined benefit (DB) public service scheme has reported that their annual benefit statement, which was required to be issued within 17 months of the scheme regulations coming into force, has not been issued. It is now two months overdue. As a consequence, the member has been unable to check:</b></p> <ul style="list-style-type: none"> <li>• <b>personal data is complete and accurate</b></li> <li>• <b>correct contributions have been credited</b></li> <li>• <b>what their pension may be at retirement</b></li> </ul>				
<p><b>Potential investigation outcomes:</b></p>				
	<b>Cause</b>	<b>Effect</b>	<b>Reaction</b>	<b>Wider implications</b>
● Red	Inadequate internal processes for issuing annual benefit statements, indicating a systemic problem	All members may have been affected	Action has not been taken to correct the breach and/ or identify and tackle its cause to minimise the risk of recurrence and identify other members who may have been affected	It is highly likely that the scheme will be in breach of other legal requirements
● Amber	An administrative oversight, indicating variable implementation of internal processes	A small number of members may have been affected	Action has been taken to correct the breach, but not to identify its cause and identify other members who may have been affected	It is possible that the scheme will be in breach of other legal requirements
● Green	An isolated incident caused by a one off system error	Only one member appears to have been affected	Action has been taken to correct the breach, identify and tackle its cause to minimise the risk of recurrence and contact the affected member	It is unlikely that the scheme will be in breach of other legal requirements



<b>Internal Controls</b>				
<b>Example scenario: A DB public service scheme has outsourced all aspects of scheme administration to a third party, including receiving contributions from employers and making payments to the scheme. Some contributions due to the scheme on behalf of employers and members are outstanding.</b>				
<b>Potential investigation outcomes:</b>				
	<b>Cause</b>	<b>Effect</b>	<b>Reaction</b>	<b>Wider implications</b>
● Red	The administrator is failing to monitor that contributions are paid to them in time for them to make the payment to the scheme in accordance within the legislative timeframes and is therefore not taking action	The scheme is not receiving the employer contributions on or before the due date nor employee contributions within the prescribed period	The administrator has not taken steps to establish and operate adequate and effective internal controls and the scheme manager does not accept responsibility for ensuring that the failure is addressed	It is highly likely that the administrator is not following agreed service level standards and scheme procedures in other areas. The scheme manager is likely to be in breach of other legal requirements such as the requirement to have adequate internal controls
● Amber	The administrator has established internal controls to identify late payments of contributions but these are not being operated effectively by all staff at the administrator	The scheme is receiving some but not all of the employer contributions on or before the due date and employee contributions within the prescribed period	The scheme manager has accepted responsibility for ensuring that the failure is addressed, but the progress of the administrator in training their staff is slow	It is possible that the administrator is not following some of the agreed service level standards and scheme procedures in other areas. It is possible that the scheme manager is in breach of other legal requirements
● Green	Legitimate late payments have been agreed by the scheme with a particular employer due to exceptional circumstances	The employer is paying the administrator the outstanding payments within the agreed timescale	The scheme has discussed the issue with the employer and is satisfied that the employer is taking appropriate action to ensure future payments are paid on time	It is unlikely that the employer is failing to adhere to other scheme processes which would cause the scheme manager to be in breach of legal requirements

Annex 2

Highlight Report Template

		[Date]	[Status]	[RAG]
Case	[Summary] [Actions / Escalations]			
Description	Cause Effect Response Wider Implications			
Themes and mitigations	Related breaches Future Mitigations			
Next Steps				
Other Notes				

		[Date]	[Status]	[RAG]
Case	[Summary] [Actions / Escalations]			
Description	Cause Effect Response Wider Implications			

Themes and mitigations	Related breaches Future Mitigations
Next Steps	
Other Notes	

Key			
● Red Must be reported.	● Amber Judgement required.	● Green Do not report.	● Unclassified Status pending

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