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18 February 2020

Pension Advisory Board

A meeting of the committee will be held at **9.30 am** on **Wednesday, 26 February 2020** 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 20 November 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. **Terms of Reference** (Pages 13 - 20)

   The Board is asked to note the Terms of Reference for the Pension Advisory Board that were changed following approval from full Council on 17 December 2019.

6. **Progress Report** (Pages 21 - 22)

This report contains updates on matters arising from previous meetings.

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

7. **Pensions Panel Minutes - Part I**

The Board is asked to note the confirmed Part I minutes from the meeting of the Pensions Panel on 25 October 2019 and the agenda from the meeting of the Pensions Panel on 27 January 2020.

(a) **25 October 2019 - Part I Pensions Panel Minutes** (Pages 23 - 30)

(b) **27 January 2020 - Pensions Panel Agenda** (Pages 31 - 34)

8. **Business Plan Update** (Pages 35 - 70)

Report by the Chairman of the Pension Advisory Board.

The Board is asked to note the recommendations in the report.

9. **Regulations and Guidance update** (Pages 71 - 92)

Report by the Chairman of the Pension Advisory Board.

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

10. **Governance Reviews and Surveys** (Pages 93 - 94)

Report by the Chairman of the Pension Advisory Board.

The Board is asked to note the recommendations in the report.

11. **Review of Pension Fund Policy Documents** (Pages 95 - 148)

Report by Director of Finance and Support Services.

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

12. **Administration procedures and performance** (Pages 149 - 160)

The Board is asked to consider the following report by the Director of Finance and Support Services which went to the Pensions Panel on 27 January 2020.

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

13. **Communication Strategy** (Pages 161 - 166)

Report by Director of Finance and Support Services.

The Board is asked to consider the recommendations within the report.

14. **Training** (Pages 167 - 168)

The Board is asked to review the training log.

15. **Date of Next Meeting**

The next meeting of the Board will be held at 9.30 am on 12 June 2020.

Part II

16. **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).

17. **Part II Minutes of the last meeting** (Pages 169 - 170)

The Board is asked to agree the Part II minutes of the meeting of the Board held on 20 November 2019 (yellow paper).

18. **Pensions Panel Minutes – Part II** (Pages 171 - 176)

The Board is asked to note the confirmed Part II minutes from the meeting of the Pensions Panel on 25 October 2019 (yellow paper).

19. **ACCESS Update** (Pages 177 - 196)

The Board is asked to note the following report which went to the Pensions Panel on 27 January 2020.

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

Pension Advisory Board

20 November 2019 – At a meeting of the Committee at 9.30 am held at County Hall, Chichester, PO19 1RQ.

Present: Peter Scales (Chairman)

Richard Cohen, Miranda Kadwell, Becky Caney and Chris Scanes (arrived at 9.38am)

Apologies were received from Kim Martin, Tim Stretton and Nadine Muschamp

Officers in attendance: Rachel Wood (Pension Fund Investment Strategist), Tara Atkins (Principal Pensions Consultant (Administration & Employers)) and Adam Chisnall (Democratic Services Officer)

Part I

32. **Declarations of Interests and Conflicts**

32.1 None declared.

33. **Part I Minutes of the last meeting**

33.1 Resolved – That the Part I minutes of the meeting of the Board held on 4 September 2019 be approved as a correct record and signed by the Chairman.

34. **Progress Report**

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

34.2 Adam Chisnall (Democratic Services Officer) introduced the report and explained that the Progress Report was in a new format to comply with new accessibility regulations.

34.3 Resolved – That the Board noted the report.

35. **Pensions Panel Minutes - Part I**

35.1 The Board considered the confirmed Part I minutes from the 24 July 2019 Pensions Panel meeting; the confirmed minutes from the Annual Meeting of the Pensions Panel and the Employers in the Scheme on 24 July 2019; and the Agenda from the 25 October 2019 Pensions Panel meeting (copies appended to the signed minutes).

35.2 Resolved – That the minutes and agenda be noted.

36. **Regulations and Guidance Update**

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

36.2 The Chairman introduced the report and explained that Appendix A covered the areas of interest on compliance. The Chairman also confirmed that the date in 4.3 should be the 7 November.

36.3 Rachel Wood (Pension Fund Strategist) explained the consideration of the Competition and Markets Authority's (CMA) Order by the Pension Panel at their meeting on 25 October 2019, who had resolved that the Director of Finance and Support Services and the Chairman could agree objectives for consultants. This needed to be embedded within formal documentation. A deadline of mid-December had been given to have a framework on how guidance would be used. The expectation was that most Local Government Pension Schemes (LGPS) would have similar approaches to consultants.

36.4 Responding to questions, Rachel Wood advised that CPCG referred to the Cross Pool Collaboration Group on which each pool had a representative. ACCESS did not include its Pool Operator as part of the CPCG but participated in the groups with other LGPS representatives – *The Chairman commented that the output of the Scheme Advisory Board's (SAB) responsible investment guidance work should be monitored to see if outcomes were mandatory or guidance.*

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

37. **Governance Reviews and Surveys**

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

37.2 The Chairman introduced the report and reported that the SAB had agreed Phase III of the work to look into how governance of the LGPS should change, including governance compliance statements. Rachel Wood confirmed that Phase III ran until February 2020 and would then go back to the SAB to see how recommendations could be implemented.

37.3 The Board made comments including those that follow.

- Commented on the expectations for Board members and that there was an intention to employ the same rigors to elected members and officers. Board members commented that Wednesbury Principle was used to consider actions compared to other administration bodies in the same position.
- Queried the outcome of the Hymans Robertson knowledge survey. – *Rachel Wood explained that the results had influenced the training strategy which ensured a consistent approach across the Pensions Panel and the Pension Advisory Board. Rachel Wood resolved to circulate the correct answers to the questions in the survey.*

- Discussed the Pensions Regulator survey at Appendix A and how a response should be submitted. – *Rachel Wood confirmed that the deadline for submission was the 29 November. The Chairman resolved to work with officers on the submission and ensure that the submitted response was added to the next Board agenda.*

37.4 Resolved – That the Board notes the register of policy documents, the current position on the SAB governance review.

38. **Business Plan Update**

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

38.2 The Chairman introduced the report and highlight the proposed work plan at Appendix B.

38.3 Rachel Wood spoke through the Pensions Panel Business Plan Update which included an update on the Pensions Regulator deep dive. The full deep dive report was available as a background paper to the Pensions Panel report. Board members commented on the monthly issues that were sent out by Hymans Robertson and asked if these should be sent to Board members. - *Rachel Wood resolved to send these on to Board members.*

38.4 The Board queried the discrepancy in the level of training of Pensions Panel members . – *Rachel Wood explained that some members of the Panel were long serving members who had previously completed training. It was noted that conferences could compliment existing learning.*

38.5 Resolved – That the Board notes the updates to the Business Plans.

39. **Review of Pension Fund Policy Documents**

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

39.2 Tara Atkins (Principal Pensions Consultant (Administration & Employers)) introduced the policy and explained the requirements regarding the reporting of breaches.

39.3 The Board made comments including those that follow.

- Queried if the example in the appendix concerning Board member knowledge would be considered a breach. – *Tara Atkins confirmed that if members were not taking sufficient steps towards learning it would be considered a breach. Members commented that this would be a difficult area to measure. Tara Atkins explained that an investigation would likely look into the processes for knowledge and understanding. Rachel Wood added that the training requirements for Board members were applied across the Training Strategy and therefore would cover Pensions Panel members.*

- Asked if all breached were logged. – *Tara Atkins confirmed that all breaches were logged.*
- Queried if it was possible to review the breach log for outcomes to help identify risk areas. – *Tara Atkins resolved to look into this.*

39.4 Resolved – That the Board notes the register of policy documents and the guidance on breaches policy provided by the Pensions Regulator.

40. **Administration procedures and performance**

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

40.2 The Board welcomed Andrew Lowe, Head of Pensions, Investment and Borrowing at Hampshire County Council, to the meeting.

40.3 Tara Atkins introduced the report and highlighted the work that had been done on the Tell Us Once system and confirmed that the scheme return had been submitted in time for the deadline.

40.4 Rachel Wood confirmed that the Pensions Panel Administration report from the 25 October had been appended as the intention was to ensure the same report was considered by both the Panel and Board. The Pensions Panel had commented on the failure to hit the Service Level Agreements (SLA), but acknowledged there were legacy issues and expected the SLA to be met one year after the transfer. Hampshire County Council were reported to be responding well to the demand.

40.5 Andrew Lowe confirmed that his team was working hard and that there was a joined approach with West Sussex on the direction of travel. The statistics were continuing to improve and Andrew Lowe was able to report on the October statistics.

Active Retirement - 100%
Deferred Retirement – 100%
Estimates – 100%
Deferred Benefits – 100%
Transfers in / out – 92.8%
Divorce – 42.5%
Refunds – 100%
Rejoiners – 100%
Interfunds – 65.35%
Death Benefits – 100%

40.6 Andrew Lowe gave additional statistics on call volumes. In October 2018 Hampshire had received 2,795 calls and 97.5% had been met on time. In October 2019 4,500 calls had been received with 95% being met on time. Andrew Lowe felt this showed the correct resourcing had been allocated for the demand.

40.7 Andrew Lowe commented on the Annual Benefit Statements (ABS) in that the majority had been submitted in time for the deadline. The missing statements were linked to data issues rather than processes. Andrew Lowe confirmed that no complaints had been received on ABSs.

Rachel Wood confirmed that missed ABSs were being published as soon as the data issues were resolved. Rachel Wood also reported that positive comments had been received on the format. Andrew Lowe confirmed that the Pension Saving Statement deadline had also been met.

40.8 The Board made comments including those that follow.

- Queried the compliance with the scheme return. – *Tara Atkins confirmed that for common data mid 90% had been complied with and for conditional data had been in the 80% region. Tara Atkins explained that the data had been split into current and legacy and appropriate areas had been identified for improvement. Rachel Wood confirmed that the results were similar for the LGPS average and explained that some of the issues were linked to missing data, such as addresses.*
- Questioned the low statistics for Divorce case work. – *Andrew Lowe confirmed that the issues were linked to transfers and payments that needed to be paid. Additional resource was being put into this area to help. Rachel Wood added that Hampshire were committed to providing information when it was required, albeit not necessarily complying with the SLA.*
- Asked if the SLA compliance was linked to waiting for information. – *Andrew Lowe confirmed that the clock stopped if officers were waiting on information.*
- Queried if there was an opportunity with deferred members to encourage them to sign up to the online Member Portal. – *Andrew Lowe commented that this was not an area that had been previously considered, but felt this could be investigated. Board members took the opportunity to comment that the Hampshire portal was user-friendly.*
- Commented on the low level of active members using the online Member Portal and queried if there had been a launch event to publicise the portal. – *Rachel Wood explained that employers had mentioned they would be doing exercises to help promote the portal, for which Hampshire would provide support. Andrew Lowe commented that age of members was a factor in portal usage. Rachel Wood commented that officers could work with Hampshire next year to highlight the benefits of the portal with regard to ABS accuracy.*

40.9 Resolved – That the Board notes the report and confirms satisfaction with the level of information provided.

41. **Communication Strategy**

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

41.2 Tara Atkins introduced the report and highlighted the previous discussions at Board meetings on communications. Appendix A outlined the communications that took place.

41.3 The Board made comments including those that follow.

- Queried how pensioners were informed of changes. – *Tara Atkins confirmed that the pensioners received a newsletter. Rachel Wood resolved to confirm if this was distributed with the payslips and what the timescales were.*
- Sought clarity on West Sussex officers' involvement in the newsletter contents. – *Tara Atkins confirmed that arrangements were different with Hampshire than they had been with Capita; Hampshire provided the service for which officers could then provide feedback on. Officers were already looking into the process for April and were working on feedback on newsletters. Board members welcomed the feedback process, but would want things challenged if feedback suggestions were not considered.*
- Queried the process for ABS feedback. – *Tara Atkins confirmed that employer feedback would impact ABSs next year. However, as feedback had been generally positive this year a change was not expected. It was confirmed that Hampshire had been doing this for many years and so the expectation was that their processes had been through refinement.*
- Asked if the Board could consider the templates. – *Tara Atkins confirmed that the expectation would be for the Board to comment on the templates for Hampshire to consider for next year. Hampshire would be primarily seeking comments on formats.*
- Queried if there would be an employer newsletter. – *Tara Atkins confirmed this would happen and explained that pension matters across West Sussex and Hampshire would be the same. The deadline for comments on this would be December. Rachel Wood resolved to look at the distribution lists for these.*
- Sought clarity on the process for newsletter comments. – *Rachel Wood explained that going forwards, published newsletters would be sent to the Board for comments that would feed into the following newsletters. The Board welcomed the approach and felt that a regular, annual agenda item should be scheduled following each newsletter publication.*
- Queried if newsletters encouraged online Member Portal sign up. – *Rachel Wood confirmed that payslips included communications on portal encouragement. Rachel Wood resolved to provide feedback to Hampshire that references should also be included in newsletters.*
- Sought clarity on the mechanisms to encourage a response on pension returns to ensure members were still alive. – *Rachel Wood explained that Hampshire performed monthly mortality screens.*
- Commented that there was no newsletter for active members. – *Rachel Wood confirmed that Hampshire included relevant updates within the ABS. Email communications also happened for specific situations. Rachel Wood resolved to confirm the current process.*
- Highlighted that pension members needed reassurance that communications were from West Sussex. – *Rachel Wood confirmed that communications from Hampshire would have relevant West Sussex headers.*
- Queried if it was possible to see comments from Hampshire Pension Scheme members. – *Rachel Wood resolved to investigate this possibility.*

41.4 Resolved – That the Board notes the schedule of communications and highlights the feedback given during the discussion.

42. **The Pensions Regulator Code of Practice 14 (Compliance)**

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

42.2 Rachel Wood introduced the report which explained how compliance was met. It was explained that the Pensions Regulator also had a self assessment tool that was available for the Board to see; however, officers had a preference for their own format for Board consideration.

42.3 The Board made comments including those that follow.

- Felt that the term 'right balance' for the requirement of Board member skills, experience and representation required clarification. – *Rachel Wood resolved to clarify the wording.*
- Queried the requirement for personalised training plans. – *The Chairman commented that the annual review process would consider individual training needs. Rachel Wood confirmed that the outcomes from the annual reviews would assist with forming a collective approach.*
- Commented that the requirement for Board members to be conversant with scheme rules and policies should refer to the regular items on the Board's agendas.
- Commented that the requirement for the administering body to assist with Board member knowledge and understanding should refer to the annual reviews. The records of learning requirement should also reflect the maintained training log. The Board confirmed they were happy with how training was being recorded.
- The Board discussed the appropriateness of time spent on training and felt that the time spent on training should be proportionate to the time the role requires. Training should be focussed and considered against future agenda items. Rachel Wood confirmed that reports were written to include background information which enhanced training and knowledge on agenda items.
- Commented that 'met' had changed to 'yes' through the document and that consistent wording should be used. It was also commented that 'see comments above' should be more specific.
- Queried the progress on the formal procedure for identifying payment failures. – *Rachel Wood confirmed that the procedure was in place, it just required formal documentation.*

42.4 Rachel Wood thanked the Board for their comments and proposed that the item could be reported annually.

42.5 Resolved – That the Board highlights the feedback given during the discussion.

43. **Training**

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

43.2 The Chairman gave feedback on a recent CIPFA conference he had attended. The conference had covered information on consolidating schemes which had not been relevant for Local Government Pension Scheme.

43.3 Future training was discussed and the requirement to ensure compliance. Rachel Wood confirmed that budget was available to use for training if required.

43.4 Resolved – that the training log is noted and that Board members will continue to report progress on training.

44. **Date of Next Meeting**

44.1 The Board noted that its next scheduled meeting would take place on Wednesday 26 February 2020 at 9.30 a.m. at County hall, Chichester.

45. **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.

46. **Part II Minutes of the last meeting**

The Board agreed the Part II minutes of the 4 September 2019 meeting.

47. **Pensions Panel Minutes – Part II**

The Board noted the contents of Part II minutes from the 24 July 2019 Pensions Panel meeting.

48. **ACCESS Update**

The Board considered the report by the Director of Finance and Support Services from the 25 October 2019 Pensions Panel (copy appended to the signed minutes).

The Board noted the report.

The meeting ended at 12.40 pm

Chairman

Pension Advisory Board of the West Sussex Pension Fund

1. This document sets out the terms of reference for the Local Pension Board of the West Sussex Local Government Pension Fund (referred herein as the Pension Advisory Board) as required by the Public Service Pensions Act 2013.

Scheme Management

2. The Scheme Manager is defined in Section 4 of the Public Service Pensions Act 2013 as the individual scheme administering authorities in England and Wales. For the purpose of the West Sussex Pension Scheme this is the West Sussex County Council. Its functions are discharged in accordance with the Council's scheme of delegation by:

    - Governance Committee (delegated to the Pensions Panel)
    - Officers (Director of Finance and Support Services and the Director of Law and Assurance)

The Pension Advisory Board

3. The role of the Pension Advisory Board is to:

    - Assist West Sussex County Council as Scheme Manager;

        - To secure compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme and any statutory pension scheme that is connected with it;
        - To secure compliance with requirements imposed in relation to the scheme and any connected scheme by the Pensions Regulator;
        - In such other matters as the scheme regulations may specify.

4. The Pension Advisory Board will ensure the Scheme Manager effectively and efficiently complies with the Code of Practice on the governance and administration of public service pension schemes issued by the Pensions Regulator. The Board will also ensure that it complies with the knowledge and understanding requirements in the Pensions Regulator's Code of Practice.

5. The Pension Advisory Board is accountable to the Pensions Regulator, National Scheme Advisory Board and Scheme Manager. The National Scheme Advisory Board will advise the Responsible Authority (in the case of the LGPS the DCLG) and the Scheme Manager (in this case West Sussex County Council). The Pensions Regulator will report to the Responsible Authority (again, DCLG) but will also be a point of escalation for whistle blowing or similar issues (supplementary to the whistle blowing policy and anti- fraud and corruption policy operated by the Scheme Manager which operate to include all of the functions of the Council as Scheme Manager and its advisers).

6. The principal functions of the Pension Advisory Board shall include:

    - Seeking assurance that due process is followed with regard to Pensions Panel decisions.
    - Considering the integrity and soundness of Pensions Panel decision making processes
    - Seeking assurance that administration performance is in compliance with the Administration Strategy
    - Considering the effectiveness of communication with employers and members including the Communication Strategy
    - Considering and commenting on Internal Audit recommendations
    - Consideration of External Auditor reports

    Any complaint or allegation of breach of due process brought to the attention of the Pension Advisory Board shall be dealt with in accordance with the Code of Practice as published by the Pensions Regulator.

Frequency of Meetings and Notice of Meetings

7. The Pension Advisory Board shall meet sufficiently regularly to discharge its duties and responsibilities effectively. There will be no fewer than four meetings a year (one of which will be the Annual General Meeting) to be held in (provisionally) March, July and November.

8. The Director of Law and Assurance shall give notice to all Pension Advisory Board members of every meeting of the Pension Advisory Board including the date, location and time of the meeting and shall ensure that a formal record of the Pension Advisory Board proceedings is maintained.

9. Papers will be provided at least one week before the formal Pension Advisory Board meeting.

10. All agendas and non-confidential Pension Advisory Board papers and minutes of meetings will be published on the West Sussex Pension Fund website.

11. The Pension Advisory Board may classify some papers and minute notes as Part II on the basis of confidentiality or for Data Protection reasons. All Pensions Panel Part II papers will be classified as Pension Advisory Board Part II (confidential).

Membership

Members

12. The Pension Advisory Board shall consist of 7 members and be constituted as follows:

No.	Constituency	Definition / Constraints	Voting
3	Employer	Must represent all employers within the scheme This must be a named individual on behalf of an employer and not an employer with a variable representative Must represent an employer within the West Sussex Local Government Pension Scheme	Yes
3	Scheme members	To cover all members of the scheme (active, deferred, pensioners) Must be a member of the West Sussex Local Government Pension Scheme	Yes
1	Independent	To act as Chairman	No

Term of Office

13. The term of office for employer and scheme member representatives is four years and will be on a phased basis. This can be extended following reselection up to a maximum of three terms. Reselection will be at the invitation or discretion of the Chairman, with advice from the Director of Finance and Support Services and the Director of Law and Assurance.

14. Pension Advisory Board members must meet key attendance and training requirements to retain their membership during this period.

- A member must attend at least two meetings per year.
- The training plan produced by the Director of Finance and Support Services must be complied with by every member.
- The Pension Regulator’s Code of Practice must be complied with.

15. In the event of consistent non-attendance by any Board member, then the tenure of that membership should be reviewed by the Governance Committee on advice from the Director of Law and Assurance.

16. If a Pension Advisory Board member leaves employment with the employer they are representing or changes their employment status their position on the Pension Advisory Board will be reviewed as in paragraph 15. As representatives can also be elected members, this will also apply if the representative ceases to be an elected member. To avoid a conflict of interest, no officer or councillor of West Sussex (as the administering authority) who is responsible for the discharge of any function under the Regulations, may be a member of the Pension Advisory Board.

17. If a Pension Advisory Board member becomes aware of a potential conflict of interest involving themselves or another Pension Advisory Board member or prospective member, they should ensure that the Director of Law and Assurance is aware of this. Such interests shall be registered and the register held by the Director of Law and Assurance. Members shall be bound by the provisions of sections 30 to 32 of the Localism Act 2011 in relation to the rules on personal or pecuniary interests.

18. Other than ceasing to be eligible as set out above, a Board member may only be removed from office during a term of appointment by the decision of the Governance Committee.

19. If an employer or scheme member representative wishes to resign they must write to the Chairman and the Director of Law and Assurance giving at least one month's notice.

20. If the Chairman wishes to resign he or she must write to the Governance Committee and the Director of Law and Assurance giving at least three months' notice.

<u>Selection of Employer and Scheme Member Representatives</u>

21. The members of the Board other than the Chairman shall be appointed by the Chairman with advice from the Director of Finance and Support Services and the Director of Law and Assurance. Nominations will be invited with a view to maximising the opportunity for all scheme members and employers to participate in nominating or seeking nomination for the other panel appointments. All regular communications, such as pensions newsletters and the website will be used to promote the opportunity and invite participation in nomination and approval of candidates through an open and transparent process.

<u>Chairman</u>

22. The Chairman will be the independent member appointed for an initial term of 2 years by the Governance Committee, from a short list of nominees drawn up by the Director of Finance and Support Services and the Director of Law and Assurance. A job description approved by the Committee will be used to identify the candidate best suited to the role. The independent Chairman cannot vote, in accordance with the regulations. The following provisions will apply:

- the term of office for the Independent Chairman is for four years;
- subject to agreement of the Governance Committee, on advice from the Director of Finance and Support Services and the Director of Law and Assurance, the Independent Chairman will be able to serve a maximum of two consecutive terms before the opportunity is re-advertised.
- future appointments will be by a panel of three members from the Governance Committee, supported by appropriate technical advice, and shall be made from a short list of nominees drawn up by the Director of Finance and Support Services and the Director of Law and Assurance following suitable advertisement of the opportunity. The incumbent Chairman would be eligible for consideration for the post.

- amendments to the Independent Chairman's job description will be approved by the Governance Committee.

- the appointment of the Independent Chairman is phased with other members of the Board to ensure continuity of experience on the Board.

23. It will be the role of the Chairman to

- Settle with officers the agenda for a meeting of the Board
- Manage the meetings to ensure that the business of the meeting is completed
- Ensure that all members of the Board show due respect for process and that all views are fully heard and considered
- Strive as far as possible to achieve a consensus as an outcome
- Ensure that the actions and rationale for decisions taken are clear and properly recorded.

<u>Substitutions</u>

24. Personal attendance is expected of Board members at all meetings; no substitution is allowed.

<u>Co-Opted Members</u>

25. The Board may, with the approval of the Director of Finance and Support Services, co-opt persons who are not members of the Board to serve on sub-committees, for a period of time or for a specific task, where this would add skills, knowledge or experience. The co-opted members cannot vote.

26. Notwithstanding the appointment of co-opted members, the majority of sub-committee shall comprise employer and scheme member representatives, represented in equal number.

<u>Quorum</u>

27. Three of the members of the Pension Advisory Board, including at least one employer and one scheme member representative, will be a quorum for Board meetings to discharge business. Advisors and co-opted persons do not count towards the quorum.

<u>Knowledge and Skills</u>

28. Every member of the Pension Advisory Board must be conversant with:

- The legislation and associated guidance of the Local Government Pension Scheme (LGPS).
- Any document recording policy about the administration of the LGPS which is for the time being adopted by the West Sussex Pension Fund.

29. Every member of the Pension Advisory Board must have knowledge and understanding of –

- The law relating to pensions; and
- Any other matters as prescribed in the Regulations.

30. It is for individual Pension Advisory Board members to be satisfied that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the Board. Members of the Pension Advisory Board must be able to demonstrate their knowledge and understanding and must comply with the Pension Regulator's Code of Practice.

31. Pension Advisory Board members will undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses in accordance with guidance issued by the Director of Finance and Support Services.

32. It is essential that Pension Advisory Board members refresh and keep their knowledge up to date and must comply with the training policy adopted by the Board on advice from the Director of Finance and Support Services.

33. Pension Advisory Board members are required to maintain a written record of relevant training and development and this must be published by the Board and the Scheme Manager.

Standards of Conduct

34. The role of the Pension Advisory Board members requires the highest standards of conduct and therefore the 'seven principles of public life' will be applied to all Pension Advisory Board members. The Code of Conduct of the West Sussex County Council will apply to the Board's members. The County Council's Standards Committee will monitor and act in relation to the application of the Code.

Advisers to the Board

35. The Board may be supported in its role and responsibilities through the appointment of independent advisors, subject to any applicable Regulation and Legislation from time to time in force, consult with such advisors to the Board and on such terms as it shall see fit to help better perform its duties.

36. Notwithstanding the Pensions Panel responsibility to appoint professional and specialist investment advisers and managers on a consultancy basis, The Board shall ensure that the performances of the advisers so appointed are reviewed on a regular basis.

Budget and Business Plan

37. The Board will prepare a Business Plan and Budget each year to be approved by the Governance Committee.

Board Review Process

38. The Board will undertake each year a formal review process to assess how well it and its sub-committees are performing with a view to seeking continuous improvement in the Board's performance.

Expense Reimbursement

39. Remuneration for board members will be limited to a refund of actual expenses incurred in attending Board meetings and training. The Chairman’s remuneration will be agreed on appointment and approved by the Governance Committee.

40. Advisers will be remunerated dependent on individual arrangements.

Publication of Pension Advisory Board Information

41. Up to date information will be posted on the West Sussex Pension Fund website showing:

- Names and information of the Pension Advisory Board members
- How the scheme members and employers are represented on the Pension Advisory Board
- Responsibilities of the Pension Advisory Board as a whole
- Full terms of reference and policies of the Pension Advisory Board and how they operate
- Pension Advisory Board appointment process
- Specific roles and responsibilities of individual Pension Advisory Board members

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Pension Advisory Board Progress Report - 26 February 2020

Date Received & Minute Number	Subject	Matters Arising	Who	Update	Next Update
22/11/18 Minute No. 77.5 1st Bullet	Pensions Panel Representative Member Roles	The Board queried if the Pensions Panel's 'Employee' representative role should be 'Member' representative.	RW	This will be considered for the next term of office for the representative.	TBD
22/11/18 Minute No. 77.5 3rd Bullet	Governance Policy and Compliance Statement	The Board queried if there should be more references to the Board, e.g. Board meeting frequency.	RW	One of the outcomes of the Good Governance review is likely to be a revised and updated Governance Compliance Statement. The policy document will be reviewed as part of the County Council's response to the new Guidance or as part of the scheduled review of the two documents in mid-2020 – whichever is the earlier. The Board are scheduled to review the Governance Compliance and Governance Policy document in November 2020.	20/11/2020
22/11/18 Minute No. 77.5 4th Bullet	Governance Policy and Compliance Statement	The Board sought clarity on the terminology 'usual maximum length' of representative members.	RW	See comment in 22/11/18 Minute No. 77.5 3rd Bullet	20/11/2020
06/03/19 Minute No. 89.3	The Pension Regulator	The Board proposed inviting The Pension Regulator to a future Board meeting	RW	The Pension Regulator has been contacted. The training requirement and potential dates will be discussed with the Chairman of the Pension Advisory Board and the Chairman of the Pensions Panel	12/06/2020
22/05/19 Minute No. 8.5 3rd Bullet	Review of Pension Fund Policy Documents	The Board proposed a working group with Hampshire County Council to look at newsletters	TA	Officers have revised the reporting to the Board on Communications. This is covered in Agenda Item 13 (Communication Strategy) for the Board's comment.	Closed
20/11/19 Minute 37.3 2nd Bullet	Governance Reviews and Surveys	Officers agreed to circulate the correct answers to the Hymans Robertson knowledge survey	RW	Answers were circulated to all members of the Pension Advisory Board on 17/02/2020.	Closed
20/11/19 Minute 37.3 3rd Bullet	Governance Reviews and Surveys	The Chairman resolved to work with officers on the survey submission and ensure that the submitted response was added to the next Board agenda.	RW	Survey submitted to the Pensions Regulator. Responses circulated to Board by the Chairman (Tue 11/02/2020 15:59)	Closed
20/11/19 Minute 38.3	Business Plan Update	Officers resolved to send Hymans Robertson Monthly Communications to the Board	RW	February Edit provided to all members of the Pension Advisory Board on 17/02/2020.	Closed
20/11/19 Minute 39.3 3rd Bullet	Review of Pension Fund Policy Documents	Officers resolved to investigate possibility of reviewing breach log for risk consideration.	TA	An update will be covered as part of Agenda Item 12 (Administration Procedures and Performance) for future reporting protocol.	12 June 2020
20/11/19 Minute 41.3 1st Bullet	Communication Strategy	Officers resolved to investigate if newsletter was distributed with the payslips and what the timescales were.	RW	The pensioner newsletters are sent out with member payslips each April.	Closed
20/11/19 Minute 41.3 5th Bullet	Communication Strategy	Officers resolved to investigate the distribution lists for employer newsletters.	RW	All Pension Matters and Stop Press communications are sent to all employer contacts which are held on their respective contact forms.	Closed
20/11/19 Minute 41.3 7th Bullet	Communication Strategy	Officers resolved to provide feedback to Hampshire that portal references should be included in newsletters.	RW	Feedback provided to the administration team. The Portal is advertised through pensioner newsletters, advertising the Annual Benefit Statement, communication to active members via the employers, speaking to members on the phone or via email correspondence and the use of the portal link in the administration team's signature As part of future developments, new joiners will receive electronic notification and all member letter templates will be reviewed.	Closed
20/11/19 Minute 41.3 9th Bullet	Communication Strategy	Officers resolved to investigate the communication process for active members.	RW	Following the provision of the New Joiner pack by an employer, an active member will be provided with an Annual Benefit Statement (which includes Scheme updates) and event driven communication – rather than a formal Annual Newsletter.	Closed
20/11/19 Minute 41.3 11th Bullet	Communication Strategy	Officers resolved to investigate the possibility of seeing comments from the Hampshire Pension Scheme members.	RW	Feedback from all members will be reflected of the teams review of future communications activities.	Closed

Date Received & Minute Number	Subject	Matters Arising	Who	Update	Next Update
20/11/19 **Minute 42.3** **1st Bullet**	The Pensions Regulator Code of Practice 14 (Compliance)	Officers resolved to clarify the wording for Board requirements in relation to the 'right balance' of skills, experience and representation.	RW	An extract from the Code of Practice is below: *91. Arrangements should be designed with regard to the principles of proportionality, fairness and transparency, and with the aim of ensuring that a pension board has the right balance of skills, experience and representation (for example, of membership categories and categories of employers participating in the scheme). Those responsible for appointing members to a pension board should also consider the mix of skills and experience needed on the pension board in order for the board to operate effectively in light of its particular role, responsibilities and duties.* https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/code-14-public-service.ashx?la=en&hash=1E2B3D6A11A93E4C6C1334DF9D6A82186E0F07A6	Closed

Pensions Panel

25 October 2019 – At a meeting of the Pensions Panel held at 10.00 am at County Hall, Chichester.

Present: Mr Hunt (Chairman)

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

Apologies were received from Ms Taylor

Absent: Vac - General

Also in attendance:

Part I

29. Declarations of Interests

29.1 None declared.

30. Part I Minutes of the last meeting

30.1 The Panel queried the progress with appointing for the Employer Representative vacancy. – *Rachel Wood, Pension Fund Investment Strategist, confirmed that work was continuing with the Director of Law and Assurance on the job role that would be distributed.*

30.2 Resolved – That the Part I minutes of the Pensions Panel held on 24 July 2019 be approved as a correct record, and that they be signed by the Chairman.

31. Minutes from the Annual Meeting of the Pensions Panel and the Employers in the Fund

31.1 Resolved – That the minutes of the Pensions Panel AGM held on 24 July 2019 be approved as a correct record, and that they be signed by the Chairman.

32. Pension Advisory Board Minutes - Part I

32.1 The Panel considered the confirmed Part I minutes from the 22 May 2019 Pension Advisory Board meeting; and the Agenda from the 4 September 2019 meeting (copies appended to the signed minutes).

32.2 The Panel made comments including those that follow.

- Queried if the Board’s regarding policy documentation had been addressed. – *Rachel Wood confirmed that the action had been picked up and resolved.*
- Sought clarity on the reported outcomes of McCloud on employer rates. – *Steven Law, Hymans Robertson, explained that protection*

would be rolled out to an increased membership. Whilst it was unclear who this would be rolled out to, costs would be increased.

32.3 Resolved – That the minutes and agenda be noted.

33. Actuarial Valuation 2019

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

33.2 Rachel Wood introduced the report which set out the summary since the last meeting. The report confirmed that the current funding level was 112%, and that new rates following the valuation would be effective from 1 April 2020.

33.3 Steven Law gave a presentation to the Panel on the 2019 Valuation Results (copy appended to the signed minutes).

33.4 Steven Law spoke through the presentation which outlined the calculations and assumptions that formed the valuation work to ensure that the pension fund could deliver its requirements for members. The presentation included 2 updates from Central Government. The first confirmed there would be a 2022 valuation, but it was unconfirmed what would happen after this. The second concerned the value of liabilities and that contribution rates needed to take allowance of McCloud and cover this within the valuation.

33.5 Steven Law explained that it was no longer required for members to submit nomination forms which was previously required to pay death grants. The fund had the authority to choose to pay an alternative person than the one stated on a nomination form. Steven Law confirmed that there was general rules and criteria for these decisions. - The Chairman requested that clarity on this process should be available for the next meeting (document appended to the signed minutes).

33.6 The Panel made comments including those that follow.

- Queried if Retail Prices Index (RPI) would be removed from future valuation calculations. – *Steven Law predicted that it could be replaced with an alternative in the future.*
- Asked how life expectancy for future members was considered. – *Steven Law explained that this was allowed for in mortality projections portion of assumptions. The pace of increases in life expectancy is reflected in this assumption.*
- Commented on the consideration for salary increases and that average earnings could outpace the Consumer Prices Index (CPI); and asked if it would it be prudent to expect salaries to match the market. – *Steven Law explained that the first year had lower paid staff get increases as the living wage was introduced, this was used to help with considering the average. Promotional increases are applied on top of the 0.5%.*
- Reported on the increases to British Telecom (BT) pensions for women following a change in pension calculations and asked if this was unique to BT. – *Steven Law explained this was not unique to*

BT and was linked to the Barber ruling and the Lloyds ruling concerning sexual discrimination in pension ages. The Lloyds ruling would impact the Local Government Pension Scheme (LGPS). A lower anticipated return rate had been picked for the LGPS which made approximate allowance for this and for the McCloud outcome.

- Noted the overall funding level of 112% and queried the funding level for various employers. – *Steven Law confirmed that employers had different values which were still being calculated. District Council's had long term plans, and their rates were not linked to their funding level on any one day. Funding levels were more significant for employers who can leave the fund in the short term.*
- *Queried the spike for cashflow considerations in 2021. – Steven Law explained that the data replacement ratio was 100%, which related to jobs being replaced by those retiring. The spike could indicate an expected rise in the number of leavers.*
- Sought clarity on considered assumptions for new entrants and those with outsourcing strategies. – *Steven Law explained that TUPE arrangements were considered and that this pension fund had no particular large outsourcing arrangements to consider. The assumption therefore was that the fund would stay the same.*

33.7 Resolved – that the Panel notes the update in the report and the contents of the presentation.

34. Business Plan

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

34.2 Nadine Muschamp, Head of Finance, introduced the report and explained that the report provide an update on actions from the previous meeting. Appendix A gave a summary of the Pension Regulator's deep dive, for which officers were working with Hampshire County Council on any areas that needing picking up.

34.3 The Panel noted that the Annual Audit Letter would be considered at the upcoming meeting of the Regulation, Audit and Accounts Committee.

34.4 Resolved – that updates to the Business Plan are noted.

35. Equitable Life transfer to Utmost Life and Pensions (AVCs)

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

35.2 The Panel noted that the report appendices contained exempt information and felt that the discussion on the report should be held in Part II.

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.

The Panel discussed the proposal and agreed to the approve the Scheme and Change to the Articles pending criteria discussed during the Part II portion of the meeting.

36. Pension Administration Performance

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

36.2 Nadine Muschamp introduced the report and explained that representatives from Hampshire County Council had sent their apologies for the meeting.

36.3 Nadine Muschamp confirmed that Hampshire County Council were committed to improving performance and noted the impact of legacy issues on their performance. Officers were working with Hampshire County Council on a data improvement plan which would be reported on at the next meeting.

36.4 Nadine Muschamp reported that as of 31 August approximately 49,000 Annual Benefit Statements (ABS) had been produced. Since then approximately 2,000 had also been provided. There were 7,000 remaining where further work was required. The outstanding ABSs would be reviewed with regard to if they constituted a breach.

36.5 The Panel made comments including those that follow.

- Expressed disappointment that all ABSs had not been submitted on time following Hampshire County Council's confidence. – *Nadine Muschamp gave assurances that identified issues were being worked on to ensure improvements were made for next year.*
- Queried if the 7,000 outstanding ABSs were from a mix of areas or were linked to a specific scheme. – *Steven Law confirmed that they were from a mix of areas and that Hampshire County Council had provided details of where they were to assist Hymans Robertson with the valuation work.*
- Raised concerns on the reduced performance for Divorce and Interfunds. – *Rachel Wood confirmed that Interfunds had fallen back and that Hampshire County Council had split legacy and business as usual work into two work streams. Divorce work was done by the same team where Hampshire County Council worked to ensure data was provided to members when required, albeit not always complying with the SLA. The Panel asked if these areas were more technically difficult that other areas. – Rachel Wood reported that the work was the same level as other areas and should be straight forward if the correct data is available.*
- Queried if the data issues were historic or linked to transfer arrangements; and if the issues would impact the valuation work. – *Steven Law reported that the majority of the issues were historic and the valuation would make assumptions on any uncertain areas.*

- Sought reassurance that correspondence on death cases included appropriate empathy. – *Rachel Wood confirmed this was the case.*
- Queried the process for nominating a beneficial for death benefits. – *Steven Law explained that the criteria was that an individual with a minimum relationship.*
- Asked if the backlog and data quality issues were linked to resourcing and if extra support was required. – *Nadine Muschamp explained that a plan was being worked on with Hampshire County Council to understand what was a reasonable work load. Consideration would then be given to see if additional resources were available. This would be reported to the next Panel meeting. The Chairman reminded the Panel that any new administration provider would have been more that the previous contract, even if the service has still be provided by Capita.*
- Sought clarity on the expectation of Hampshire County Council to achieve their SLA following the transfer. – *Katharine Eberhart, Director of Finance and Support Services, resolved to look into the contract wording, but reported that there had not been an expectation of immediate SLA compliance. The Chairman expected that improvements would be seen in January and that the Panel would be monitoring compliance closely. It was reported that Hampshire County Council were quick to resolve any specific issues that were raised. Panel members observed that there has been a reduction in complaints received.*
- Commented on the regulatory requirements for the level of training for Pension Advisory Board members. – *Steven Law reported that in the future the Pensions Panel members would be held to the same regard.*

36.6 Resolved – that the Panel note the update on Administration Performance; the updates to the Administration Strategy; and agree the Breaches Policy.

37. Date of the next meeting

37.1 The Panel noted that its next scheduled meeting would take place on 27 January 2020 at County Hall, Chichester.

38. 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.

39. Part II Minutes of the last meeting

The Panel agreed the Part II minutes of the Pensions Panel held on 24 July 2019.

40. Pension Advisory Board Minutes - Part II

The Panel noted the contents of the Part II minutes from the 22 May 2019 Pension Advisory Board meeting.

41. ACCESS Update

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

The Panel noted the update.

42. 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.

43. Presentation by UBS

The Panel received an update from Malcolm Gordon, Steve Magill, Scott Wilkin and Karianne Lancee from UBS on the portfolio performance for the quarter.

The meeting ended at 12.55 pm

Chairman

Death grants and spouses benefits

Death Grants

A death grant is payable when an active, deferred or in some circumstances a pensioner member dies. Under the current regulations the value payable is;

Status	Death Grant
Active member	3 times assumed pensionable pay
Deferred member	5 times deferred pension
Pensioner member	(If the member has died within 10 years of retiring) the balance of 10 years' worth of pension

There is no specific LGPS regulation or guidance that funds must follow when determining the recipient of a death grant. It is not a pension matter per se, it's more a matter of the correct exercise of powers under public law principles that have accrued over time through case law.

The most often cited case is the Associated Provincial Picture Houses Limited v Wednesbury Corporation 1948 ("Wednesbury"). During the case the Lord Green gave his view that:

> a person entrusted with a discretion must direct himself properly in law, calling his attention to the matters which he is bound to consider and excluding from his consideration matters which are irrelevant to what he has to consider. Failure to obey these rules may be said to be acting unreasonably. However, at the extreme end, there may arise something so absurd that no sensible person could ever dream that it lands within the powers of the authority.

This is why you often see quoted in Independent Dispute Resolution Process cases, words to the effect that:

> a decision by an employer/administering authority can only be overturned if in reaching their view they have either acted ultra vires, failed to consider a relevant matter, considered an irrelevant matter or reached a decision that no reasonable person could have reached.

In short, the Fund must listen to all sides of the story, weigh up all the relevant arguments, not break the law and not do something out of the ordinary. An expression of wish form can help guide the Fund in its determination, but it does not necessarily need to follow this.

Funds usually consider how much weight to put on each piece of evidence available to it. Most funds naturally place considerable weight on an up to date expression of wish form which names the deceased's wife and children as beneficiaries. However, if a fund were faced with a decade old expression of wish form that named a former partner but you knew that the member had since got married and had children it would be difficult to make the judgment that that was really what the member intended. Among the things a fund might consider in making a decision are the member's domestic arrangements when they died, whether they left a will or not, and in some cases it may be necessary to talk to the member's surviving relatives.

For the West Sussex Scheme….

The Administering Authority Discretions include the following:

Decide to whom a death grant is paid
Where it is clear, having taken account of all the circumstances, payment is taken in accordance with the member's expression of wish. If no wish has been made, then payment is made to the legal spouse, cohabiting partner or civil partner following receipt of Grant of Probate or Form of Indemnity.

Where there is any doubt this is delegated to the Principal Pension Consultant (Administration and Employers)

Payment of Spouse's, civil partner's or cohabitees Pension

The situation when paying a pension is different, as the fund is not exercising a discretion. The LGPS regulations establish to whom you must pay a pension and the fund is simply establishing that the individual meets the criteria and then paying the pension to them. In the case of a spouse or civil partner that is a simple case of having sight of the legal paperwork. However, proof of meeting the cohabiting criteria is more difficult and does require some judgment. As it stands in the LGPS (and please note this area is constantly subject to legal challenge) a cohabiting partner must at the time of death:

- Have been able to marry or form a civil partnership with the deceased
- Not have been living with anyone else as if they were married or in a civil partnership
- Been financially dependent on the member or been financially interdependent with them.

The above situation must have endured for at least 2 years (we believe this criteria may eventually be challenged in court).

Typically when considering eligibility, funds will look for things like a joint mortgage statement, joint bank account or utility bills in both names. Even receipts for the family shopping could support a cohabiting partner's claim.

The ever expanding scope and definitions of who is eligible to receive these benefits has been reflected in the actuarial assumptions (i.e. the probability they will be paid on death is increasing), which leads to slightly higher liabilities.

For the West Sussex Scheme….

Verification of marriage, civil partnership etc. is obtained by Hampshire Pension Services or the team establish whether the deceased and their partner were living together, financially dependent on each other, and whether they were free to marry.

Tony Kershaw
Director of Law and Assurance

If calling please ask for:

Adam Chisnall on 033 022 28314
Email: adam.chisnall@westsussex.gov.uk

www.westsussex.gov.uk

County Hall
Chichester
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PO19 1RQ
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17 January 2020

Pensions Panel

A meeting of the panel will be held at **10.00 am** on **Monday, 27 January 2020** at **County Hall, Chichester**.

Tony Kershaw
Director of Law and Assurance

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.

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

The Panel is asked to agree the Part I minutes of the meeting of the Panel held on 25 October 2019 attached (cream paper).

10.02 am 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.

10.03 am 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.

10.04 am 5. **Motions Received from Employers** (Pages 13 - 18)

The Panel to discuss motions that have been received from employers within the pension fund.

10.09 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 4 September 2019 and the agenda from the meeting of the Pension Advisory Board on 20 November 2019.

(a) **4 September 2019 - Part I Pension Advisory Board Minutes** (Pages 19 - 24)

(b) **20 November 2019 - Pension Advisory Board Agenda** (Pages 25 - 28)

10.10 am 7. **Business Plan** (Pages 29 - 46)

Report by the Director of Finance and Support Services.

The Panel is asked to note the updates to the Business Plan.

10.20 am 8. **Pension Administration Performance** (Pages 47 - 58)

Report by the Director of Finance and Support Services.

The Panel is asked to consider the recommendation within the report.

10.40 am 9. **Actuarial Valuation** (Pages 59 - 106)

Report by the Director of Finance and Support Services.

The Panel is asked to:

(1) agree the current version of the Funding Strategy Statement for publication by 31 March 2020, unless amended.

(2) agree that any further amendments to the Funding Strategy Statement can be agreed by the Director of Finance

and Support Services, in consultation with the Chairman to allow the Statement to be published by 31 March 2020.

10.50 am 10. **Treasury Management Strategy** (Pages 107 - 114)

Report by the Director of Finance and Support Services.

The Panel is asked to:

(1) approve the 2020/21 Treasury Management Strategy as set out in Appendix 1.

(2) note the treasury activity undertaken during 2019/20 (1 April to 31 December 2019).

10.55 am 11. **Date of the next meeting**

The next meeting of the Pensions Panel will be 10.00 a.m. 27 April 2020 at County Hall.

Part II

10.55 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.

10.55 am 13. **Part II Minutes of the last meeting** (Pages 115 - 120)

To confirm the Part II minutes of the meeting of the Panel held on 25 October 2019, for members of the Panel only (yellow paper).

10.55 am 14. **Pension Advisory Board Minutes - Part II** (Pages 121 - 124)

The Panel is asked to note the confirmed Part II minutes from the meeting of the Pension Advisory Board on 4 September 2019 (yellow paper).

10.55 am 15. **AVC Transfer** (Pages 125 - 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.

11.05 am	16.	**ACCESS** (Pages 129 - 188)
		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	17.	**Review of Pension Investment 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	18.	**Presentation by Baillie Gifford**
		The Panel to receive a presentation on portfolio performance.
12.15 pm	19.	**Presentation by Aberdeen Standard**
		The Panel to receive a presentation on portfolio performance.
		Lunch
2.00 pm	20.	**Income Fund Options** (Pages 189 - 204)
		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.

To all members of the Pensions Panel

Pension Advisory Board

26 February 2020

Business Planning and Performance

Report by the Chairman of the Pension Advisory Board

Executive Summary

The Pension Advisory Board (PAB) is required to review its performance over the past year and report to the Governance Committee. Final consideration of the work programme and budget for 2020/21 has been deferred to the meeting in June after the Pensions Panel has agreed their Business Plan.

Recommendations

The Board is asked to agree:

i. the performance report for 2019/20 **[Appendix A]**;

ii. the provisional budget statement showing expenditure in 2019/20 against budget **[Appendix B]**;

iii. the statement for inclusion in the Fund Annual Report **[Appendix C]**;

iv. that the Pensions Panel and Governance Committee be informed accordingly.

1. Business Plan performance report for 2019/20

1.1 The draft report set out in **Appendix A** provides a brief summary of the Board's operations and activities over the past year. This summary includes an assessment of the Board itself and identifies a number of key achievements.

1.2. As agreed by the Board in 2019, the chairman met with board members at the beginning of February 2020 on a one-to-one basis to discuss performance over the past year, plans for the coming year and future training needs. The chairman also met with the S151 Officer, Katharine Eberhart and the Chairman of the Pensions Panel, Jeremy Hunt, to discuss the Board's role, performance and plans.

2. Budget Statement

2.1 **Appendix B** shows forecast spending against budget in 2019/20. Overall expenditure is well within budget and there were no exceptional or unexpected items to report.

3. Statement for the Fund Annual Report

3.1 **Appendix C** provides a draft statement for inclusion in the 2019/20 Fund Annual Report in a similar style to that for the Pensions Panel.

4. Business Plan for 2020/21

4.1 Work is still progressing on formulating an integrated business plan with that of the Panel, and the Board's Plan will be finalised at the meeting on 12 June 2020 after the Panel has agreed their business plan for the coming year at their meeting in May.

4.2 In the meantime, meetings will be structured to cover the standing agenda items and the core work plans in place. There are some key issues arising from work started by MHCLG and the SAB but which is still in progress. It is expected that new regulatory guidance will be issued in 2020 on which the Board will need to focus.

5. Need for advisors

5.1 It has been agreed previously that there was no recurring need for external advisors but that provision should be made in the annual budget in case specific advice was required (e.g. legal advice) at any stage. It is likely that any external advisory input, as agreed previously, would be for the provision of training and not formal advice.

5.2 There was no requirement for formal independent advice in 2019/20 and it is not anticipated that any will be required in 2020/21. Nevertheless, it is considered prudent to include provisional sums in the budget.

6. Equality Impact Review

6.1 An Equality Impact Review is not required as there are no relevant decisions to be taken.

Peter Scales
Chairman of the Pension Advisory Board

Contact: Adam Chisnall, Democratic Services Officer, 033 022 28314

Appendices
Appendix A - Business Plan Performance Report for 2019/20
Appendix B - Budget Statement for 2019/20
Appendix C - Statement for Fund Annual Report 2019/20
Appendix D - Pensions Panel Business Plan - 27/01/2020

Background papers
None

West Sussex Pension Advisory Board

Business Plan 2019/20 performance report

Board establishment

The revised Board structure agreed in 2018 which increased membership by two and added a fourth meeting has proved effective in increasing the capacity to deliver the Board's business during 2019/20. The terms of reference were revised by the Governance Committee in December to regularise the appointment process.

Board meetings

The Board held four meetings during the year with good attendance as shown in the table at the end of Appendix A. Relevant interests are recorded, and any changes declared at each meeting. There have been no conflicts of interest potential or otherwise and the register has been updated.

The business for each meeting has been in line with the core work plan agreed in May and is based on the responsibilities of the Board and guidance issued about key issues to cover, and on 'live' issues arising during the year.

The Board reviews reports considered by the Panel on the business plan updates, including risks, administration, ACCESS and other issues to avoid duplication by officers. This has worked well in the year in keeping the Board well informed of the Panel's deliberations.

The Board has also established standing agenda items on regulations and guidance (with references to the LGPC, SAB and tPR websites) which not only provide updates on changes but also provide a source of reference for the statutory regulations and guidance.

In terms of what has been achieved during the year, the schedule below shows actions against key tasks and demonstrates that a comprehensive programme of work has been completed.

In terms of individual Board members perceptions of performance, these were covered in the one-to-one performance review meetings held at the beginning of February. Some of the key conclusions are summarised below.

Annual Meetings

The Chairman met with the Pensions Panel Chairman, Jeremy Hunt, and Katharine Eberhart, Section 151 Officer, on 3 February and discussed matters including the Board's work, Pensions Panel engagement and upcoming work activities.

One-to-one review meetings

Board Meetings - All members thought the papers were circulated sufficiently on time and the meetings were well planned and documented, decisions were effective and well made. Key issues were being prioritised and information provided, and the relevant officers were helpful. There was a marginal improvement in the marking which reflects the experience of the new members one year on.

Individual contribution - Most considered they were making an effective contribution although some were finding it hard to devote as much time as they would wish due to work and other commitments. All members felt they had a better grasp of the issues and some thought refresher training would be useful.

Individual approach - All members felt they had a fairly sound approach to the Board and didn't feel there were any particular barriers to their contribution, other than time constraints.

Independent chairmanship - Everyone felt the role of independent chairman worked well, that he helped make the Board more effective and made a valuable contribution. Communication worked well allowing an open discussion and as a team. One member felt that strengthening member skills generally would be useful to avoid over-reliance on the expertise and opinion of the chairman.

Board performance - All members considered that the Board had performed well in 2019/20. It was felt generally that the Board was doing its job well but that there were areas where more needed to be done, particularly with new governance challenges on the horizon.

Areas for improvement

These are the areas where progress has not been as good as was expected:

Business Plan – More attention needs to be given to monitoring the Panel's risk control framework.

Administration - There has been some frustration with monitoring the level of performance by Hampshire as delays have occurred over the transition period due to the high level of unexpected workloads. While the position has improved significantly over the past year, there is concern about how to avoid similar problems in the future and in how the Board can assess performance relative to other funds. This could gain a higher focus with the Good Governance Review.

Pooling arrangements - Understandably the transition to these new arrangements has been a long process and under some uncertainty, particularly in relation to the guidance given centrally - revised guidance is currently still awaited after a year. The Board needs to clarify its on-going governance and monitoring role in relation to the Panel once the transition is complete.

Communications - Due to the 'newness' of the administration arrangements, the Board has not had as much impact on or input to communications as it would have wanted.

Key markers for future consideration

Administration arrangements - To fully understand the new arrangements and performance indicators, particularly compared to other funds, to obtain assurances about the effectiveness of internal control arrangements and to regularise the recording of breaches.

Pooling arrangements - To review the governance arrangements and to clarify both the Board's and the Panel's roles once transition is complete. To review the MHCLG revised guidance when issued.

Communications - To consider and seek to improve communications with employers and between employers. To review the effectiveness of information about ABSs and the AVC arrangements.

Business Plan - To better understand the Board's role in risk management and the Pensions Regulator's expectations in this area.

Training - To develop a more effective and structured approach to training needs and requirements, and to consider a more collaborative approach to sharing learning experiences.

Board operations – Comments made previously were reinforced that some form of comparison with the work of other local pension boards, including non-LGPS, should be attempted.

Knowledge and understanding

It was generally agreed that all members have achieved a good level of knowledge and understanding of the key issues but that it was not entirely clear what level was expected in such a wide range of options. The outcome of the Good Governance Review might shed some light on that.

All agreed that it was important to maintain the current arrangements, particularly with refresher training, and welcomed the training sessions either as part of the agenda items or separately after each meeting. The process of sharing feedback from external training should be developed and new knowledge gained in a collaborative manner.

As shown in the table below, the Board has been well represented on special refresher and update sessions run by CIPFA especially for local pension boards, providing the opportunity to meet members of other boards.

Each member has completed and 'passed' the Pensions Regulator's on-line modular training toolkit. There is some expectation that the toolkit is due for renewal and one member felt it might be helpful to revisit the toolkit as a refresher.

Indicators of performance and achievement

As the Board's work is generally subjective in nature, it is not practicable to measure performance against 'hard' indicators. However, performance has been good in monitoring compliance and effectiveness in the administration procedures throughout the year.

Chairman's comments

The Board's operations have stabilised, and all members are contributing effectively to meeting the Board's responsibilities. But there is more to be done and there are new challenges to face over the coming year. Nevertheless, there are no concerns that the Panel or the Scheme Manager are not operating satisfactorily, and the Board's principal role remains one of oversight.

Members consider that the Board is enabling the Scheme Manger to demonstrate compliance with regulations and guidance and helping ensure the Fund continues to be administered efficiently and effectively.

In my view the Board has continued to operate well in developing circumstances, particularly as regards the new pooling arrangements and other changes taking place. Each member continues to demonstrate their commitment to meeting their responsibilities, to gaining new knowledge and understanding of the issues, by preparing for each meeting and by participating effectively in discussion.

Board members are aware of the need not to duplicate the work of the Pensions Panel and officers, nor to generate unnecessary demands for monitoring information for meetings. At the same time, members do not hesitate to challenge decisions or practices when it is appropriate to do so, to seek improvements where beneficial, or to expose non-compliance.

Overall, the Board is doing the job it was set up to do and doing it well.

Pension Advisory Board 26 February 2020

Pension Advisory Board - Business Plan 2019/20
Achievement of key tasks and activities

Core on-going tasks	Achievement of core tasks	Special activities and reviews
Business planning and performance		
Agree programme of work, budget and resources for the coming year and monitor progress at each meeting Undertake a self-assessment of performance for the year to include on-to-one interviews Agree a report each year on activity for inclusion in the Fund Annual Report and for scheme employers	Plan agreed at 22 May meeting and monitored in September and November Plan reported to Governance Committee and Pensions Panel Chairman attended Pensions Panel in July Three members attended employer AGM in July Assessments completed in February 2020 Report agreed at 26 February meeting	Review arrangements with other local pension boards Informal review of four other local pension boards undertaken by chairman
Key risks • Failure to manage work efficiently and effectively Failure to account for activities and performance	All risks managed and no new risks identified	

Core on-going tasks	Achievement of core tasks	Special activities and reviews
Compliance checks		
Review policy on conflicts of interest annually, interests declared at each meeting, and maintain a register of interests on the website Review the Pension Fund Annual Report and Accounts for content and compliance Review statutory policy statements on a regular basis (at least two per meetings) and on a three year rolling basis	Register of interests linked on website Agreed to develop separate PAB conflicts policy in 2020 Annual report and accounts reviewed at 4 September meeting Draft FSS reviewed in May and subsequent updates Communications policy reviewed in May Policy on reporting breaches and compliance with CoP 14 reviewed in November TPR self-assessment tool reviewed in November Treasury Management Policy reviewed in February	Review updated guidance from CIPFA on preparing the annual report Review completed as part of the consideration of the annual report

Monitor and review changes to regulations and guidance at each meeting	Regulation changes, LGPC Bulletins and SAB meeting notes reviewed at each meeting	

Key risks • Failure to manage conflicts properly Non-compliance with regulations and guidance	All risks managed and no new risks identified

Core on-going tasks	Achievement of core tasks	Special activities and reviews
Governance arrangements		
Review decisions of the Pensions Panel Review management and monitoring of the pension fund risk register Monitor audit reports and assurances on internal controls Monitor work planned by the Pensions Regulator (tPR) Monitor reports and initiatives from the Scheme Advisory Board (SAB) Respond to surveys and requests for information from the tPR and the SAB Report to the Pensions Panel and Governance Committee on a regular basis and as required Report to tPR, MHCLG and SAB in exceptional circumstances	Panel minutes reviewed at each meeting Panel report reviewed at each meeting Reviewed in February tPR announcements reviewed SAB meetings and notes monitored Draft guidance on responsible investing reviewed Good Governance review monitored tPR 2019 survey completed SAB survey agreed in draft, but survey not issued PAB minutes reported to Panel other reports submitted Not necessary	Develop relationships with the Pensions Panel Chairman attended Panel meeting in July and will attend at least annually in future Chairman undertook performance review with Panel Chairman in February Review internal audit programme of work Special presentation made by internal audit to February meeting

Key risks • The decision-making process is not fully effective • Key risks are not properly managed • Failure to be aware of scheme-wide developments and changing requirements • Failure to properly account for the Board's activities	All risks managed **New risk identified**: SAB and tPR misinterpret PAB position based on simplistic surveys

Administration procedures and performance		

Consider a report on the administration of the scheme at each meeting Monitor key performance indicators and recovery action Review operation of key internal procedures and controls relating to third party contracts	Reports from the WS Pension Team and from Hampshire considered at each meeting KPIs reviewed at each meeting and are being developed	Review new administration service with Hampshire Officer from Hampshire attends each meeting Test internal controls for areas of weakness Part of February review with internal audit

Core on-going tasks	Achievement of core tasks	Special activities and reviews
Administration procedures and performance (contd)		
Monitor notifiable events and the recording and reporting of breaches Monitor recording of compliments and complaints, and progress on IDRP cases Monitor movements in membership numbers Monitor data quality and integrity, and progress on improvement plans Monitor timeliness of receipt of contribution payments and any recovery action required	All these tasks are covered in the administration report submitted to each meeting and are reviewed with the officers	
Key risks • Failure in the efficient and effective administration of the scheme • Non-compliance with reporting requirements • Failure to detect potential problems, including fraud at an early stage	Impact of transition in delaying performance noted Uncertain position on ABSs noted	

Investment and funding		
Review the investment strategy statement to assess compliance with regulations and guidance issued by MHCLG and CIPFA	ISS reviewed but awaiting further guidance from MHCLG on pooling	Review of funding strategy statement
Review the funding strategy statement to assess compliance with regulations and guidance	FSS reviewed in draft with employers' comments noted FSS further reviewed as updated	Reviewed in conjunction with updates made during valuation process
Review the process of consultation with appropriate persons, particularly scheme employers	Valuation reports reviewed with feedback from employer meetings Valuation process reviewed for compliance	Review investment strategy statement in conjunction with revised guidance issued by MHCLG Revised guidance not issued at time of February meeting

Review the valuation process for compliance and good practice Review developments on the pooling arrangements, particularly in relation to governance and investment management	Progress on pooling monitored but awaiting finalisation of governance arrangements	

Core on-going tasks	Achievement of core tasks	Special activities and reviews

Investment and funding (contd)		
Monitor arrangements for monitoring investment performance and costs Monitor developments in relation to responsible investing and ESG issues insofar as they relate to the Board's responsibilities	Monitoring transition to ACCESS and development of residual monitoring framework Reviewed SAB draft guidance on statutory background in February	
Key risks • Non-compliance with investment regulations and Government guidance • Failure of proper governance arrangements in the pooling of Fund assets • Failure to comply with or respond to developments in good practice or regulatory compliance Net asset values are insufficient to meet future liabilities	Risks being managed and monitored **New risk identified**: Role of PAB in relation to ACCESS and on responsible investment needs to be clarified	

Communications		
Monitor disclosure of information in line with statutory requirements, including annual benefit statements	Disclosure monitored in relation to breaches	Review revised communications policy statement in the light of new Hampshire service
Review newsletters for content and clarity	Newsletters to pensioners reviewed in February	Strategy and revised statement reviewed in November
Review communications with employing authorities	Reviewed by Board members at the point of receipt	
Monitor developments in the website and pensions portal	Full review pending the transition to the new arrangements	
Consider more effective links to scheme members	Portal take-up monitored	
Key risks • Failure to keep employers and scheme members properly informed • Non-compliance with Administration Strategy Scheme members fail to understand scheme benefits and opt-out	Risks being managed and monitored	

Core on-going tasks	Achievement of core tasks	Special activities and reviews
Training		
Maintain training log and review activity regularly Monitor implementation of training strategy	Reported and monitored at each meeting	Review any revised training requirements or e-learning tools produced by tPR
Identify opportunities for in-house training after each meeting and for external training courses or events	Discussed as part of performance reviews and agreed need to develop a more structured approach	No new requirements pending outcome of Good Governance review by SAB
Key risks • Failure of Board members to maintain a suitable level of knowledge and understanding	Assessed regularly **New risk identified**: New regulations being developed may impose additional requirements on PAB in relation to compliance	

Pension Advisory Board 2019/20	Peter Scales Chairman Independent	Becky Caney Member Rep	Richard Cohen Employer Rep	Miranda Kadwell Employer Rep	Kim Martin Employer Rep	Chris Scanes Member Rep	Tim Stretton Member Rep
Meeting attendance	4/4	4/4	4/4	4/4	3/4	4/4	3/4
TPR toolkit *	ALL	ALL	ALL	ALL	ALL	ALL	ALL
Internal Training							
Employer Forum - Valuations				✓	✓		
Hampshire Pensions Admin	✓	✓	✓	✓	✓	✓	✓
Pension Fund accounts			✓		✓		
Pensions governance	✓	✓	✓	✓		✓	✓
Responsible ESG investment	✓	✓	✓	✓		✓	
Internal Audit	✓	✓	✓	✓	✓	✓	✓
External Training							
CIPFA LPB Annual Seminar	✓						✓
CIPFA LPB Autumn Seminar				✓			
CIPFA Annual Pensions Conf.	✓					✓	
Hymans governance roundtable	✓						
CIPFA LPB Spring Seminar	✓	✓		✓			

* Online training provided on the Pensions Regulator's public service website
N.B. This table will also form part of the Pension Fund Annual Report

Pension Advisory Board Budget Statement

Budget item	**Budget 2019/20 £**	**Spend * 2019/20 £**
Allenbridge fee for independent chairman	16,000	16,000
Travel expenses/subsistence	2,000	TBC
Training provision	2,500	TBC
Democratic Services Support (0.2 FTE)	7,000	TBC
Meetings (incl. refreshments)	500	TBC
Provisional sums:		
✓ Legal and other external advice	3,000	TBC
✓ Contingency	2,000	TBC
TOTAL BUDGET	**33,000**	

* Provisional actuals pending closure of accounts

N.B. VAT excluded

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The annual Report contains a standard description of the Board's function under the section on "Scheme Management". The table in Appendix A describing the Board membership and training is also included, together with the following:

Foreword by the Board Chairman

The Pension Advisory Board was established on 1 April 2015 under the provisions of the LGPS Regulations 2013 to assist the Scheme Manager, in matters of governance and administration, to secure compliance with regulations, guidance and other legislation; with requirements imposed by the Pensions Regulator; and to help secure effective and efficient governance and administration. The Board meets four times a year.

The Board is required to have a minimum of four members with equal representation of employers and scheme members, and in April 2018 it was agreed to increase the size to six members. Each member continues to demonstrate their commitment to meeting their responsibilities, to gaining new knowledge and understanding of the issues, by preparing for each meeting and by participating effectively in discussion.

The Board has continued to operate well in developing circumstances, particularly as regards the new pooling arrangements and other changes taking place. The business for each meeting has been planned by reference to the work plan agreed in May 2019 and is based on the responsibilities of the Board and guidance issued about key issues to cover. All items have been covered during the year and there have been no disputes in the decisions reached. Key items covered include administration performance, communications, policy statements, data quality, new regulations and guidance, the new pooling arrangements with ACCESS, and knowledge and skills requirements.

The Board uses the LGPC, the SAB and tPR websites as a point of reference for the Scheme regulations and guidance, and to track any changes. In particular, the Board has been monitoring progress on the Hymans Robertson Good Governance Review commissioned by the SAB and updated regulations and guidance are expected during 2020/21. In addition, the Board has reviewed draft guidance issued by SAB on the statutory framework for responsible investing.

The Board has formulated its training plan, in conjunction with the Pensions Panel, to cover the individual requirements of each member based on guidance issued by CIPFA, using the suggested framework to ensure coverage of all items over a reasonable period. Training sessions are held as part of each Board meeting and additional induction training given to new members. Progress on training is monitored and discussed at each meeting and reviewed annually in the year-end performance review on-to-one meetings.

The Board is satisfied that the West Sussex Pension Fund is operated in compliance with statutory regulations and other legislation, and with guidance issued by MHCLG and CIPFA. The requirements imposed by the Pensions Regulator are being met and the Board is monitoring the effectiveness and efficiency of the governance and administration arrangements, particularly in relation to pooling and following the transition to a new administration service provider.

Pension Panel	
27 January 2020	**Part I**
Business Plan Update	
Report by Director of Finance and Support Services	

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(s)

(1) That the updates to the Business Plan are noted.

Proposal

1. Background and Context

1.1 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.

1.2 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 and Support Services wishes to bring to the attention of the Panel is then provided to the Panel each quarter.

1.3 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.

2. Update on Business Plan Priorities – Q3

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

	Area	Update
a)	Pension Administration (including Employer data quality)	Performance has improved following ring-fencing of case work and stabilisation of work volumes. A data improvement plan has been developed by the Pension Fund in consultation with the administration team and its Actuary. It is anticipated that this will be delivered over a period to October 2020. See Agenda Item 7.
b)	Reconciliation to HMRC of GMP (Guaranteed Min Pension)	The progress against this is largely driven by HMRC response times. Further reporting has been requested from the administration team to allow the specialist GMP team to review outstanding queries. The current indication is that the reconciliation work should complete in late April 2020.
c)	Annual Report and Accounting	Preparation work is underway for the 2019/20 Financial Statements and officers are attending the relevant CIPFA training events to ensure the accounts reflect the latest guidance. EY (Ernst & Young) undertook pre-audit testing in early January. A report will be prepared for Regulation, Audit and Accounts Committee (RAAC) for their 23 March meeting which will cover the closedown and audit plan in preparation for the draft accounts being presented on 20 July 2020.
d)	GDPR	The County Council currently has a Data Sharing Agreements with the majority of the Fund employers. It is proposed that the need to complete the remaining Agreements are escalated within the pension's team with a target for that all Data Sharing Agreements are completed by 31 March 2020.

e)	Investment Strategy	Hymans Robertson has been commissioned to assist the Pension Panel on their due diligence for a potential infrastructure and / or private debt funds. See Agenda Item15. Officers are continuing to work with Link and the ACCESS Support Unit on sub-fund investment options for its liquid portfolio. See Agenda Item 17.
f)	Working collaboratively on the ACCESS Pool	The ACCESS Joint Committee met on 9 December 2019. See Agenda Item 16.
g)	ESG	The Panel received training on Environmental, Social and Governance considerations following its October 2019 meeting. It is proposed that a special Pension Panel meeting is convened (date to be confirmed).
h)	Custodian transition	Complete.
i)	2019 valuation preparation	The valuation project remains on track. Employer meetings were held in October and November 2019 to provide initial results and employer result schedules are now being provided. The Rates and Adjustment certificate must be published by 31 March 2020, with rates effective from 1 April. See Agenda Item 8.
j)	Work by the Scheme Advisory Board	Phase II of the Scheme Advisory Board's Good Governance work has been published, and initial comments invited by February 2020. The Scheme Advisory Board has also published draft Guidance on Responsible Investment. See Agenda Item 16.

3. Other Priorities Q3

Competition and Mark Authority's Investigation into Investment Consultancy and Fiduciary Management

3.1. The Pension Panel received an update on the Competition and Market Authority's investigation into the investment consultancy and fiduciary management market following a referral made by the Financial Conduct Authority (FCA) in September 2017.

3.2. The CMA published its final report in December 2018 and concluded that there was an adverse effect on competition in the investment consultancy and fiduciary management market. It found low levels of engagement by trustees when choosing and monitoring their investment consultant and low levels of tendering when first moving into fiduciary management.

3.3. The final report set out two remedies via the Order (published in October 2019)

- to tender for fiduciary management services when > 20% of the Scheme assets are delegated
- to set strategic objectives for providers of investment consultancy services.

3.4. As the duties that apply to trustees took effect from December 2019 the Pension Panel agreed to delegate the agreement of strategic objectives to the Director of Finance and Support Services, in consultation with the Chairman. Officers have sought legal advice and the objectives agreed are attached in Appendix 1.

Constitutional Changes relating to Pension Matters

3.5. Officers have undertaken a minor technical review of the Constitution around the County Council's pensions responsibilities. Minor changes to the terms of reference of two committees (Governance Committee and Performance and Finance Select Committee) and the Pensions Panel have been proposed to help clarify their roles and responsibilities on pensions matters.

3.6. This will be considered by Governance Committee when they meet on 20 January 2020.

4. Risks

4.1. The risk monitor is included in Appendix 2.

5. Training

5.1. 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.

5.2. Training completed by the Panel and appropriate future training events are shown in Appendix 3.

Factors taken into account

6. Consultation

6.1. n/a

7. Risk Implications and Mitigations

Risk	Mitigating Action (in place or planned)
Knowledge and understanding of the Board and Panel members may not comply with the requirement to have the	Develop, put in place and monitor training register with members of the Pension Panel and also the Board. The training can be collaborative between the Pension Board

Risk	Mitigating Action (in place or planned)
appropriate knowledge and understanding.	and the Pensions Panel to share learning and knowledge.
Pension Fund accounts not accurately maintained.	Plan to close down accounts with timetable. Ensure staff are trained appropriately. Maintain a good working relationship with the Actuary and auditors. Involvement with CIPFA resulting in best practice being adopted. Quality assurance of the accounts included within the timetable
The Pension Fund does not provide a clear and suitable investment strategy for Fund managers to follow	Strategic asset allocation adopted by the Fund Managers is considered by the Pensions Panel and the fund's independent adviser, with awareness of liquidity requirements. Fund managers' performance is monitored quarterly against the performance of the fund-specific benchmark and the returns assumed in the actuarial valuation.
Risk of poor governance if responsibilities are not clear.	Improved clarification by making the proposed amendments.

8. Other Options Considered

8.1. n/a

9. Equality Duty

9.1. n/a

10. Social Value

10.1. n/a

11. Crime and Disorder Act Implications

11.1. n/a

12. Human Rights Implications

12.1. n/a

Katharine Eberhart
Director of Finance and Support Services

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

Appendix 1 CMA Objectives

Appendix 2 Risk Register

Appendix 3 Training Register

Background Document

Governance Committee
Monday, 20th January, 2020 2.15 pm

Appendix 1 A – CMA Objectives for Investment Consultants

On 12 December 2018, the Competition and Markets Authority ("CMA") published its Final Decision Report following a review of the investment consulting and fiduciary management markets. The Provisional Decision Report had been published on 18 July 2018.

The CMA has set out its final Order, including a requirement for pension scheme trustees and managers to set objectives for their investment consultants.

The CMA requirements stipulate that, from 10 December 2019, trustees (or equivalent bodies within the LGPS such as pensions committees) should set objectives for their investment consultants prior to receiving investment consultancy services from them.

The following objectives are set for each firm of investment consultants which the Panel engages to provide *ad hoc* investment consulting advice on specific matters from time to time (its "Investment Consultants"). Such matters may relate either to particular components of the Fund's investment portfolio or the portfolio as a whole depending on the instructions given.

The Panel will assess its Investment Consultants against these objectives on an annual basis and will review the objectives themselves triennially. The period of assessment will be reviewed from time to time.

In order to support the Panel's assessment of its Investment Consultants, the Panel will consider periodically whether it would be appropriate and proportionate to seek the input of an independent investment consultant to help the Panel evaluate matters such as the Investment Consultants' proactivity, recommendations from the available opportunity set, quality of judgment and relative fee levels (etc).

This document has been prepared with a view to the Pensions Regulator's guidance on setting objectives for investment consultants, which was published on 28 November 2019.

Fund Requirement	Investment Consultant Objective	Score
Managing Liabilities		
• Maintain as nearly constant employer contribution rates as possible. • Maintain affordability of the Fund to employers as far as this is reasonable. • The Investment Strategy objective is to meet pension liabilities as they fall due, maximising returns while keeping risk within acceptable limits and contribute towards	Advise on a suitable investment strategy, and amendments to the strategy, either with a view to the whole portfolio or components of it as and when instructed to do so by or on behalf of the Panel from time to time, to deliver the required investment returns from the Fund's investments to support progress towards a long term steady state of funding in accordance with the Fund's then current investment strategy statement prepared in	X/5

achieving and maintaining full funding. • Reduce risk of deficits emerging to protect against increases in the secondary (deficit contribution) rate. • Generate sufficient returns to keep the cost of new benefits accruing reasonable through an investment strategy that supports the Actuary's funding assumptions. • Identify sources of income in order to generate cash as the Fund requires.	accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.	
	Deliver and assist in the implementation of a strategy (or a specific sub-strategy) that meets the risk and return requirements of the Fund and helps achieve long term sustainable and affordable contribution rates in accordance with the Fund's investment strategy statement.	X/5
	Advise on changes to investment strategies where relevant, with the aim of managing risk relative to long-term funding objectives or capturing opportunities.	X/5
	Reflect the investment beliefs of the Panel in the advice given, including considerations of the measurement of investment decisions and the timescales over which they should be assessed.	X/5
	Deliver an investment approach that reflects the Fund's cashflow position, and likely evolution, and minimises the risk of forced disinvestment.	X/5
		XX/25
		50%
Value for Money		
• Ensure cost efficient implementation of the Fund's investment strategy.	Advise on the cost efficient implementation of the Fund's investment strategy (or components of the overall portfolio) as required from time to time, considering different implementation approaches across/within the strategic asset classes and the evolution of the investment options of the ACCESS pool.	
	Advise on setting suitable investment benchmarks to assess and monitor the effectiveness of mandate implementation (including, where instructed to do so, in relation to costs and fees, and returns measured on a net of fees basis).	
		XX/10

		20%
Regulation and guidance		
• Ensure the Fund's approach reflects relevant regulatory and legislative requirements. • Develop the Panel's Responsible Investment policy and ensure this is reflected in ongoing governance and decision making processes.	Ensure advice given complies with relevant pensions regulations, legislation and supporting guidance.	X/5
	Assist in (i) the development of the Panel's policies and beliefs, including those in relation to Responsible Investment, (ii) the means by which the Fund's asset managers are incentivised to align their investment strategy and decisions with the Panel's policies and to make decisions based on assessments of medium- to long-term performance, and (iii) the Panel's assessment of how its remuneration and evaluation of those managers is aligned with such policies).	X/5
	Ensure advice given reflects the Panel's own policies and beliefs, including those in relation to Responsible Investment considerations.	X/5
	Support the Fund through research on climate risk such as scenario testing and the impact on funding and investments, where it is appropriate and feasible to do so.	X/5
		XX/20
		15%
Governance		
• Ensure the Fund's investment objectives are supported by an effective governance framework.	Provide relevant and timely advice, liaising with the Panel's other advisers as necessary and demonstrating appropriate levels of proactivity.	X/5
	Ensure Panel members understand the implications of different strategic options, including associated risks, so that they can make decisions with sufficient knowledge and confidence.	X/5
	Provide proportionate ongoing governance and be competitive in terms of costs relative to peer group.	X/5
		XX/15
		15%

Appendix 1 B – CMA Objectives for Fund Adviser

CMA

On 12 December 2018, the Competition and Markets Authority ("CMA") published its Final Decision Report following a review of the investment consulting and fiduciary management markets. The Provisional Decision Report had been published on 18 July 2018.

The CMA has set out its final Order, including a requirement for pension scheme trustees and managers to set objectives for their investment consultants.

The CMA requirements stipulate that, from 10 December 2019, trustees (or equivalent bodies within the LGPS such as pensions committees) should set objectives for their investment consultants prior to receiving investment consultancy services.

The following objectives are set for any individual consultant who the Panel engages to provide *ad hoc* investment consulting advice on specific matters from time to time (the "Investment Consultant"). Such matters may relate either to particular components of the Fund's investment portfolio or the portfolio as a whole depending on the instructions given.

The Panel will assess the Investment Consultant against these objectives on an annual basis and will review the objectives themselves triennially. The period of assessment will be reviewed from time to time.

In order to support the Panel's assessment of its Investment Consultants, the Panel will consider periodically whether it would be appropriate and proportionate to seek the input of an independent investment consultant to help the Panel evaluate matters such as the Investment Consultant's proactivity, recommendations from the available opportunity set, quality of judgment and relative fee levels (etc).

This document has been prepared with a view to the Pensions Regulator's guidance on setting objectives for investment consultants, which was published on 28 November 2019.

Fund Requirement	Investment Consultant Objective	Score
Managing Liabilities		
• Maintain as nearly constant employer contribution rates as possible. • Maintain affordability of the Fund to employers as far as this is reasonable. • The Investment Strategy objective is to meet pension liabilities as they fall due, maximising returns while keeping risk within acceptable limits and contribute towards	Provide guidance and challenge on a suitable investment strategy, and amendments to the strategy, to deliver the required investment returns from the Fund's investments to support progress towards a long term steady state of funding in accordance with the Fund's then current investment strategy statement prepared in accordance with the Local Government Pension Scheme	X/5

achieving and maintaining full funding.	(Management and Investment of Funds) Regulations 2016.	
• Reduce risk of deficits emerging to protect against increases in the secondary (deficit contribution) rate. • Generate sufficient returns to keep the cost of new benefits accruing reasonable through an investment strategy that supports the Actuary's funding assumptions. • Identify sources of income in order to generate cash as the Fund requires.	Assist the Panel and officers in the implementation of a strategy (or a specific sub-strategy) that meets the risk and return requirements of the Fund and helps achieve long term sustainable and affordable contribution rates in accordance with the Fund's investment strategy statement.	X/5
	Provide guidance on changes to investment strategies where relevant, with the aim of managing risk relative to long-term funding objectives or capturing opportunities.	X/5
	Reflect the investment beliefs of the Panel in the advice given, including considerations of the measurement of investment decisions and the timescales over which they should be assessed.	X/5
	Deliver an investment approach that reflects the Fund's cashflow position, and likely evolution, and minimises the risk of forced disinvestment.	X/5
		XX/25
		50%
Value for Money		
• Ensure cost efficient implementation of the Fund's investment strategy.	Provide guidance and challenge on the cost efficient implementation of the Fund's investment strategy as required.	X/5
	Assist the Panel and officers in consideration of suitable investment benchmarks to assess and monitor the effectiveness of mandate implementation.	X/5
		XX/10
		20%
Regulation and guidance		
• Ensure the Fund's approach reflects relevant regulatory and legislative requirements. • Develop the Panel's Responsible Investment policy and ensure this is reflected in ongoing governance and decision making processes.	Ensure advice given complies with relevant pensions regulations, legislation and supporting guidance.	X/5
	Assist in and challenge the development of the Panel's policies and beliefs, including those in relation to Responsible Investment.	X/5

	Ensure advice given complies with relevant pensions regulations, legislation and supporting guidance.	X/5
		XX/15
		15%
Governance		
• Ensure the Fund's investment objectives are supported by an effective governance framework.	Provide relevant and timely advice, liaising with officers as necessary and demonstrating appropriate levels of proactivity	X/5
	Provide guidance to the Panel on the implications of different strategic options, including associated risks, so that they can make decisions with sufficient knowledge and confidence	X/5
	Provide proportionate ongoing governance and be competitive in terms of costs relative to peer group	X/5
		XX/15
		15%

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Appendix 2 – Risk Register

Risk Theme	Action	RAG
NEW Political pressure results in change to investment strategy due to ESG factors resulting in the Fund being required to restrict Fund Manager investments and/or the Fund being challenged on fiduciary duty.	Ensure active engagement by Fund Managers with companies in all areas. Regular dialogue with Fund Managers regarding reasoning behind the stock being held. Keep up to date with Scheme Advisory Board and Government guidance.	
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.	
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.	

Closed

Risk Theme	Action	RAG
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.	

Appendix 3 – Training Register

Training	Trainer	Date	Financial Year	No. of attendees	David Bradford	Joy Dennis	Brian Donnelly	Roger Elkins	Jeremy Hunt	Nigel Jupp	Judith Taylor	Deborah Urquhart	James Walsh
LGA Governance Conference	LGA	17-18 January 2019	2018/19	1							✓		
LAPF Strategic Investment Forum	LAPF	07 February 2019	2018/19	3		✓				✓			✓
Baillie Gifford: Global Alpha Investment Forum	Baillie Gifford	28 February 2019	2018/19	2	✓				✓				
Club Vita Training on Longevity	Hymans	28 January 2019	2018/19	8	✓	✓	✓		✓	✓	✓	✓	✓
Local Authority Governance	PLSA	13-15 May 2019	2019/20	1		✓							
Financial Statements 2018/19	WSCC	13 June 2019	2019/20	6		✓	✓	✓	✓	✓			✓
Introduction to the LGPS	CIPFA	25 September 2019	2019/20	1						✓			
ACCESS Investor Day	Link	16 October 2019	2019/20	3	✓					✓	✓		
Baillie Gifford: LGPS training & Investment Seminar	Baillie Gifford	9-10 October 2019	2019/20	6	✓	✓			✓	✓	✓		✓
ESG training	Eversheds, Hymans & UBS	25 October 2019	2019/20	8	✓	✓	✓	✓	✓	✓		✓	✓
Annual Pensions Conference	CIPFA	13 November 2019	2019/20	3		✓	✓					✓	
Private Debt Workshop	Partners Group	20 November 2019	2019/20	2			✓	✓					
2020 Vision : looking a year ahead into the Global market	Aberdeen Standard Investments	22 January 2019	2019/20	1	✓								
Annual LGPS Governance Conference	LGA	23-24 January 2020	2019/20	2						✓	✓		
Aberdeen Global Investment Forum 2020	Aberdeen Standard Investments	06 February 2020	2019/20	3		✓			✓	✓			

Upcoming training –

Training Offered	Event Date	Location
LAPF Strategic Investment Forum	06 February 2020	London
LGC Investment LGPS Seminar	27-28 Feb 2020	Cheshire
PLSA Investment Conference	11-13 Mar 2020	Edinburgh
PLSA Local Authority Conference 2020	18-20 May 2020	Gloucestershire

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Pension Advisory Board

26 February 2020

Regulations and Guidance Update

Report by the Chairman of the Pension Advisory Board

Executive Summary

Members of the Pension Advisory Board (PAB) are required to maintain a suitable level of knowledge and understanding in relation to the Scheme Regulations and Guidance.

This report provides an update on issues covered by the LGPC bulletins, by the Scheme Advisory Board at its meetings, by the Pensions Regulator and other guidance.

Recommendations

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

1. Knowledge & Skills Resources

1.1 Access to the LGPS website remains the primary source of information on the LGPS regulations and guidance, and to changes under consideration or consultation. There are no new regulations of which Board members should be aware

2. LGPS Bulletins

2.1 Since the November meeting, LGPC have issued three bulletins and brief details of these, together with a brief status report on any action required, including past bulletins, are set out in **Appendix A**. Full details are available on the LGPC website [www.lgpsregs.org/ "LGPC Bulletins"].

3. Scheme Advisory Board

3.1 The most recent meeting of the SAB was held on 3 February 2020 but the outcome of their discussions is not yet available online.

3.2 The key items on their agenda were mainly covering updates on the good governance review (see agenda item 10), the 2020/21 SAB Budget and workplan, regulation changes post-McCloud, changes to the pensions administration strategy requirements, draft guidance on responsible investment (extending the consultation to 31 January), and member representation on pools. Further information is available on the website. [www.lgpsboard.org under Board meetings]

4. The Pensions Regulator

4.1 In a similar way to the LGPS website, access to the Pensions Regulator's website provides a valuable source of information about the regulation of public service schemes, roles and responsibilities, and codes of practice and guides. A summary of the key areas of information available is set out in **Appendix B** together with access details for the website.

5. Guidance

5.1 **MHCLG draft guidance on pooling** - No further information has been issued by MHCLG on this consultation although there are suggestions that draft guidance may be issued for consultation soon. This guidance is likely to introduce significant compliance requirements in relation to pooling and will need to be considered by the Board.

5.2 **Responsible investment guidance from SAB** - Draft guidance was issued for consultation in December for response in January and a copy is attached as **Appendix C**. This first set of guidance sets out the legal background to decision-making in relation to responsible investment and as such is a useful reference. The County Council's consideration of the matter is covered under Part II of the agenda. The second set of guidance is being drafted which aims to give more information about how funds should manage their investments.

6. Equality Impact Review

6.1 An Equality Impact Review is not required as there are no relevant decisions to be taken.

Peter Scales
Chairman of the Pension Advisory Board

Contact: Adam Chisnall, Democratic Services Officer, 033 022 28314

Appendices
Appendix A - Knowledge & Skills Resources - LGPS Bulletins
Appendix B – Information on the Pensions Regulator's website
Appendix C - Scheme Advisory Board responsible investment guidance Part I

Background papers
None

West Sussex Pension Advisory Board

Knowledge & Skills Resources - LGPS Bulletin update

Bulletin	Relevant content	Report
2018 176 Sept	**The Pensions Regulator** - New approach to workplace pensions regulation - for further review as details emerge	**TBR**
2019 181 Feb	**Consultation on fair deal** to strengthen the pension protections for employees transferring to a service provider	**TBR**
190 Oct	**McCloud** possible remedy advise employers	**TBR**
191 Nov	Providing updates on a number of active issues including good governance project, McCloud, annual reports, and scheme returns.	**Note**
192 Dec	**Opt out forms updated** **Member guide to AVCs**	**Note** **TBR**
2020 193 Jan	**Retirement planning guide** **ABS technical guide updated** **National LGPS Frameworks survey** **Technical queries**	**Note**

TBR = To be reported

February 2020

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The Pensions Regulator's website

https://www.thepensionsregulator.gov.uk/en/public-service-pension-schemes

Public service schemes

This section of our website is for anyone involved in the governance and administration of public service pension schemes. This includes scheme contacts, scheme managers, pension board members, administrators and professional advisers.

Initially these will be the schemes for civil servants, armed forces, health service workers, teachers, judiciary, police, firefighters and local government workers. In due course it may also include some public body schemes..

Understanding your role

If you're involved in governing and administering public service pension schemes you should understand your role and have the appropriate skills and expertise.

Scheme management

The areas of governance and administration you need to focus on when running, overseeing or advising a public service pension scheme.

Further resources

Resources you can use to help you run, oversee or advise a public service pension scheme – includes pension guides, consultations, research, analysis and useful links.

Understanding your role

If you're involved in governing and administering public service pension schemes you should understand your role and have the appropriate skills and expertise.

Importance of good governance

Running a public service pension scheme can be complex and challenging. Good governance can help you to overcome these challenges and deliver good member outcomes.

Roles and responsibilities

A number of people and organisations are involved in making sure that public service pension schemes are well run. Make sure you understand your role and the role of others involved in the scheme.

Knowledge and understanding duty on board members

If you're a pension board member for a public service pension scheme you must meet certain legal requirements that relate to your knowledge and understanding.

Learn about managing public service schemes

Use our Public Service toolkit to learn about managing public service pension schemes and to increase your knowledge and understanding.

Investments and funding of local government schemes

If you are involved in running a local government pension scheme you may have investment responsibilities.

Scheme management

The areas of governance and administration you need to focus on when running, overseeing or advising a public service pension scheme.

Reporting duties

Managers of public service pension schemes must ensure that the scheme return we issue each year is completed on time. They must also tell us of any changes to their scheme's 'registrable information' as soon as possible.

Internal controls and managing risks

Public service pension schemes need to have good internal controls. They are a key characteristic of a well-run scheme and will enable risks to the scheme to be managed effectively.

Record-keeping

Failing to maintain complete and accurate records can affect the ability of your public service pension scheme to carry out basic functions. Accurate record-keeping is crucial in ensuring that benefits are paid correctly.

Communicating to members

Members of public service pension schemes need to receive information to help them understand their pension arrangements and make informed decisions.

Publishing scheme information

Certain information relating to public service pension schemes needs to be published so that scheme members and interested parties know that their scheme is being managed effectively.

Maintaining contributions

Public service pension schemes need to have procedures and processes that enable you to effectively monitor pension contributions, resolve payment issues and report payment failures.

Pension board conflicts of interest and representation

In public service pension schemes, potential conflicts of interest need to be identified and managed to prevent actual conflicts of interest arising.

Resolving internal disputes

Internal dispute resolution (IDR) arrangements play an important part in the management of a public service pension scheme. They enable someone with an interest in the scheme to ask for a matter in dispute to be resolved.

Reporting breaches of the law

Certain people involved with the governance and administration of a public service pension scheme must report certain breaches of the law to us.

Further resources

Resources you can use to help you run, oversee or advise a public service pension scheme – includes pension guides, consultations, research, analysis and useful links.

Code of practice

Read our code of practice for public service pension schemes. This code came into legal effect on 1 April 2015.

Tool for assessing your scheme

It's important you assess how you are running your public service pension scheme so that you can identify any areas in need of improvement.

Pension guides

Clear and simple guides on different aspects of public service pension schemes.

Responsible Investment in the Local Government Pension Scheme

A Guide to the duties of Investment Decision Makers in LGPS Administering authorities

Introduction and purpose

1. This guidance has been prepared by the Local Government Scheme Advisory Board (SAB) in England and Wales to assist administering authorities and in particular those individuals delegated to make investment decisions on behalf of the authority. It sets out their duties with regard to developing and maintaining responsible investment (RI) policies according to the relevant scheme regulations, statutory guidance and public law and references developments to private sector pensions legislation In this area.

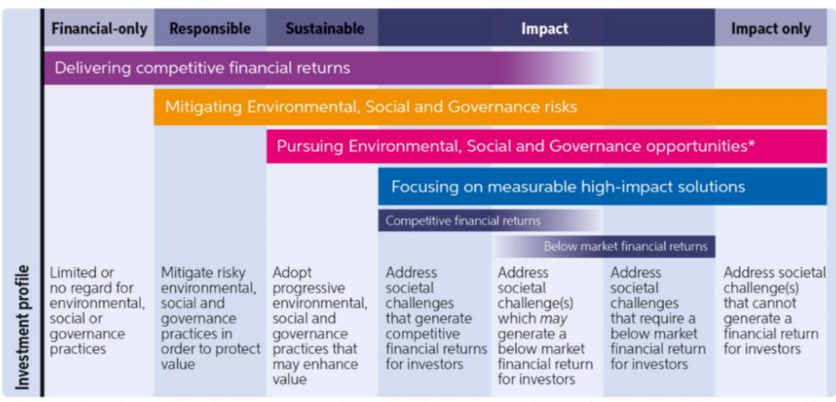
2. The guidance is further to and should be read in conjunction with the Ministry of Housing, Communities and Local Government's (MHCLG) revised *Guidance on Preparing and Maintaining an Investment Strategy Statement* published in July 2017.

3. This guidance is based on the extant LGPS investment regulations 2016 and associated statutory guidance together with our understanding of related legislation. It does not anticipate or include any work undertaken by the SAB in conjunction with scheme stakeholders to explore the scope for recommending changes to MHCLG to amend the scheme's RI requirements to reflect recent changes made to the regulatory framework applying to schemes based on trust law. If changes to regulations and statutory guidance are made, this guidance will be updated to reflect them and will then be regularly reviewed to ensure that it remains timely and relevant

4. This guidance is intended to be permissive in that it does not seek to provide operational direction but rather seeks to clarify the parameters within which decisions can be made and policies formulated with regard to the integration of ESG considerations into the overall investment strategy of the authority. It is recognised that there will be variation between different administering authorities in terms of their approach to RI and no one guidance document could successfully cover all local situations..

5. The guidance is intended to assist investment decision makers, irrespective of their investment beliefs. In doing so it is recognised that different administering authorities will be at different stages of the RI journey as shown in the "Spectrum of Capital" below :-

The spectrum of capital



* This integration of sustainable practices across an organisation's core business may also be termed Corporate Social Responsibility (CSR), although many organisations have a separate (often philanthropic) CSR 'carve-out' that is distinct from their approach to sustainability

Source: G8 Social Impact Investment Taskforce, Asset Allocation Working Group (2014)

6. The guidance is intended to empower and equip administering authorities and those delegated to make investment decisions on behalf of the authority to meet their obligations in line with the Regulations and statutory guidance. It also sets out our understanding of the relevant fiduciary, general public law and code of conduct duties when making investment decisions based on extant case law and QC opinion.

7. The guidance is also relevant to local pension boards in the context of their statutory duty to assist their administering authority in complying with the policies set out in their Investment Strategy Statement (ISS) and that the ISS has been completed in accordance with MHCLG's statutory guidance on preparing and maintaining an ISS.

8. The guidance will be formally reviewed by the SAB, at least on an annual basis, after consultation with the Cross Pool Collaboration Group Responsible Investment Subcommittee and other key stakeholders.

Part 1 – Definitions

1A. What is Responsible Investment?

9. According to the PRI (Principles for Responsible Investment) established by the United Nations in 2006, responsible investment is an approach to investing that aims to incorporate environmental, social and governance (ESG) factors into investment decisions, to better manage risk and generate sustainable, long term returns.

There are six defined "principles" that signatories to PRI agree to:-

- Incorporate ESG issues into investment analysis and decision-making processes;
- Be active owners and incorporate ESG issues into ownership policies and practices
- Seek appropriate disclosure on ESG issues by the entities in which they invest
- Promote acceptance and implementation of the Principles within the investment industry
- Work together to enhance effectiveness in implementing the Principles
- Report on activities and progress towards implementing the Principles

Further details about PRI's approach to responsible investment can be found at https://www.unpri.org/pri/what-is-responsible-investment

1B. What are ESG factors?

10. These are many and varied but according to PRI these typically include:-

Environmental

- Climate change, including physical risk and transition risk
- Resource depletion, including water
- Waste and pollution
- Deforestation

Social

- Working conditions, including slavery and child labour
- Local communities, including indigenous communities
- Conflict
- Health and safety
- Employee relations and diversity

Governance

- Executive pay
- Bribery and corruption
- Political lobbying and donations
- Board diversity and structure
- Tax strategy

11. More examples of ESG factors are given at Appendix 1.

1C. What about climate risk?

12. Authorities will be aware of the growing concerns around the financial risks associated with climate change with particular emphasis both on the risks that are associated with climate change on the sustainability of companies in which pension funds invest and the role of pension funds could play in achieving a net zero carbon economy. In response to such concerns DWP have announced that from October 2019, private sector pension trustees will be required as part of their Statement of Investment Principles to publish their policy on ESG considerations, including the financially material risks associated with climate change.

1D. Financially Material Factors

13. Although statutory guidance refers to financial and non-financial factors it does not define them. Therefore, the definitions in this section are drawn from the private sector pensions world.

14. In their 2014 report, the Law Commission made clear that private sector pension trustees' fiduciary duty is to take account of financially material considerations, whatever their source. Where ESG considerations are financially materially, decision makers should take account of them. The Law Commission went on to say that this applies in exactly the same way as other risks in pension scheme investment, for example, interest rate risk, liquidity risk, market risk, political and counter party risk.

15. More recently, the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2018 (the 2018 Regulations) that will apply to private sector pension trustees with effect from October 2019 defines financially material considerations as including, but not limited to, environmental, social and governance considerations, including climate change.

1E. Non-Financial Factors

16. Investment decisions will often have a mixture of motivations and therefore a clear non-financial motivation may be difficult to identify. However, for the purpose of this guidance non-financial factors are those which influence investment decisions and are primarily motivated by considerations other than financial. This is taken to mean any decision to disinvest or invest for which the primary motivation excludes consideration of the potential financial outcome. For example, withdrawing from tobacco investments purely on the basis of public health considerations or investing in a local social enterprise purely to achieve societal benefits.

17. Assessing whether a non-financial decision would have a significant financial detriment to the fund will always be a question of fact and degree. Divesting from a sector which makes up of 15% of a fund is likely to represent financial detriment whereas a portfolio of 3% may not.

18. According to the Law Commission, when making an investment decision based on a non-financial consideration, private sector trustees have a duty to ensure that the decision would not involve a risk of significant financial detriment to the fund and that it would be reasonable to assume that the scheme members agree with that decision. A similar provision may be found in LGPS statutory guidance.

1F Asset Stewardship

19. The 2012 UK Stewardship Code defines stewardship as the promotion of long term success of companies in such a way that the ultimate providers of capital also prosper. Effective stewardship benefits companies, investors and the economy as a whole. The UK Stewardship Code is recognised as an effective standard for asset owners and asset managers to comply with and demonstrate best practice in discharging their stewardship responsibilities

Part 2. - Statutory Duties and Responsibilities of administering authorities

20. The duties of administering authorities are set out in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the Regulations).

21. Administering authorities are also required by the Regulations to comply with statutory guidance published by MHCLG in July 2017 in preparing and maintaining their Investment Strategy Statement (ISS). Under that guidance, administering authorities are required to set out their policies in a number of key areas including responsible investment, risk, pooling, diversification and asset allocation.

2A – The Regulations

22. Regulation 7 of the Regulations requires that

(8) The authority must invest, in accordance with its investment strategy, any fund money that is not needed immediately to make payments from the fund.

The Regulations do not define 'investment' beyond clarifying in Regulation 3 a number of items that are included in that term.

(a) a contract entered into in the course of dealing in financial futures, traded options or derivatives;

(b) a contribution to a limited partnership in an unquoted securities investment;

(c) a contract of insurance if it is a contract of a relevant class, and is entered into with a person within paragraph (2) for whom entering into the contract constitutes the carrying on of a regulated activity within the meaning of section 22 of the 2000 Act(7).

Accordingly, investment is assumed to have the commonly understood meaning as set out in the Oxford English Dictionary:

The use of money or capital to purchase an asset or assets (such as property, stocks, bonds, etc.), in the expectation of earning income or profit over time.

23. The Regulations contains the following provisions that relate to RI and which requires policies to be established in accordance with statutory guidance:

"7.— (1) An authority must, after taking proper advice, formulate an investment strategy which must be in accordance with guidance issued by the Secretary of State.

(2) The authority's investment strategy must include— (a) a requirement to invest fund money in a wide variety of investments;

(b) the authority's assessment of the suitability of particular investments and types of investments;

(c) the authority's approach to risk, including the ways in which risks are to be assessed and managed;

(d) the authority's approach to pooling investments, including the use of collective investment vehicles and shared services;

(e) the authority's policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and

(f) the authority's policy on the exercise of the rights (including voting rights) attaching to investments.

2B – Statutory Guidance

24. An LGPS administering authority with the assistance of their local pension board, will be principally concerned with ensuring that it meets the legislative requirements of the Regulations (detailed above) and associated statutory guidance published.

25. For the avoidance of doubt under the Regulations, as detailed above, an authority must, after taking proper advice, formulate an investment strategy which must be in accordance with guidance issued by the Secretary of State. It should be noted that this is a sterner test than "have regard to" on which most statutory guidance is based. In the matter of responsible investment, an authority must publish its policies on how ESG considerations are taken into account in the selection, non-selection and realisation of investments and the exercise of the rights, including the voting rights, attaching to investments.

26. To accompany the Regulations, MHCLG published revised statutory guidance in July 2017. The extant statutory guidance entitled 'Preparing and maintaining an investment strategy statement' expands upon earlier guidance, specifically on the regulations that relate to RI.

27. The guidance states that administering authorities will be expected to make their investment decisions within a 'prudential framework' with less central prescription. It goes on to describe a prudent approach to investment as a duty to discharge statutory responsibilities with care, skill, prudence and diligence.

28. In establishing RI policies, the statutory guidance differentiates between things that an authority must do, should do, and may do. The matters shown below that must be done under statutory guidance represents the minimum statutory requirement that authorities must comply with. Where the statutory guidance points to things that should be done, there is a clear expectation that where appropriate, these ought to be done unless the reasons for not doing so can be objectively justified.

2C - An administering authority must;

- Take proper advice when formulating their investment strategy
- Explain the extent to which non-financial factors will be taken into account in the selection, retention and realisation of investments

- Must give reasons for not adopting a policy of exercising rights, including voting rights, attaching to investments

2D - An administering authority should;

- Explain the extent to which the views of their local pension board and other interested parties whom they consider may have an interest will be taken into account when making an investment decision based on non-financial factors
- Explain their approach to social investments
- Where appropriate, explain their policy on stewardship with reference to the Stewardship Code
- Strongly encourage their fund managers, if any, to vote their company shares in line with their policy under regulation 7(2)(f) (of the 2016 Regulations)
- Publish a report of voting activity as part of their pension fund annual report under Regulation 57 of the 2013 Regulations

2E -An administering authority may;

- Wish to appoint independently a voting agent to exercise their proxy voting and monitor the voting activity of the managers, if any, and for reports on voting activity to be submitted annually to the administering authority"

2F Pooling guidance and RI

31. In 'Investment Reform Criteria and Guidance' published by DCLG in November 2015, the section 'strong governance and decision making' (page 6) requires that authorities should;

- Explain how they will act as responsible long term investors through their pool including how the pool will determine and enact stewardship responsibilities

32. The section 'Responsible investment and effective stewardship' (page 17) include provisions that authorities;

- Will want to consider the findings of the Kay review including what governance procedures and mechanisms will be needed to facilitate long term responsible investing and stewardship through the pool
- Will need to determine how their individual investment policies will be reflected in the pool
- Should consider how pooling could facilitate implementation of their ESG policy, for example by sharing best practice, collaborating on social investments to reduce costs or diversify risk, or using scale to improve capability in this area

33. Further guidance on pooling including provisions on responsible investment have been published as a first draft but are subject to further drafting and consultation and therefore have not been included at this time.

Part 3 - Non-statutory duties of investment decision makers

34. Those tasked with making investment decisions on behalf of the administering authority will, in the main, be elected members of that authority. As well as acting within the statutory duties as set out above, decision makers must also act in accordance with a range of non-statutory duties deriving from public law.

35. Unlike private sector trustee who have a clear fiduciary duty to act in the best interests of scheme beneficiaries the position of LGPS investment decision makers is not so easily defined.

3A Duty to local tax payers

36. As set out in CIPFA guidance 'Role of the CFO in the LGPS' there is a fiduciary duty owed by elected members to local tax payers which stems from Roberts v Hopwood (1925). This case upheld sanctions against elected members who had chosen to raise the minimum wage for their lowest paid employees (women) and in doing so had been found to have not taken sufficient account of the interests of local tax payers. In his judgement Lord Atkinson defined the failure of the elected members in their duty as;

'..they put aside all these aids to the ascertainment of what was just and reasonable remuneration to give for the services rendered to them, and allowed themselves to be guided in preference by some eccentric principles of socialistic philanthropy, or by a feminist ambition to secure equality of the sexes in the matter of wages in the world of labour.'

He went on to state that;

'A body charged with the administration for definite purposes of funds contributed in whole or in part by persons other than the members of that body, owes a duty to those latter persons to conduct that administration in a fairly businesslike manner with reasonable care, skill and caution, and a due and alert regard to the interests of those contributors who are not members of the body. Towards these latter persons the body stands somewhat in the position of trustees or managers of the property of others.'

And that;

Acts done 'in flagrant violation' of the duty should be held to have been done 'contrary to law' within the meaning of the governing statute.

37. Such a duty was also referenced in Bromley v GLC 1981 as the fiduciary duty owed to all rate payers and council tax payers.

38. CIPFA guidance also references a duty to local taxpayers applying to officers and cites Attorney General v De Winton (1906) where it was established that the

Treasurer is not just a servant of the authority but has a fiduciary duty to local taxpayers.

3B Duty to scheme employers and scheme members

39. In his legal opinion for the SAB dated 25 March 2014 Nigel Griffin QC concluded that those making investment decisions on behalf of the administering authority; *'...owe fiduciary duties both to the scheme employers and to the scheme members...' and cites White v Jones 1995 which held that fiduciary duties exits 'where one person administers the ....financial affairs of another'.*

40. However he importantly caveats this statement as follows

'I rather doubt that the existence of fiduciary duties will in this context make very much difference to what the position would be if analysed simply in terms of the obligations imposed upon administering authority as a matter of public law - notably, the normal Wednesbury type obligations'

This view derives from (amongst others) Charles Terence Estates v Cornwall Council 2013 where the court acknowledged that local authorities owe a fiduciary duty but nevertheless treated the content of that duty as indistinguishable from Wednesbury.

41. He goes on to define the Wednesbury obligations and therefore the duty to employers and scheme members as *the requirement 'to exercise discretionary powers rationally, for a proper purpose and by reference only to legally relevant considerations'*

42. There appears to be a clear distinction between the fiduciary duty of private sector pension trustees to always act in the best interests of scheme beneficiaries and the public law duties applying to LGPS investment decision makers to;

'conduct ... administration in a fairly businesslike manner with reasonable care, skill and caution, and a due and alert regard to the interests of those contributors who are not members of the body'

And;

'*exercise discretionary powers rationally, for a proper purpose and by reference only to legally relevant considerations'*

3C – Elected member code of conduct

43. Councillors are required to adhere to their council's agreed code of conduct for elected members. Each council adopts its own code, but it must be based on the Committee on Standards in Public Life's seven principles of public life (see below). These were developed by the Nolan Committee, which looked at how to improve ethical standards in public life, and are often referred to as the 'Nolan principles'. All public office holders are both servants of the public and stewards of public resources.

44. The principles also apply to everyone in other sectors delivering public services. All councils are required to promote and maintain high standards of conduct by

councillors, but individual councillors must also take responsibility. Holders of public office should uphold the following seven principles:

Selflessness

Holders of public office should act solely in terms of the public interest.

Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family or their friends. They must declare and resolve any interests and relationships.

Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for doing so.

Honesty

Holders of public office should be truthful.

Leadership

Holders of public office should exhibit these principles in their own behaviour.

They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

Part 4 – Recent developments in trust based pensions

45. Historically, the LGPS in England and Wales has adopted pension legislation that has been introduced specifically for schemes based on trust law. The following information is provided as a guide to possible developments in LGPS regulation and/or guidance but at the time of publication none of the following applies to the LGPS.

46. To meet the RI challenge, the government has adopted a number of legislative measures but only in relation to those responsible for making investment decisions in trust based schemes (not LGPS). As from October 2019, trustees will be required to include in their Statement of Investment Principles new regulatory requirements including:

- How financially material factors (including, but not limited to, ESG considerations, including climate change, over the time horizon of the scheme, are taken into account in the selection, retention and realisation of investments,
- The extent, if at all, that non-financial factors, for example, members' ethical views, are taken into account, and
- Engagement and voting activities in respect of investments, including stewardship.

47. By October 2020, trustees will be further required to include in their Statement of Investment Principles:

- Their arrangements with asset managers including how they incentivise their appointed investment managers to align investment strategy with their policies and to make investment decisions based on long term performance, and
- A form of implementation statement on their engagement and voting practices

48. Trustees will also be required to publish on a publicly available website both their Statement of Investment Principles and Implementation Statements. To assist trustees comply with the new regulatory requirements, the PLSA has published a made simple guide a copy of which can be found at https://www.plsa.co.uk/Portals/0/Documents/Made-Simple-Guides/2019/ESG-Made-Simple-2019.pdf

Appendix 1 – Example RI issues

NB: this is not intended to be read as an exhaustive list, nor as a prescriptive list.

Environmental	**Social**	**Governance**	**Other/ sector specific**
• Climate change ○ Fossil fuel exposure ○ Carbon emissions ○ Adaptation risks • Resource & energy management ○ Storage ○ Fuel source ○ Water ○ Waste ○ Mineral use ○ Efficiency • Planning/ permitting/ operational controls	• Human/ labour rights ○ Supply chain (UK Human Slavery Act/ ○ Child labour ○ Human capital management • Employment standards • Employee representation • Health and safety • Community relations	• Alignment (long term) • Board independence • Executive remuneration • Board composition and effectiveness (conduct and culture) • risk management • Tax transparency/ Fair tax • Auditing & accounts (Reliable accounts/ auditor rotation) • Diversity / equality (board, company-wide) • Succession planning • Disclosure/ transparency e.g. Integrated reporting/FSB TFCD • Shareholder protection & rights e.g. say on pay	• Business strategy & risk management • Political change • Operating in controversial or challenging locations • Cyber security • Disruptive technology • Nutrition • Access to products (medicine/ finance) • Bribery & corruption • Site security/ terrorism

Appendix 2: Useful responsible investment sources

Memberships of the following organisations might be considered by an administering authority, as part of the responsible investment strategy.

- British Venture Capital Association (BVCA)
- Focusing Capital on the Long Term (FCLT)
- Global Real Estate Sustainability Benchmark (GRESB)
- International Corporate Governance Network (ICGN)
- Investment Association
- Institutional Investors Group on Climate Change (IIGCC)
- Local Authority Pension Fund Forum (LAPFF)
- Pensions and Lifetime Savings Association (PLSA) (formerly National Association of Pension Funds)
- Principles for Responsible Investment (PRI)
- Transition Pathway Initiative (TPI)
- UK Sustainable Investment Forum (UKSIF)
- CDP (formerly the Carbon Disclosure Project)

Further RI Resources

INTRODUCTORY MATERIAL

- PRI's Building the Capacity of Investment Actors to use Environmental, Social, and Governance (ESG) Information
- PRI: Understanding the impact of your investments
- PRI: How asset owners can drive responsible investment
- PLSA: ESG Made Simple Guide
- RIA: Guide to Responsible Investment
- CERES: Blueprint for Sustainable Investing
- Sustainable Returns for Pensions and Society: Responsible Investment and Ownership
- USSIF: The Impact of Sustainable and Responsible Investment
- Willis Towers Watson: Sustainable investing – we need a bigger boat.
- World Economic Forum: Accelerating the Transition towards Sustainable Investing

- World Economic Forum: Global Risks Report 2015PRI: Investment Practices, Asset Owner Insight
- NAPF: Responsible Investment Guidance for Pension Funds
- EUROSIF: Corporate Pension Fund & Sustainable Investment Study
- EUROSIF: Primer for Responsible Investment Management of Endowments (PRIME Toolkit)
- UN Framework Convention on Climate Change
- UN Guiding Principles on Business and Human Rights
- PLSA Guide to Responsible Investment Reporting in Public Equity

ASSET-CLASS-SPECIFIC GUIDANCE

- PRI: A practical guide to ESG integration for equity investing
- PRI: Integrated analysis: How investors are addressing ESG factors in fundamental equity valuation
- PRI: Fixed income investor guide
- PRI: Corporate bonds: Spotlight on ESG risks
- PRI: Responsible investment and hedge funds
- PRI: Responsible investment in private equity: A guide for limited partners
- PRI: Limited partners' responsible investment due diligence questionnaire
- PRI: Responsible investment in infrastructure
- UNEP FI: Implementing responsible property investment strategies
- INCR, IGCC, IIGCC, PRI, UNEP FIand RICS: Sustainable real estate investment, implementing the Paris Climate Agreement: An action framework

PROCUREMENT FRAMEWORK

- National LGPS Stewardship Services Framework

Appendix 3: Bibliography of regulations and guidance

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/479562/draft_LGPS__Investment__Regulations_2016.pdf

Guidance on Preparing and Maintaining an Investment Strategy Statement, July 2017 (Department for Local Government and Communities)

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/553342/LGPS_Guidance_on_Preparing_and_Maintaining_an_Investment_Strategy_Statement.pdf

Pension Advisory Board

26 February 2020

Governance reviews and surveys

Report by the Chairman of the Pension Advisory Board

Executive Summary

This report refers to progress on taking forward the published report by Hymans Robertson on their Good Governance Review, and on the Pensions Regulator's Survey and the SAB survey for 2019.

Recommendations

The Board is asked to note the current position on progress on the SAB governance review and on the surveys from tPR and SAB.

1. Hymans Robertson's report on good governance

1.1 As reported previously, the SAB working groups considered the first report from Hymans Robertson and made a number of recommendations. For ease of reference, these were as follows:

- Publication of a new Governance Compliance statement to include LGPS responsible person, resources allocated to function, scheme of delegations for LGPS decisions, LGPS budget process and outcome measures;
- Outcome measures should use existing indicators where possible;
- Updated guidance should be published or signposted/approved by MHCLG;
- Guidance should set out minimum requirements of knowledge and understanding for responsible person and decision makers;
- Governance review should be biennial and must be on a consistent basis but may use external or internal resource, and
- Introduction of an LGPS 'Peer Challenge' process

1.2 The findings of the working groups were set out in a second report from Hymans Robertson published in November 2019 and which has been circulated to Board members.

1.3 The project is now entering its third phase with consideration of the recommendations made by the two working groups and agreed by the SAB on the 6th November 2019. To take this work forward, the SAB has agreed that the two working groups should be combined to form an implementation group.

1.4 The implementation group, together with Hymans Robertson is to consider the steps to be taken to:

(a) Recommend changes to the scheme's regulatory provisions on Governance Compliance Statements

(b) Prepare revised statutory guidance on Governance Compliance Statements;

(c) Establish a process for the independent assessment of Governance Compliance Statements, and

(d) Establish a new set of Key Performance Indicators (KPIs)

1.5 A detailed paper is to be prepared by the implementation group for consideration by the SAB on 4 May 2020.

2. The Pensions Regulator's Survey 2019

2.1 The Survey was completed in December in consultation with the Chairman and submitted. A copy of the completed survey has been circulated separately to members.

3. Local Pension Board Survey 2019

3.1 The Board agreed a response to the draft survey at its meeting in September, but SAB has still not issued the Survey formally at the time of writing this report.

4. Equality Impact Review

4.1 An Equality Impact Review is not required as there are no relevant decisions to be taken.

Peter Scales
Chairman of the Pension Advisory Board

Contact: Adam Chisnall, Democratic Services Officer, 033 022 28314

Background papers
None

Pension Advisory Board

26 February 2020

Review of Pension Fund Policy Documents

Report by Director of Finance and Support Services

Summary

It has been agreed that the Pension Advisory Board review relevant policy documents as part of its ongoing agenda.

Recommendation

(1) That the Board note the register of Policy Documents

(2) That the Board provide feedback on the policy documents presented at the meeting in respect of their compliance with regulations and guidance.

Background

1. The Pension Regulators Code of Practice 14 requires that

   Pension board members must be conversant with their scheme rules which are primarily found in the scheme regulations and documented administration policies currently in force for their pension scheme.

2. By reviewing policy documents on a regular basis the Board will be fulfilling their role in supporting the Scheme Manager by ensuring compliance with regulations. This would also assist members in ensuring they have the relevant knowledge and understanding of the Scheme.

Pension Fund Policy Documents

3. The Pension Fund is required by law to keep and maintain a number of policy documents. A list of all Pension Fund Policy Documents is included at Appendix 1. It is proposed that as policies are reviewed by officers they will be presented to the Board for review against Regulations or Guidance.

Funding Strategy Statement

4. The Funding Strategy Statement was considered by the Pension Advisory Board at their meeting on 22 May 2019.

5. 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.

6. Following the Actuary's work on individual employer results further amendments have been made to the Funding Strategy Statement and the

full document has been shared with employers for their comments. This reflects:

- Drafting amended to reflect McCloud movement and reserving of additional prudence given the uncertainty.
- Reference to asset and liabilities remaining with the Local Authority / Police (ceding employer) for pass through arrangements – including on exit and the alignment of likelihood and time horizon for contribution modelling for pass through employers with their ceding employer to manage short term market conditions putting pressure on rates.
- Inclusion of exception to reduce the primary rate (future service rate) where an employer is exceptionally well funded (>120%). This is to prevent a surplus building up – but acknowledges the need for a cushion.
- Addition of specific reference to prepayment opportunity for some employers and timescales associated.
- Addition of specific wording for cessation assessment.

7. The relevant Regulations and Guidance were provided to the Board when the document was reviewed in May 2019.

8. The Strategy will be published prior to 31 March 2020.

Treasury Management Strategy

9. The CIPFA "Treasury Management Code of Practice" requires the West Sussex Pension Fund to determine a treasury management strategy on an annual basis regarding the investment of its internally managed cash balances. The strategy includes the "Annual Investment Strategy" (AIS) that is a requirement of the Ministry of Housing, Communities and Local Government's (MHCLG) "Investment Guidance".

10. The latest Strategy was considered by the Pension Panel at their meeting on 27 January 2020 and approved.

11. The Board's role is to review the Strategy in line with the Investment Management Regulations - in respect of restrictions to borrow and maintaining a separate bank account - and the CIPFA guidance (Treasury Management Code of Practice and Cross-Sectoral Guidance Notes).

Katharine Eberhart
Director of Finance and Support Services

Contact: Rachel Wood, Pension Strategist, 033 022 23387

Appendices
Appendix A – Register of Policy Documents
Appendix B – Funding Strategy Statement
Appendix C – Treasury Management Strategy

Background Papers

Original referral of Funding Strategy Statement - Agenda Item 10 Pension Advisory Board Meeting 22 May 2019
https://westsussex.moderngov.co.uk/documents/g2053/Public%20reports%20pack%2022nd-May-2019%2009.30%20Pension%20Advisory%20Board.pdf?T=10

Investment Management Regulations
http://www.legislation.gov.uk/uksi/2016/946/made/data.pdf

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List of Policy Documents

Policy	Where to find policy	Regulation	Importance	How often it should be reviewed	Previous PAB review date	Next date for PAB to review
Actuarial valuation	https://www.westsussex.gov.uk/media/12635/lgps_wscc_pension_fund_valuation_report.pdf	LGPS Regulations 2013 / Regulation 62 http://www.legislation.gov.uk/uksi/2013/2356/regulation/62/made	Statutory required (must have)	Every 3 years		May-20
LGPS Administering Authority Discretions	https://www.westsussex.gov.uk/media/12976/admin_authority_discretions_policy.pdf	LGPS Regulations 2013 / Regulation 60 http://www.legislation.gov.uk/uksi/2013/2356/regulation/60/made	Statutory required (must have)	Every 4 years	Apr-19	Apr-23
Pension Administration Strategy	https://www.westsussex.gov.uk/media/12977/pension_admin_strategy.pdf	LGPS Regulations 2013 / Regulation 59 http://www.legislation.gov.uk/uksi/2013/2356/regulation/59/made	Highly recommended	Annually	Mar-19	May-20
Annual Report	https://www.westsussex.gov.uk/media/13122/lgps_annual_report_2018-19.pdf	LGPS Regulations 2013 / Regulation 57 http://www.legislation.gov.uk/uksi/2013/2356/regulation/57/made	Statutory required (must have)	Annually	Sep-19	Sep-20
Breaches policy	https://www.westsussex.gov.uk/media/7103/pensions_breach_policy.pdf	Pensions Act 2004 / Regulation 70 http://www.legislation.gov.uk/ukpga/2004/35/pdfs/ukpga_20040035_en.pdf	Highly recommended	Every 2 years	Nov-19	Nov-21
Communications Policy Strategy	https://www.westsussex.gov.uk/media/5557/communication_policy_statement.pdf	LGPS Regulations 2013 / Regulation 61 http://www.legislation.gov.uk/uksi/2013/2356/regulation/61/made	Statutory required (must have)	Annually	May-19	May-20
Conflict of Interest	http://www2.westsussex.gov.uk/ds/constitution/part5-1.pdf	Public Service Pension Act 2013 / Regulation 5(4) and 5(5) http://www.legislation.gov.uk/ukpga/2013/25/section/5	Highly recommended	Every 3 years		tbc
Funding Strategy Statement	https://www.westsussex.gov.uk/media/9536/lgps_funding_strategy_statement.pdf	LGPS Regulations 2013 / Regulation 58 http://www.legislation.gov.uk/uksi/2013/2356/regulation/58/made	Statutory required (must have)	Every 3 years	May-19	May-22
Governance Policy and Compliance Statement	https://www.westsussex.gov.uk/media/7105/governance_policy_and_compliance_statement.pdf	LGPS Regulations 2013 / Regulation 55 http://www.legislation.gov.uk/uksi/2013/2356/regulation/55/made	Statutory required (must have)	Annually	Nov-18	Nov-20
IDRP (Internal Dispute Resolution Procedure)	https://www.westsussex.gov.uk/media/12556/internal_dispute_resolution_procedure.pdf	The Pension Regulator & Occupational Pension Schemes (Internal Dispute Resolution Procedures Consequential and Miscellaneous Amendments) Regulations 2008 https://www.thepensionsregulator.gov.uk/en/public-service-pension-schemes/scheme-management/resolving-internal-disputes	Highly recommended	Every 3 years		tbc
Investment Strategy Statement	https://www.westsussex.gov.uk/media/10157/lgps_investment_strategy_statement.pdf	LGPS Regulations (Management and Investment of Funds) 2016 http://www.legislation.gov.uk/uksi/2016/946/regulation/7/made	Statutory required (must have)	Every 3 years		Sep-21
LGPS Privacy Notice	https://www.westsussex.gov.uk/media/8756/lgps_privacy_notice.pdf	Data Protection Act 2018 and General Data Protection Regulation (EU) 2016/679 https://www.westsussex.gov.uk/media/8756/lgps_privacy_notice.pdf	Statutory required (must have)	Every 3 years		Apr-21
Risk Register	https://westsussex.moderngov.co.uk/documents/b6532/Items%205%206%207%2012%2015%20to%20follow%20documents%2029th-Apr-2019%2010.30%20Pensions%20Panel.pdf?T=9	The Pensions Regulator Code of Practice no.14 https://www.thepensionsregulator.gov.uk/en/document-library/codes-of-practice/code-14-public-service-pension-code-of-practice	Highly recommended	Annually		Jun-20
Treasury Management Strategy	https://westsussex.moderngov.co.uk/documents/g2052/Public%20reports%20pack%2027th-Jan-2020%2010.00%20Pensions%20Panel.pdf?T=10		Statutory required (must have)	Annually	Mar-19	Feb-20

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Funding Strategy Statement

Introduction and Purpose

This is the Funding Strategy Statement (FSS) of the West Sussex County Council Pension Fund ("the Fund"), which is administered by West Sussex County Council, ("the Administering Authority"). The Fund is part of the national Local Government Pension Scheme (LGPS). The LGPS was set up by the UK Government to provide retirement and death benefits for local government employees, and those employed in similar or related bodies, across the whole of the UK. Importantly:

- Employees' benefits are guaranteed by the LGPS Regulations.
- Employees' contributions are fixed in the same Regulations, at a level which covers only part of the cost of the benefits.
- Investment returns will help pay for some of the benefits, but probably not all, and certainly with no guarantee.
- Employers need to pay the balance of the cost of delivering the benefits to members and their dependents.

The purpose of the FSS is to summarise the Administering Authority's approach to funding its liabilities. This includes reference to the Fund's other policies but it should be noted that it is not an exhaustive statement of policy on all issues. The FSS forms part of a framework that includes:

- The LGPS Regulations.[1]
- The Rates and Adjustments Certificate (confirming employer contribution rates for the next three years) which can be found in an appendix to the formal valuation report.[2]
- Actuarial factors for valuing individual transfers, early retirement costs and the costs of buying added service.
- The Fund's Investment Strategy Statement.[3]

The FSS has been prepared by the Administering Authority in collaboration with its actuary, Hymans Robertson LLP, ~~[~~and after consultation with the Fund's employers. It has been adopted for the purpose of the 2019 Actuarial Valuation and is effective from 1 April ~~2019].~~2020.[4]

[1] https://www.lgpsregs.org/
[2] https://www.westsussex.gov.uk/about-the-council/pensions/local-government-pension-scheme-lgps/pension-fund/
[3] https://www.westsussex.gov.uk/about-the-council/pensions/local-government-pension-scheme-lgps/pension-fund/
[4] Consultation to be launched (June 2019). Feedback will inform any revisions.

Important Note

This Funding Strategy Statement (FSS) has been written during a period of significant uncertainty caused by:

- The McCloud case (where the Court of Appeal ruled that the 'transitional protection' offered to some members as part of the recent pension reforms amounts to unlawful discrimination – directly on grounds of age and indirectly on other grounds). The Supreme Court denied the government permission to appeal the Court's judgement in June 2019. The government is required to work with the Employment Tribunal to how the discrimination will be remedied for all the main public service pension schemes.[5]
- The "HM Treasury cost control mechanism" (also introduced as part of the recent pension reforms) being engaged, which may trigger changes to LGPS benefits (currently paused in light of the McCloud case).
- The "Scheme Advisory Board (SAB) cost control mechanism" (also introduced as part of the recent pension reforms) being engaged, which may trigger changes to LGPS benefits and member contributions (also paused in light of the McCloud case).
- ~~The Government's decision to appeal the McCloud case.~~

At present there are no timescales for the ~~outcome of this appeal~~changes to the Schemes to be agreed or the resulting benefit changes which will largely depend on the outcome.

~~The~~ In line with advice from MHCLG and the Scheme Advisory Board (SAB) the Administering Authority has ~~therefore proceeded~~valued liabilities based on the ~~assumption that the scheme will not change~~Scheme presently in ~~April~~ place. ~~2019.~~ As a result:

- Employers should collect employee contributions on the basis of current Regulations
- The 2019 valuations will proceed on the basis of the current benefit and member contribution structure for the purposes of valuing the liabilities.

~~As~~However, MHCLG and the SAB have also indicated that the Fund should consider the risk of the benefits being changed as a result of McCloud when ~~there are developments, there will need to be reflection on how best to incorporate these into the 2019 Actuarial Valuation employer contribution~~ setting ~~process.~~

- ~~If the Government is sucessful in its appeal:~~
  - ~~there will be not change to accrued benefits~~
  - ~~changes to future employee benefits are likely to be implemeneted as part of the "cost control mechanism" (applicable from 1 April 2019)~~
  - employer contribution rates ~~are likely to increase as a result.~~
- ~~If the Government is not sucessful in its appeal:~~
  - . The Actuary has reserved additional prudence within the ~~court will require steps to be taken to compensate employees who were transferred to the new~~

[5] https://www.judiciary.uk/wp-content/uploads/2018/12/lord-chancellor-v-mcloud-and-ors-judgment.pdf

~~Scheme, potentially requiring retrospective changes (from 1 April 2014) for benefits and member contributions~~

- ~~the SAB and HM Treasury will then review their respective "cost control mechanisms", which may or may not result in future employee benefit changes (from 1 April 2019)~~

~~it is possible that employer contribution rates could increase as a result.~~discount rate to reflect this uncertainty.

In addition to the above, the Fund is currently awaiting the outcome of several consultations or Government decisions which may affect the LGPS and the FSS, including but not limited to:

- The outcome of the Government's Fair Deal II Consultation, which may introduce new classes of employer into the LGPS.
- A further Consultation on Exit Credits.
- Rectification of issues associated with Guaranteed Minimum Pension Indexation and Equalisation.
- A review of the valuation cycle for the LGPS to align with that of the unfunded schemes (quadrennially).
- ~~Revised CIPFA Guidance for the FSS.~~

The Administering Authority may revisit the FSS as and when the outcomes of the above consultations (and resulting legislative changes), decisions and guidance are known, and will seek wider consultation on any material changes in approach as a result of these changes.

The Aims and Purpose of the Pension Fund

The Administering Authority runs the Fund, ensuring it:

- Receives the proper amount of contributions from employees and employers, and any transfer payments;
- Invests the contributions appropriately with the aim that the Fund's assets grow over time with investment income and capital growth; and
- Uses the assets to pay Fund benefits to the members (as and when they retire, for the rest of their lives), and to their dependents (as and when members die) as defined in the LGPS Regulations. Assets are also used to pay transfer values and administration costs.

The FSS focuses on how the Administering Authority measures employer liabilities (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 in order to achieve the Administering Authority's funding aims of affordability, prudence and transparency. These aims are described in more detail below:

Aim	How this is achieved
Affordability and stability of employer contributions	Through minimising the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return. By reflecting the different characteristics of different employers in determining contribution rates and understanding how each employer can best meet its own liabilities over future years By using reasonable measures to reduce funding risks on employer cessations.
Prudence in the funding basis	By using a prudent long term view. This will help ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment.
Transparency of processes	By consulting and publishing this FSS. By adopting a consistent application of the FSS.

All employers are responsible for their own section of the Fund, tracked by the actuary.

Setting Employer Contribution Rates

The way in which the Administering Authority calculates and sets employer contribution rates will vary for different employers to ensure that each employer pays for their own liabilities and the assets meet (as closely as possible) the value of its liabilities when its participation ends. In doing so, the Administering Authority recognises the balance which needs to be struck between its need for maintaining prudent funding levels and the employers' need to allocate their resources appropriately.

Employer contributions are normally made up of two elements:

1. The estimated cost of new benefits being earned by members year to year, after deducting member's contributions and adding an allowance for administration expenses, referred to as the "primary contribution rate"; plus
2. Any adjustment to the primary rate to reflect the individual circumstances of each employer is referred to as the "secondary contribution rate" which reflects any adjustments required to meet the Fund's desire for stable contribution rates and to recover any differences between the assets built up to date and the value of past service benefits.

The following sections describe how the Administering Authority sets employer contribution rates.

Funding Target Basis, Time Horizon and Probability

General Principles

The Administering Authority groups employers with similar characteristics when determining employer contributions. Examples include funding sources, whether there is anyone guaranteeing an employer's participation in the Fund and whether an employer will eventually leave the Scheme. Examples of the broad categories in which employers are grouped include:

- Scheduled Bodies, Designated Employers and Academies (for the period that they have a guarantee from the Department for Education) are generally open to new entrants, are considered to be long term and have reliable funding sources.
- Admission Bodies on pass through arrangements where the assets and liabilities remain with the Local Authority, Police, other Scheduled Body or a Designated Employer.
- Admission Bodies with a guarantee from a Local Authority, Police, other Scheduled Body or a Designated Employer or appropriate security are generally closed to new entrants, are considered to be shorter term and the Administering Authority has less insight into their funding sources.
- Admission Body with no guarantee from a Local Authority, Police, other Scheduled Body or a 'Designated Employer' or appropriate security are generally closed to new entrants, are considered to be shorter term and the Administering Authority may have no insight into their funding sources.

This categorisation determines an employers funding target, the period over which this funding target should be met and the certainty required that the employer will achieve their funding target.

Please note, the above are examples of the broad categories, in practice, there are a range of employers with varying categorisations as described through this Funding Strategy Statement.

Funding Target

The Administering Authority 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. It therefore needs to ensure that the assets held on behalf of each employer meet (as closely as possible) the value of benefits built up to date for the employer's employees and ex-employees (the liabilities) i.e. a funding position of 100%.

However, different assumptions will be applied to calculate the value placed by the actuary on the benefits built up to date (and for future benefits).

- If an employer is considered higher risk or approaching the end of its participation in the Fund or is considered higher risk, then the funding target may be set on more prudent assumptions referred to as a "gilts cessation basis" using a discount rate based on expected returns on the lowest risk investments held (government bonds) without applying a margin for greater returns from equity-type investments held.
- For other employers the actuary will calculate expected returns on the lowest risk investments held (government bonds) plus a margin to allow for the greater return

that is expected to be generated from equity-type investments held. This is referred to as the "ongoing funding basis".

- Where an employer is approaching the end of its participation in the Fund, but this is still more than ~~[~~4~~]~~ years away, the actuary may move the discount rate towards a gilts cessation basis gradually over time.

The time horizon over which the employer should achieve its funding target

Each employer in the Fund will have a time period over which they need to achieve their funding target.

Employers may be given a lower time horizon if they have a less permanent anticipated membership, is approaching the end of its participation in the Fund or do not have a known funding source to afford increased contributions if investment returns under-perform.

The longest time horizon afforded any employer in the Fund is 20 years (generally reserved for long term employers with reliable funding sources).

The ~~probability required~~ likelihood of achieving the funding target over a given time horizon, allowing for different likelihoods of various possible economic outcomes

It is extremely unlikely that the contribution rate will absolutely ensure that the combination of contributions and market movements will return a funding position of 100% when an employer reaches the end of their time horizon. Therefore the Administering Authority will take a view on the minimum required probability of an employer reaching their funding target over their time horizon.

Typically, a higher required probability will give rise to higher contribution rates, and vice versa.

Probabilities are applied depending on the nature and security of an employer. The Administering Authority may look for more certainty that an employer will reach its funding target over the given time if they have a less permanent anticipated membership, are approaching the end of their participation in the Fund or do not have a guarantor. ~~For employers~~Employers who are open to new entrants are considered to be long term and a lower level of probability may be appropriate.

In general, the Fund will require all employers to have at least a 66% chance of being fully funded by the end of their time horizon.

Application

The application of the above factors by employer group is shown below:

	Funding Basis	Probability	Maximum Time Horizon [6]
Local Authorities and Police	Ongoing	66%	20 years
Designating Employers	Ongoing	66%	20 years
Academies	Ongoing	70%	20 years
Other Scheduled Bodies	Ongoing	70%	Future Working Lifetime
Admission Body with no Guarantor	~~Gilts plus an additional allowance for future improvements in life expectancy and future administration expenses.~~[7]Gilts cessation basis[8]	75% [9]	Minimum of Future Working Lifetime and remaining contract period
Admission Body with Guarantor	Ongoing	75%	Minimum of Future Working Lifetime and remaining contract period.
Admission Body on pass through or other risk sharing arrangements [10] *	Contractual	~~75%~~Same as ceding employer	Same as ceding employer

[6] Whilst the Administering Authority would normally expect the same period or derivation method to be used at successive triennial valuations, it reserves the right to propose alternative periods, for example where there were no new entrants~~.~~ over the inter-valuation period.

~~[7] Not applicable when moving towards gilts over time~~

[8] The Fund may gradually move employers from an ongoing basis to the gilts cessation basis over time to manage the cost of exiting the Fund. Alternative funding bases may also be used where appropriate security is put in place.

[9] Where an employer is nearing cessation, the Administering Authority may vary the probability of achieving the funding target to 50% to reduce the chances of a surplus on cessation.

[10] It should be noted that different 'pass through' arrangements have been adopted by employers when commissioning services from a third party. These arrangements may require deviations from the above, including:

- The Actuary to certify the same rate for the Admission Body as that calculated for the Scheme Employer
- The Actuary to certify a static rate for the Admission Body
- The Actuary to calculate the estimated cost of new benefits only (on the basis that assets and liabilities for the Admission Body remain with the ceding Scheme Employer)

Achieving Stability

The Administering Authority has an overarching objective to keep contributions as stable as possible over time. Therefore, where an employer is considered relatively low risk or provides appropriate security, the Administering Authority, at its absolute discretion, may smooth changes in contributions in the expectation that the employer will still be able to meet its obligations for many years to come (or the Fund will be able to call on any security provided if required). Smoothing techniques include:

- A cap to its employer contribution rate changes within a pre-determined range ("stabilisation"). This can allow for short term investment market volatility to be managed and keep some employers' rates relatively stable. This can be viewed as a prudent long-term approach for some employers. Further details are set out in Appendix 1.
- Phasing in contribution rises or reductions.
- Use of extended time horizons (although the maximum applied is 20 years).
- Pooling of contributions amongst employers with similar characteristics. Pools currently exist for small designated employers and some academies which participate in Multi Academy Trusts. Council funded schools generally are also pooled with their funding Council (although there may be exceptions for specialist or independent schools, where applicable). Those employers which have been pooled are identified in the Rates and Adjustments Certificate and are reviewed at each valuation.

These smoothing techniques will temporarily produce lower or higher contribution levels than would otherwise have applied. It should be noted, that paying lower contributions, even in the short term, may lead to higher contributions in future.

In addition to the above, the Administering Authority will usually require Scheduled Bodies to pay their primary rate where an employer is in surplus. The Administration will consider exceptions to this where an employer is at least 120% funded.

Payment and Review of Contribution Rates

The rates for all employers are shown in the Rates and Adjustments Certificate, which forms part of the formal Actuarial Valuation Report. It should be noted:

- The Rates and Adjustment Certificate shows employer contributions expressed as minimum contributions, with employers able to pay contributions at a higher rate. Account of any higher rate will be taken into account by the actuary at subsequent valuations.
- Where employers are in surplus, the secondary rate will be set as a percentage of pay. Where an employer is in deficit, the secondary rate is set as monetary amounts or a percentage of pay.[11] Exceptions to these guidelines may apply where an employer anticipates large increases in membership (e.g. as a result of auto-enrolment), in which case the Administering Authority reserves the right to require ~~deficit~~deficits to be repaid as a percentage of pay with a monetary underpin. Alternative arrangements can be agreed at the ultimate discretion of the Administering Authority.
- The Administering Authority, taking advice from its actuary, may permit some employers to elect to make ~~a~~an advance / lump sum payment at the start of a financial year, or valuation period. In these circumstances a contribution rate adjustment reflecting appropriate actuarial discounts may apply. However, employers adopting this approach should acknowledge the risks involved, particularly in respect of the impact of investment return during the inter~~ valuation period.~~-valuation period. The relevant discount for the valuation is included as part of the Rates and Adjustment Certificate. A timetable for the agreement to any lump sum payment is shown below. The process must be agreed by the Administering Authority, the Employer and their auditors in advance of any prepayment.

2020/21	2021/22	2022/23	Action
13/03/2020	12/03/2021	11/03/2022	Employer to notify the Administering Authority of the estimated payroll to be used in calculating the advance / lump sum payment
20/03/2020	19/03/2021	18/03/2022	Administering Authority agrees payroll to be used and sets the amount of advance / lump sum payment
19/04/2020	19/04/2021	19/04/2022	Advance / lump sum payment made
01/03/2021	01/03/2022	01/03/2023	Administering Authority and Employer begin checks on whether there is any underpayment (true-up) which needs to be invoiced within normal accounting timetables due to actual pay being greater than that estimated.

[11] The Fund prefers secondary rates to be a percentage of pay where monetary amounts would be less than £20,000 per annum. Initial results will be presented as a percentage of pay, however employers do have the option to discuss retaining annual cash amounts with the Administering Authority.

- Review of the rates for all employers may be triggered by significant events including but not limited to:
  - changes to LGPS Regulations
  - significant reductions in payroll
  - altered employer circumstances including where an employer is approaching cessation or closes their membership to new entrants
  - Government restructuring affecting the employer's business
  - failure to pay contributions or arrange appropriate security as required by the Administering Authority
  - The ~~result~~outcomes of ~~a~~the McCloud case and cost sharing mechanisms (if permitted in Regulation at that time).

It should be noted that any review may ~~be to~~ require increased contributions ~~by strengthening the actuarial assumptions adopted and/or an increased level of security or guarantee.~~ .

Additional Employer Costs

Non ill-health early retirement costs

When the actuary calculates an employers liabilities he will assume that members' benefits are payable from the earliest age that the employee could retire without incurring a reduction to their benefit (and without requiring their employer's consent to retire).[12]

Therefore, no allowance is made for premature retirement except on grounds of ill-health.

As a result, employers are required to pay additional contributions ('strain') wherever an employee retires before attaining this age.

The Administering Authority's requires employers to make upfront payment of strain charges following any decision to allow early payment of benefits (other than ill health).

An employer can request to pay instalments over a three year period, but this would be by exception.

The Chief Finance Officer to agree exceptions to the current practice.

Ill-health early retirement costs

When the actuary calculates an employers liabilities he will make an allowance of ill-health early retirements where a member is entitled to receive early payment of their benefits.[13]

The Administering Authority monitors each employer's ill-health experience on an ongoing basis against an allowance determined by the actuary.

If the cumulative strain cost of an employer's ill-health retirements in any financial year exceeds the allowance at the previous valuation, the employer may be charged additional contributions on the same basis as applied for non ill-health cases.

However individual employers may take out ill-health insurance on an individual basis. Under these circumstances:

- the Administering Authority would not monitor the employer's ill health experience against the actuary's allowance
- the employer will be charged additional contributions whenever an employee retries early on ill health grounds under the expectation the employer can recoup the charges from their insurer
- the Administering Authority may allow the insurance premium to be offset against their certified contribution rates. This arrangement is allowed for the period the insurance is in place.

New Employers

General Principles

[12] The relevant age may be different for different periods of service, following the benefit changes from April 2008 and April 2014.
[13] The relevant age may be different for different periods of service, following the benefit changes from April 2008 and April 2014.

Scheduled Bodies

Scheduled Bodies are listed in LGPS Regulations and therefore, it is unusual for new Scheduled Bodies to join the Fund. As these events are rare and tend to be unique in nature, the Administering Authority does not have a prescribed method for allocating an initial funding position. This would be determined on a case by case basis.

The new body's contribution rate would be determined in line with the guidance in this FSS.

Designating Employers

Typically, new Designating Employers constitute new membership in the Scheme (there is no past service liabilities at outset), therefore, no assets are usually transferred to the new employer at outset. However this would be determined on a case by case basis.

The new Designating Employers initial contribution rate will be set equal to that of the Small Scheduled Bodies pool.

Academies & Free Schools

The initial liabilities of a new Academy or Free School will be based the past service liabilities of its active members in the Fund on the day before conversion. For the avoidance of doubt, these liabilities will include all past service of those members, but will exclude the liabilities relating to any ex-employees of the school who have deferred or pensioner status.

The new Academy or Free School will then be allocated an initial asset share from West Sussex County Council's (WSCC's) assets in the Fund. This asset share will be calculated using the estimated funding position of WSCC at the date of Academy or Free School conversion, having first allocated assets in WSCC's share to fully fund deferred and pensioner members subject to a maximum of 100% of liabilities. The asset allocation will be based on market conditions and the new Academy or Free School's active membership in the Fund on the day prior to conversion. The initial assets are then determined by multiplying this funding level by the new Academy or Free School's initial liabilities.

The new Academy or Free School's initial contribution rate will beset equal to that of WSCC except:

- where a new Academy is part of a Multi Academy Trust (MAT) already participating in the Fund, where the new Academy can elect to be pooled with the other Academies in the MAT (and within the Fund) for contribution rate purposes. In this scenario, the Academy's initial contribution rate will be set equal to that of the MAT's pooled rate.
- where a new Academy or Free School wishes to pay an individual rate calculated by the Fund Actuary.

At subsequent valuations an Academy or Free School's rate will be determined on an individual basis, unless pooled with their MAT in which case they will pay the MAT rate as determined in line with the guidance in this FSS.

It should be noted that its underlying cashflows and experience will be tracked individually by the actuary whether pooled or not.

Admission Bodies

Contractors

Where there is a new Admission Body set up as a result of a TUPE transfer of ~~some~~ staff from the letting employer to the contractor, the Admission Body would be set up in the Fund as a new employer with responsibility for all the accrued benefits of the transferring employees.

Unless agreed otherwise with the Administering Authority, the funding level will be calculated as the market value of assets being equal to the value placed by the actuary on the benefits built up to date for the transferring employees (so the admission body will start fully funded on an ongoing funding basis).

The contractor's initial contribution rate will be set on an individual basis except if agreed otherwise between the letting authority, the contractor and the Administering Authority.

Employers who "outsource" have some flexibility in the way they deal with the pension risk potentially taken on by the contractor, such as Pass Through. Under Pass Through, the contractor pays the certified rate ~~and~~with the contract price being adjusted such that the contractor's pension costs ~~and~~do not change i.e. the letting employer retains some (but possibly not all) pensions risks – and the associated assets and liabilities. The application of any Pass Through arrangement is a contractual provision between the contractor and Employer. Employers may choose to put other risk sharing arrangements in place, in consultation with the Fund. It should be noted, that where investment risks will remain with the letting employer, no pension fund assets or liabilities will transfer to the contractor's portion of the Fund.

Other

The Administering Authority will only consider requests from Community Admission Bodies (or other similar bodies, such as Section 75 NHS Partnerships) to join the Fund if they are sponsored by a Scheduled Body, guaranteeing their liabilities and also providing a form of security. Given the rare occurrence of these bodies joining the Fund, their initial asset allocation and contribution rate will be considered on a case by case basis considering the guidance provided by this FSS.

Application

The application of the above factors by employer group is shown below:

	Asset Allocation	Initial Rate	Treatment at subsequent valuations
Local Authorities and Police	Determined on a case by case basis in line with FSS.	Determined on a case by case basis in line with FSS.	Determined on a case by case basis in line with FSS.
Designating Employers	N/A	Small Scheduled Bodies Pooled rate.	Small Scheduled Bodies Pooled rate.
Academies	Estimated funding position of the active liabilities of WSCC after fully funding WSCC's deferred and pensioner liabilities. This is subject to a maximum initial funding level of 100%	Option to pay WSCC's rate, a rate determined by the actuary in line with the FSS or if part of a MAT may elect to pay rate equal to that of the MAT's pooled rate.	Determined on an individual basis, or MAT pooled rate.
Other Scheduled Bodies	Determined on a case by case basis in line with FSS.	Determined on a case by case basis in line with FSS.	Determined on a case by case basis in line with FSS.
Admission Body with no Guarantor	Where contractor, fully funded on the Fund's ongoing funding basis, otherwise determined on case by case basis.	Determined on an individual basis.	Determined on an individual basis.
Admission Body with Guarantor	Where contractor, fully funded on the Fund's ongoing funding basis, otherwise determined on case by case basis.	Determined on an individual basis.	Determined on an individual basis.
Admission Body on pass through / other risk sharing arrangements	Determined on a case by case basis	Determined on a case by case basis	Determined on a case by case basis

Exiting employers: cessation valuations

General Principles

The Administering Authority may consider any of the following as triggers for the cessation on an employer's participation in the Fund:

- Last active member ceasing participation in the Fund;
- The insolvency, winding up or liquidation of the Admission Body;
- Any breach by the Admission Body of any of its obligations under the Agreement that they have failed to remedy to the satisfaction of the Administering Authority;
- A failure by the Admission Body to pay any sums due to the Fund within the period required by the Fund; or
- The failure by the Admission Body to renew or adjust the level of the bond or indemnity, or to confirm an appropriate alternative guarantor, as required by the Administering Authority.

<u>Assessment</u>

On cessation, the Administering Authority will instruct the actuary to carry out a cessation valuation to determine whether there is any deficit or surplus.

The actuary will adopt an approach which, to the extent reasonably practicable, protects other employers in the Fund from the likelihood of any material loss emerging in future. This may include making an allowance for future administration costs associated with administering the benefits of the former employer's members and the risk of members living longer than anticipated.

Where there is a deficit:

- The normal approach is for payment of this amount in full by the Admission Body as a single lump sum payment.
- In some instances, the Administering Authority has the discretion to defer charging a cessation liability for up to three years if the employer is expected to acquire one or more active members in the Scheme over the period by issuing a written notice ("a suspension notice").
- If it is not possible for the deficit to be paid as a single lump sum the Administering Authority may permit the employer to make regular contributions to fund the remainder of the employer obligations over an appropriate period alongside provision of suitable security (bond, indemnity or guarantee). The Administering Authority would reserve the right to invoke the cessation requirements in the future.
- In the event that the Administering Authority is not able to recover the required payment in full and there is no guarantor, then the unpaid amounts fall to be shared amongst all of the other employers in the Scheme. This may require an immediate revision to the Rates and Adjustments Certificate affecting other employers in the Fund or instead be reflected in the contribution rates set at the next formal valuation following the cessation date.

Where there is a surplus:

- An employer is entitled to receive an exit credit from the Administering Authority. This must be paid within three months of the date on which the employer ceased to participate in the Fund, or such longer time as the Administering Authority and exiting employer agree.[14]

Employers with no remaining active members

When an employer ceases their participation in the Fund, and provided their exit obligations are met, they will have no further obligation. However as member benefits are guaranteed, it is expected that one of two situations will eventually arise:

- The employer's asset share runs out before all its ex-employees' benefits have been paid. In this situation the other employers participating in the Fund will be required to contribute to pay all remaining benefits: this will be done by the actuary apportioning the remaining liabilities on a pro-rata basis at successive formal valuations; or
- The last ex-employee or dependant dies before the employer's asset share has been fully utilised. In this situation the remaining assets would be apportioned pro-rata by the actuary to the other employers participating in the Fund at successive formal valuations.

Application

The application of the above factors by employer group is shown below:

	Basis	Exit Liability Payment Terms	Exit Credit Payment Terms
Local Authorities and Police	Gilts cessation basis	Immediate, Payment Plan or Suspension Notice	Within three months of the date on which the employer ceased
Designating Employers	Gilts cessation basis	Immediate, Payment Plan or Suspension Notice	Within three months of the date on which the employer ceased
Academies	Gilts cessation basis	Immediate, Payment Plan or Suspension Notice	Within three months of the date on which the employer ceased
Other Scheduled Bodies	Gilts cessation basis	Immediate, Payment Plan or Suspension Notice	Within three months of the date on which the employer ceased
Admission Body with no Guarantor	Gilts cessation basis	Immediate or Payment Plan	Within three months of the date on which the employer ceased
Admission Body with Guarantor	Ongoing basis	Immediate or Payment Plan	Within three months of the date on which the employer ceased

[14] **Currently being reviewed by Central Government**

Admission Body on pass through / other risk sharing arrangements	Ongoing basis [15]*	Immediate or Payment Plan but note Contractual provisions from related Employer.	Within three months of the date on which the employer ceased but note Contractual provisions from related Employer.

[15] It should be noted that in most circumstances, the Fund assumes all liabilities and assets of employers admitted under 'pass through' remain with the Scheme Employer as they typically retain nearly all the pensions risks of the members involved. Therefore, the Fund refers to the contractual agreement between the employer and the Scheme Employer for instruction on how any exit credit/debt is to be determined, if available.

Other Actuarial Matters

Security as a requirement for participation

All new Admission Bodies will be required to provide some form of security, such as a guarantee from the letting employer, an indemnity or a bond. The Administering Authority requires security to cover some or all of the following:

- the strain cost of any redundancy early retirements resulting from the premature termination of the contract;
- allowance for the risk of asset underperformance;
- allowance for the risk of a fall in gilt yields;
- allowance for the possible non-payment of employer and member contributions to the Fund; and/or
- the current deficit on the employer's appropriate cessation basis.

In addition it should be noted:

- Where the Admission is to a contractor, the Administering Authority requires that the security must be to the satisfaction of the Administering Authority as well as the Scheme Employer letting ~~employer~~the contract.
- Where a new admission body is not a contractor, the security must be to the satisfaction of the Administering Authority (and any employer providing a guarantee where applicable).
- All security requirements must be reassessed periodically, but no less often than each formal valuation of the Fund.

Security in the context of setting employer contribution rates

The Administering Authority may permit greater flexibility within the framework for setting employer contributions if the employer provides added security to the satisfaction of the Administering Authority. Such security may include, but is not limited to a suitable bond, a legally-binding guarantee from an appropriate third party or security over an employer asset of sufficient value.

The degree of flexibility given may take into account factors such as:

- the extent of the employer's deficit;
- the amount and quality of the security offered;
- the employer's financial security and business plan; and/or
- whether the Admission Agreement is likely to be open or closed to new entrants

It should be noted, that Local Authorities and the Police are already afforded the maximum flexibility in respect of setting contribution rates due to the security of their funding sources. Therefore, this policy does not apply to them.

Policies on bulk transfers

Bulk transfers of members take place where ten or more members transfer to another Administering Authority's LGPS fund or where two or more members transfer to a non-LGPS fund. Each case will be treated on its own merits, but in general, where active members are transferring the Administering Authority will pay bulk transfers in line with factors provided by the Government Actuary's Department for individual transfers with an allowance for known fund returns between the transfer date and payment date. This also forms the minimum amount the Fund will accept on a transfer in.

~~For~~ The Administering Authority reserves the right to use alternative approaches if an Employer has an 'exit event' as a result of the bulk transfer.

For transfers involving deferred and pension members (such as when employers in different funds merge) the Administering Authority will pay the asset share attributed to the transferring members including an allowance for known fund returns between the transfer date and payment date. This also forms the minimum amount the Fund will accept on a transfer in.

The Administering Authority permits shortfalls to arise on bulk transfers if the employer participating in the Fund has suitable strength of covenant and commits to meeting that shortfall in an appropriate period. This may require the employer's contributions to the Fund to increase between valuations. Where this is not met, the Administering Authority may require a higher transfer amount or immediate contribution from the employer(s) involved.

Appendix 1 – Stabilisation

"Stabilisation" is an approach used by the Administering Authority to allow for short term investment market volatility to be managed and keep some employers' rates to be relatively stable.

The application for Scheduled Bodies is shown in more detail below (provided there are no anticipated material events e.g. significant reductions in active membership):

Type of employer	Councils near full funding	Other Councils
~~Max~~Min cont. level	~~To be determined as part of the 2019 Valuation modelling~~18% of pay	18% of pay
Max cont. level	2018/19 Rate	N/A
Max cont. increase	1%	3%
Max cont. decrease	1%	3%

Employers whose contribution rates have been "stabilised" may therefore be paying more or less than they might otherwise have paid at any one time. Employers should be aware that:

- Their true long term liability (i.e. the actual eventual cost of benefits payable to their employees and ex-employees) is not affected by the choice of method;
- Lower (higher) contributions in the short term will be assumed to incur a greater loss (gain) of investment returns on any deficit. Thus, deferring (or not) a certain amount of contribution may lead to higher (lower) contributions in the long-term; and
- It may take longer to reach full funding, all other things being equal.

Appendix 2 – Funding strategy and links to investment strategy

General Principle

The Fund has built up assets over the years and continues to receive contribution and other income. All of this must be invested in a suitable manner.

The investment strategy is set by the Administering Authority and describes the precise mix, manager make up and target returns.

The investment strategy is set for the long-term, but is reviewed from time to time. Normally a full review is carried out as part of each actuarial valuation and is kept under review annually between actuarial valuations to ensure that it remains appropriate to the Fund's liability profile.

The same investment strategy is currently followed for all employers. ~~**Link between funding strategy and investment strategy**~~

Link between funding strategy and investment strategy

The Fund must be able to meet all benefit payments as and when they fall due. These payments will be met by contributions (resulting from the Actuarial Valuation and funding strategy) or asset returns and income (resulting from the investment strategy). To the extent that investment returns or income fall short, then higher cash contributions are required from employers, and vice versa

Therefore, the funding and investment strategies are inextricably linked.

How does the funding strategy reflect the Fund's investment strategy?

In the opinion of the actuary, the current funding policy is consistent with the current investment strategy of the Fund. The asset outperformance assumption contained in the discount rate is within a range that would be considered acceptable for funding purposes; it is also considered to be consistent with the requirement to take a "prudent longer-term view" of the funding of liabilities as required by the UK Government.

However, in the short-term – such as ~~the three yearly assessments~~ at formal valuations – there is the scope for considerable volatility and there is a material chance that in the short-term and even medium-term, asset returns will fall short of this target. The stability measures described above will damp down, but not remove, the effect on employers' contributions.

How does this differ for a large stable employer?

The actuary has developed four key measures which capture the essence of the Fund's strategies, both funding and investment:

- **Prudence** - the Fund should have a reasonable expectation of being fully funded in the long-term;
- **Affordability** – how much can employers afford;

- **Stewardship** – the assumptions used should be sustainable in the long-term, without having to resort to overly optimistic assumptions about the future to maintain an apparently healthy funding position;
- **Stability** – employers should not see significant moves in their contribution rates from one year to the next, and this will help to provide a more stable budgeting environment.

The key objectives often conflict. For example, minimising the long-term cost of the scheme (i.e. keeping employer rates affordable) is best achieved by investing in higher returning assets e.g. equities. However, equities are also very volatile (i.e. go up and down fairly frequently in fairly large moves), which conflicts with the objective to have stable contribution rates.

Therefore, a balance needs to be maintained between risk and reward, which has been considered by the use of Asset Liability Modelling ("ALM"). An ALM is a set of calculation techniques applied by the actuary, to model the range of potential future solvency levels and contribution rates.

The actuary was able to model the impact of these four key areas, for the purpose of setting a stabilisation approach. The modelling demonstrated that retaining the present investment strategy, coupled with constraining employer contribution rate changes struck an appropriate balance between the above objectives. In particular the stabilisation approach currently adopted meets the need for stability of contributions without jeopardising the Administering Authority's aims of prudent stewardship of the Fund.

~~[~~Whilst the current stabilisation mechanism is to remain in place until ~~2020~~2023, it should be noted that this will need to be reviewed following the ~~2019~~2022 valuation~~]~~.

Does the Administering Authority monitor its overall funding position?

The Administering Authority monitors the relative funding position, i.e. changes in the relationship between asset values and the liabilities value, at least quarterly. It reports this regularly to the Pensions Panel.

Appendix 3 - Statutory reporting and comparison to other LGPS funds

Background

Under Section 13(4)(c) of the Public Service Pensions Act 2013 The Government Actuary's Department (GAD) must, following each actuarial valuation, report to the Ministry of Housing, Communities & Local Government (MHCLG) on whether the rate of employer contributions are set at an appropriate level to ensure the solvency of each fund in the LGPS England & Wales and to ensure the long term cost efficiency of each fund in the LGPS England & Wales.

This additional oversight may have an impact on the strategy for setting contribution rates at future valuations.

Solvency

For the purposes of Section 13 of the Public Service Pensions Act 2013, the rate of employer contributions shall be deemed to have been set at an appropriate level to ensure solvency if the rate of employer contributions is set to target a funding level for the Fund of 100% over an appropriate time period and using appropriate actuarial assumptions (where appropriateness is considered in both absolute and relative terms in comparison with other funds); and either

- employers collectively have the financial capacity to increase employer contributions, and/or the Fund is able to realise contingent assets should future circumstances require, in order to continue to target a funding level of 100%; or
- there is an appropriate plan in place should there be, or if there is expected in future to be, no or a limited number of fund employers, or a material reduction in the capacity of fund employers to increase contributions as might be needed.

Long term cost efficiency

The rate of employer contributions shall be deemed to have been set at an appropriate level to ensure long term cost efficiency if the rate of employer contributions is sufficient to make provision for the cost of current benefit accrual, with an appropriate adjustment to that rate for any surplus or deficit in the fund.

In assessing whether the above condition is met, GAD may have regard to following absolute and relative considerations. A relative consideration is primarily concerned with comparing LGPS pension funds with other LGPS pension funds. An absolute consideration is not primarily concerned with comparing funds with a given benchmark.

Relative considerations include:

- the implied deficit recovery period; and
- the investment return required to achieve full funding after 20 years.

Absolute considerations include:

- if there is a deficit, the extent to which the contributions payable are sufficient to cover the cost of current benefit accrual and the interest cost on the deficit over the current inter-valuation period;
- if there is no deficit, the extent to which contributions payable are likely to lead to a deficit arising in the future;
- the extent to which the required investment return under "relative considerations" above is less than the estimated future return being targeted by the Administering Authority's investment strategy;
- the extent to which contributions actually paid have been in line with the expected contributions based on the extant rates and adjustment certificate; and
- the extent to which any new deficit recovery plan can be directly reconciled with, and can be demonstrated to be a continuation of, any previous deficit recovery plan, after allowing for actual experience of the Fund.

MHCLG may assess and compare these metrics on a suitable standardised market-related basis, for example where the local funds' actuarial bases do not make comparisons straightforward.

Appendix 4 – Regulatory framework

Background

The Funding Strategy Statement is the framework within which the actuary carries out valuations to set employers' contributions and provides recommendations to the Administering Authority when other funding decisions are required, such as when employers join or leave the Fund.

The Ministry of Housing, Communities and Local Government (MHCLG) has stated that the purpose of the FSS is:

- "to establish a **clear and transparent fund-specific strategy** which will identify how employers' pension liabilities are best met going forward;
- to support the regulatory framework to maintain **as nearly constant employer contribution rates as possible**; and
- to take a **prudent longer-term view** of funding those liabilities."

The requirement to maintain and publish a FSS is contained in the LGPS Regulations which are updated from time to time.

In publishing the FSS the Administering Authority has to have regard to any guidance published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and to its Investment Strategy Statement.

The FSS applies to all employers participating in the Fund.

Consultation

The FSS must first be subject to consultation with such persons as the Authority considers appropriate.

The Administering Authorities consultation process for this FSS was as follows:

a) The Administering Authority hosted employer events in May 2019, July 2019 and November 2019 at which questions regarding the funding strategy could be raised and answered.

b) A draft version of the FSS was issued to all participating employers and the Pension Advisory Board in May and June 2019 for comment;

c) The FSS was updated where required and then published, in March 2020.

Publication

The FSS is made available through the following routes:

- Published on the website, at www.westsussex.gov.uk/pensions;
- A full copy linked from the annual report and accounts of the Fund;
- Copies made available on request.

Review

The FSS is reviewed in detail at each valuation.

It is possible that minor amendments may be needed between valuations. These would be needed to reflect any regulatory changes or alterations to the way the LGPS operates (e.g. to accommodate a new class of employer). Any such amendments would be consulted upon as appropriate:

- trivial amendments would be simply notified at the next round of employer communications;
- amendments affecting only one class of employer would be consulted with those employers; and/or
- other more significant amendments would be subject to full consultation.

In any event, changes to the FSS would need agreement by the Pensions Panel and would be included in the relevant Panel Meeting minutes.

Related policy documents

The FSS is a summary of the Administering Authority's approach to funding liabilities. It is not an exhaustive statement of policy on all issues, for example there are a number of separate statements published including the Investment Strategy Statement, Governance Strategy and Communications Strategy. In addition, the Fund publishes an Annual Report and Accounts with up to date information on the Fund.

These documents can be found on the web at www.westsussex.gov.uk/pensions.

Appendix 5 – Responsibilities of key parties

The efficient and effective operation of the Fund needs various parties to each play their part.

The Administering Authority should:-

- operate the Scheme as per the LGPS Regulations;
- effectively manage any potential conflicts of interest arising from its dual role as Administering Authority and a Scheme Employer;
- collect employer contributions and employee contributions, investment income and other amounts due to the Fund;
- ensure that cash is available to meet benefit payments as and when they fall due;
- pay from the Fund the relevant benefits and entitlements that are due;
- invest surplus monies (i.e. contributions and other income which are not immediately needed to pay benefits) in accordance with the Fund's investment strategy and LGPS Regulations;
- communicate appropriately with employers so that they fully understand their obligations to the Fund;
- take appropriate measures to safeguard the Fund against the consequences of employer default;
- manage the valuation process in consultation with the actuary;
- prepare and maintain a Funding Strategy Statement ("FSS") after consultation;
- provide data and information as required by GAD to carry out their Section 13 obligations;
- notify the actuary of material changes which could affect funding; and
- monitor all aspects of the Fund's performance and funding and amend the related policy document as necessary and appropriate.

The Individual Employer should:-

- deduct contributions from employees' pay correctly;
- pay all contributions, including their own, as determined by the actuary by the due date;
- have a policy and exercise discretions within the regulatory framework;
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain; and
- notify the Administering Authority promptly of all changes to its circumstances, prospects or membership which could affect future funding.

The actuary should:-

- prepare valuations, including the setting of employer contribution rates. This will involve agreeing assumptions with the Administering Authority having regard to the FSS and LGPS Regulations and targeting each employer's solvency appropriately;
- provide advice relating to new employers in the Fund, including the level and type of bonds or other forms of security (and the monitoring of these);
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters;
- assist the Administering Authority in considering possible changes to employer contributions between formal valuations, where circumstances suggest this may be necessary;
- provide data and information required by GAD to carry out their Section 13 obligations;
- advise on the termination of Admission Bodies' participation in the Fund; and
- fully reflect actuarial professional guidance and requirements in the advice given to the Administering Authority.

Other parties:-

- investment advisers (either internal or external) should ensure the Fund's investment strategy remains appropriate and consistent with its funding strategy;
- investment managers, custodians and bankers should all play their part in the effective investment (and dis-investment) of Fund assets in line with the investment strategy;
- auditors should comply with their auditing standards, ensure Fund compliance with all requirements, monitor and advise on fraud detection and sign off annual reports and financial statements as required;
- governance advisers may be appointed to advise the Administering Authority on efficient processes and working methods in managing the Fund;
- legal advisers (either internal or external) should ensure the Fund's operation and management remains fully compliant with all regulations and broader local government requirements including the Administering Authority's own procedures;
- The Ministry of Housing, Communities and Local Government (as assisted by the Government Actuary's Department) and the Scheme Advisory Board, should work with LGPS funds to meet Section 13 requirements.

Appendix 6 – Key risks and controls

Types of risk

The Administering Authority has an active risk management programme in place. The measures that it has in place to control key risks are summarised below under the following headings:

- Financial (F);
- Demographic (D);
- Regulatory (R); and
- Governance (G).

Financial risks

	Risk	Summary of Control Mechanisms
F	Assets fail to deliver returns in line with the anticipated returns underpinning valuation of liabilities over the long-term.	Only anticipate long-term return on a relatively prudent basis to reduce risk of under-performing. Assets invested on the basis of specialist advice, in a suitably diversified manner across asset classes, geographies, managers, etc. Analyse progress at three-yearly valuations for all employers. Inter-valuation roll-forward of liabilities between valuations at whole Fund level.
F	Inappropriate long-term investment strategy.	Consider overall investment strategy options as an integral part of the funding strategy. Use asset liability modelling to measure 4 key outcomes.
F	Fall in risk-free returns on Government bonds, leading to rise in value placed on liabilities.	Stabilisation modelling at whole Fund level allows for the probability of this within a longer-term context. Inter-valuation monitoring, as above. Some investment in bonds helps to mitigate this risk.

	Risk	Summary of Control Mechanisms
F	Active investment manager under-performance relative to benchmark.	Quarterly investment monitoring of active managers relative to their benchmark.
F	Pay and price inflation significantly more than anticipated.	Focus the actuarial valuation process on real returns on assets, net of price and pay increases. Inter-valuation monitoring, as above, gives early warning. Some investment in bonds also helps to mitigate this risk. Employers pay for their own salary awards and should be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.
F	Effect of possible increase in employer contribution rate on service delivery and admission/scheduled bodies	An explicit stabilisation mechanism has been agreed as part of the funding strategy. Other measures are also in place to limit sudden increases in contributions.
F	Orphaned employers give rise to added costs for the Fund	The Fund seeks a cessation debt (or security/guarantor) to minimise the risk of this happening in the future. If it occurs, the actuary calculates the added cost spread pro-rata among all employers~~ — (see 3.9).~~.
F	Effect of possible asset underperformance as a result of climate change	Explicitly consider ESG issues when setting the overall funding and investment strategies. Carry out scenario testing on potential Government policy changes when evaluating funding and investment strategies.
D	Pensioners living longer, thus increasing cost to Fund.	Set mortality assumptions with some allowance for future increases in life expectancy. The Fund actuary has direct access to the experience of over 50 LGPS funds which allows early identification of changes in life expectancy that might in turn affect

	Risk	Summary of Control Mechanisms
		the assumptions underpinning the valuation.
D	Maturing Fund – i.e. proportion of actively contributing employees declines relative to retired employees.	Continue to monitor at each valuation, consider seeking monetary amounts rather than % of pay and consider alternative investment strategies.
D	Deteriorating patterns of early retirements	Employers are charged the extra cost of non ill-health retirements following each individual decision. Employer ill-health retirement experience is monitored, and insurance is an option.
D	Effects of Auto enrolment	Mechanism for reviewing and addressing the factors in the Regulations to ensure that systems (Payroll, Pensions and HR) can support auto-enrolment, e.g. correct processing and timely payment of contributions
R	Changes to national pension requirements and/or HMRC rules e.g. changes arising from public sector pensions reform.	The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. Any changes to member contribution rates or benefit levels will be carefully communicated with members to minimise possible opt-outs or adverse actions.
R	Time, cost and/or reputational risks associated with any MHCLG intervention triggered by the Section 13 analysis (see Section 5).	Take advice from Fund Actuary on position of Fund as at prior valuation, and consideration of proposed valuation approach relative to anticipated Section 13 analysis
R	Changes by Government to particular employer participation in LGPS funds, leading to impacts on funding and/or investment strategies.	The Administering Authority considers all consolation papers issued by the Government and comments where appropriate. Take advice from Fund Actuary on impact of changes on the Fund and amend strategies as appropriate.

	Risk	Summary of Control Mechanisms
G	Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements) or not advised of an employer closing to new entrants.	The Administering Authority has a close relationship with employing bodies and communicates required standards e.g. for submission of data. The actuary may revise the rates and Adjustments certificate to increase an employer's contributions (under Regulation ~~38~~64) between triennial valuations Deficit contributions expressed as monetary amounts, except where value is less than £20,000 p.a.
G	Actuarial or investment advice is not sought, or is not heeded or proves to be insufficient in some way	The Administering Authority maintains close contact with its specialist advisers. Advice is delivered via formal meetings involving Elected Members, and recorded appropriately. Actuarial advice is subject to professional requirements such as peer review.
G	Administering Authority failing to commission the Fund actuary to carry out a termination valuation for a departing Admission Body.	The Administering Authority requires employers with Best Value contractors to inform it of forthcoming changes. Admission Bodies' memberships are monitored and, if active membership decreases, steps will be taken.
G	An employer ceasing to exist with insufficient funding or adequacy of a bond.	The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure. The risk is mitigated by: Seeking a funding guarantee from another scheme employer, or external body, wherever possible~~ (see Notes (h) and (j) to 3.3).~~. Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice.

	Risk	Summary of Control Mechanisms
		Vetting prospective employers before admission. Where permitted under the Regulations, requiring a bond to protect the Fund from various risks. Requiring new Admission Bodies to have a guarantor. Reviewing bond or guarantor arrangements at regular intervals~~ (see Note (f) to 3.3)~~. Reviewing contributions well ahead of cessation if thought appropriate~~ (see Note (a) to 3.3)~~.

Appendix 7 – Actuarial assumptions

Background

Actuarial assumptions are expectations of future experience used to place a value on future benefit payments ("the liabilities").

Assumptions are made about the amount of benefit payable to members (the financial assumptions) and the likelihood or timing of payments (the demographic assumptions). For example, financial assumptions include investment returns, salary growth and pension increases; demographic assumptions include life expectancy, probabilities of ill-health early retirement, and proportions of member deaths giving rise to dependants' benefits.

2019 valuation assumptions

Changes in assumptions will affect the measured value of future service accrual and past service liabilities, and hence the measured value of the past service deficit. However, different assumptions will not of course affect the actual benefits payable by the Fund in future.

The table below shows the recommended assumptions for the 2019 valuation relative to the assumptions used in the 2016 valuation. The Administering Authority believes that these assumptions are appropriate for the West Sussex Fund.

Assumption	31 March 2019	31 March 2016
Financial assumptions		
Discount rate	3.1% p.a.	3.8% p.a.
Salary growth	2.8% p.a.	2.9% p.a.
Pension Increases	2.3% p.a.	2.1% p.a.
Demographic assumptions		
Longevity **Baseline** **Improvements**	Club Vita CMI 2018 Smoothed 1.5% p.a. long term	Club Vita "Non-peaked" CMI 2013 projections subject to a 1.5% underpin
Withdrawals	2019	2016
Ill health retirements	2019	2016
Promotional salary growth	2019	2016
Cash commutation	50% of future retirements elect to exchange pension for additional tax free cash up to HMRC limits for service to 1 April 2008 (equivalent 75% for service from 1 April 2008)	~~75% max~~50% of future retirements elect to exchange pension for additional tax free cash up to HMRC limits for service to 1 April 2008 (equivalent 75% for service from 1 April 2008)

50:50 option take up	1% uniformly distributed across age, service and salary range)	1%

The combination of all assumptions is described as the "basis". A more optimistic basis might involve higher assumed investment returns (discount rate), or lower assumed salary growth, pension increases or life expectancy; a more optimistic basis will give lower liability values and lower employer costs. A more prudent basis will give higher liability values and higher employer costs.

Basis Used

The Administering Authority's standard funding basis is described as the "ongoing basis", which applies to most employers in most circumstances. This is described in more detail below. It anticipates employers remaining in the Scheme in the long-term.

However, in certain circumstances a more prudent basis applies.

What assumptions are made in the ongoing basis?

a) Investment return / discount rate

The key financial assumption is the anticipated return on the Funds's investments. ~~This "discount rate" assumption makes allowance for an anticipated out-performance of assets returns relative to long-term yields on UK Government bonds ("gilts"). There is, however, no guarantee that the mix of assets returns will out-perform gilts. The risk is greater when measured over short periods such as the three years between formal actuarial valuations, when the actual returns and assumed returns can deviate sharply.~~

Given the ~~very~~ long-term nature of the liabilities, a long term view of prospective ~~asset~~ returns from growth-seeking assets is taken. ~~The long-term in~~ In setting this ~~context would be~~assumption, the Actuary has modelled the annual returns over the next 20 ~~to 30 years or~~ years on the Fund's investment portfolio under 5,000 different economic scenarios. The investment return assumption has then been set such that more than 75% of the scenarios produced a return in excess of the assumption.

For the purpose of the valuation at 31 March 2019 and setting contribution rates effective from 1 April 2020, the actuary has assumed that future investment returns earned by the Fund over the long term as derived using the above methodology will be ~~[X.X%]~~3.1% per annum ~~greater than gilt yields at the time of the valuation.~~ .

In the opinion of the actuary, based on the current investment strategy, this asset out-performance assumption is within a range that would be considered acceptable for the purposes of the funding valuation.

b) Pension Increase and Salary growth

~~[TBC]~~

~~The same salary assumptions are applied to all employers.~~

~~Pension increases~~

The table below details the salary increase, CARE revaluation rate and benefit increase assumptions at 31 March 2019. The equivalent assumptions used in the 2016 valuation are shown for comparison.

Assumption	31 March 2019	31 March 2016
Benefit Increases and CARE revaluation (CPI) (% pa)	2.3%	2.1%
Salary Increases (% pa)	2.8% [16]	2.9% [17]

Since 2011 the consumer prices index (CPI), rather than the retail prices index (RPI), has been the basis for increases to public sector pensions in deferment and in payment. The basis of such increases is set by the Government and is not under the control of the Administering Authority or any employers.

~~[TBC]~~

The same salary assumptions are applied to all employers.

c) Life expectancy

The demographic assumptions are intended to be best estimates of future experience in the Fund based on past experience of LGPS funds which participate in Club Vita, the longevity analytics service used by the Fund, and endorsed by the actuary.

The longevity assumptions that have been adopted at this valuation are a bespoke set of "VitaCurves", produced by the Club Vita's detailed analysis, which are specifically tailored to fit the membership profile of the Fund. These curves are based on the data provided by the Fund for the purposes of this valuation.

It is acknowledged that future life expectancy and, in particular, the allowance for future improvements in life expectancy, is uncertain. There is a consensus amongst actuaries, demographers and medical experts that life expectancy is likely to improve in the future.

~~[TBC]~~The proposed longevity assumptions result in the following typical future life expectancies from age 65 (figures for 2016 shown for comparison):

Assumption	31 March 2019	31 March 2016
Male		
Pensioner	22.2	23.6
Non-Pensioner	23.3	26.0
Female		
Pensioner	24.2	25.0
Non-Pensioner	25.9	27.8

[16] CPI plus 0.5%

[17] CPI plus 0.7% (equivalent to RPI less 0.3%)

General

The same financial assumptions are adopted for all employers, in deriving the past service deficit and the contribution rate unless otherwise deemed appropriate. These calculated figures are translated in different ways into employer contributions, depending on the employer's circumstances.

The demographic assumptions, in particular the life expectancy assumption, in effect vary by type of member and so reflect the different membership profiles of employers.

Other Actuarial Bases

The Fund may adopt alternative actuarial bases for some employees for both funding valuations and exit valuations as set out in the sections on funding target basis and exiting employers above.

The gilts cessation basis assumes the fund will invest in fixed interest gilts to 'match' the expected cashflows of an exiting employer's membership. The discount rates adopted are set in line with the Bank of England yield curve. To be consistent with these discount rates, CPI will be determined by subtracting 1% p.a. from the corresponding Bank of England inflation curve. Further allowances for longevity improvements beyond those made in the 2019 valuation may be considered by the Administering Authority as well.

Where an employer is approaching exit, or where additional security is put in place, the fund may consider alternative strategies that lie between the gilts cessation basis and the ongoing basis.

Appendix 8 – Glossary

Actuarial assumptions/basis	The combined set of assumptions made by the actuary, regarding the future, to calculate the value of **the funding target**. The main assumptions will relate to the **discount rate**, salary growth, pension increases and longevity. More prudent assumptions will give a higher liability value, whereas more optimistic assumptions will give a lower value.
Administering Authority	The council with statutory responsibility for running the Fund, in effect the Fund's "trustees".
Admission Bodies	Employers which voluntarily participate in the Fund, so that their employees and ex-employees are **members**. There will be an Admission Agreement setting out the employer's obligations.
Covenant	The assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long-run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer-term.
Deficit	The shortfall between the assets value and the **funding target**. This relates to assets and liabilities built up to date, and ignores the future build-up of pension (which in effect is assumed to be met by future contributions).
Designating Employer	Employers such as town and parish councils that are able to participate in the LGPS via resolution. These employers can designate which of their employees are eligible to join the Fund.
Discount rate	The annual rate at which future assumed cashflows (in and out of the Fund) are discounted to the present day. This is necessary to provide a **funding target** which is consistent with the present day value of the assets, to calculate the **deficit**. A lower discount rate gives a higher liabilities value, and vice versa. It is similarly used in the calculation of the **Primary and Secondary rates**.
Employer	An individual participating body in the Fund, which employs (or used to employ) **members** of the Fund. Normally the assets and **funding target** for each employer are individually tracked, together with its **Primary rate** at each **valuation**.
Funding target	The actuarially calculated present value of all pension entitlements of all **members** of the Fund, built up to date. This is compared with the present market value of Fund assets to derive the deficit. It is calculated on a chosen set of **actuarial assumptions**.
Gilt	A UK Government bond, i.e. a promise by the Government to pay interest and capital as per the terms of that particular gilt, in return for an initial payment of capital by the purchaser. Gilts can be "fixed

	interest", where the interest payments are level throughout the gilt's term, or "index-linked" where the interest payments vary each year in line with a specified index (usually RPI). Gilts can be bought as assets by the Fund, but their main use in funding is as an objective measure of solvency.
Guarantee / guarantor	A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's **covenant** to be as strong as its guarantor's.
Letting employer	An employer which outsources or transfers a part of its services and workforce to another employer (usually a contractor). The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer. A letting employer will usually be a local authority, but can sometimes be another type of employer such as an academy.
LGPS	The Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements. The LGPS is divided into 101 funds which map the UK. Each LGPS Fund is autonomous to the extent not dictated by Regulations, e.g. regarding investment strategy, employer contributions and choice of advisers.
Maturity	A general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.
Members	The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).
Primary contribution rate	The employer contribution rate required to pay for ongoing accrual of active members' benefits (including an allowance for administrative expenses). ~~See Appendix D for more details.~~
Pooling	Employers may be grouped together for the purpose of calculating contribution rates, so that their combined membership and asset shares are used to calculate a single contribution rate applicable to all employers in the pool. A pool may still require each individual employer to ultimately pay for its own share of deficit, or (if formally

agreed) it may allow deficits to be passed from one employer to another. ~~For further details of the Fund's current pooling policy (see 3.4).~~

Profile The profile of an employer's membership or liability reflects various measurements of that employer's **members**, i.e. current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc. A membership (or liability) profile might be measured for its **maturity** also.

Rates and Adjustments Certificate A formal document required by the LGPS Regulations, which must be updated at least every three years at the conclusion of the formal **valuation**. This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the three-year period until the next valuation is completed.

Scheduled Bodies Types of employer explicitly defined in the LGPS Regulations, whose employees must be offered membership of their local LGPS Fund. These include councils, colleges, universities, academies, police and fire authorities etc., other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).

Secondary contribution rate The difference between the employer's actual and Primary rates. In broad terms, this relates to the shortfall of its asset share to its funding target. ~~See Appendix D for further details.~~

Stabilisation Any method used to smooth out changes in employer contributions from one year to the next. This is very broadly required by the LGPS Regulations, but in practice is particularly employed for large stable employers in the Fund. Different methods may involve: probability-based modelling of future market movements; longer deficit recovery periods; higher discount rates; or some combination of these.

Valuation An actuarial investigation to calculate the **funding targets** as well as the **Primary rates** and **Secondary rates** for employers**.** This is normally carried out in full every three years (last done as at 31 March 20132016), but can be approximately updated at other times. The assets value is based on market values at the valuation date, and the funding targets and contribution rates are based on long-term bond market yields at that date also.

Appendix 9 – Previous Valuation Results

Summary of Past Valuation Results

A summary of the whole Fund valuation results and key assumptions for each of the previous ~~three~~five valuations is given below. For further details relating to the previous valuation results and assumptions please refer to the relevant valuation reports.

Valuation Results

Valuation date	31 March 2007	31 March 2010	31 March 2013	31 March 2016	31 March 2019
Assets (£m)	1,549	1,759	2,370	2,989	4,374
Liabilities (£m)	1,763	2,047	2,741	3,141	3,919
Surplus/(Deficit) (£m)	(214)	(288)	(371)	(152)	455
Funding level	88%	86%	86%	95%	112%

Assumptions

Valuation date	31 March 2007	31 March 2010	31 March 2013	31 March 2016	31 March 2019
Discount rate p.a.	6.1%	6.1%	4.6%	3.8%	3.1%
Salary growth p.a.	4.7%	1% for 2 years then 5.3%	3.8%	2.9%	2.8%
Pension increases p.a.	3.2%	3.3%	2.5%	2.1%	2.3%
Longevity – baseline table	PXA92 mortality tables (with age ratings)	Club Vita Curves	Club Vita Curves	Club Vita Curves	Club Vita Curves
Longevity – future improvements	calendar year 2017 for current pensioners, calendar year 2033 for prospective pensioners	80% of medium cohort with a 10 year lag and 1.0% p.a. minimum improvements	'non-peaked' CMI 2010 projections with 1.25% underpins and declining mortality at older ages	'non-peaked' CMI 2013 projections with 1.5% underpins and declining mortality at older ages	Smoothed CMI 2018 projections with 1.5% underpins and declining mortality at older ages

Appendix 10 - Rates and adjustments certificate

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Extract from CIPFA guidance (Treasury Management Code of Practice and Cross-Sectoral Guidance Notes).

SECTION 6
The treasury management policy statement

CIPFA recommends that an organisation's treasury management policy statement adopts the following forms of words to define the policies and objectives of its treasury management activities:

1 This organisation defines its treasury management activities as: The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

2 This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

3 This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

The policy statement should include the organisation's high level policies for borrowing and investments.

Treasury Management Strategy (2020/21)

1. The Pension Fund holds cash as working balances. It operates separate bank accounts, keeping its cash separate from the County Council in accordance with LGPS (Management and Investment of Funds) legislation, and consequently also has a separate treasury management policy to West Sussex County Council. Working balances comprise funds required to pay pensions, to fund private equity and property investments and to pay day-to-day expenses. Surplus balances may be sent to the external fund managers (subject to current Pension Fund policy regarding levels of internally managed cash) for investment in accordance with their approved strategies. A charge will be incurred by the fund for the treasury management service supplied by West Sussex County Council.

Annual Investment Strategy

2. Having due regard to the security of principal sums invested and the short term nature of deposits, no financial institution will be eligible to receive deposits for longer than seven days without the explicit approval of the Director of Finance and Support Services in consultation with the Chairman of the Pensions Panel. The administering authority will therefore utilise investments that are designed to offer both high liquidity and high security, with the minimum of formalities. Such investments will be denominated in Sterling and may be deposited with the UK Government, a UK Local Authority (including local authority administered pension funds) or a financial institution with 'high' credit quality (including short-term Money Market Funds).

3. In assessing counterparty creditworthiness the administering authority will consider credit ratings as provided by Fitch, Moody's and Standard and Poor's. Additionally the administering authority will consider other indicators when assessing creditworthiness including, credit default swap (CDS) prices, share prices, media coverage and market sentiment. In assessing credit ratings the Director of Finance and Support Services uses the 'Lowest Common Denominator (LCD)' approach, meaning that it uses the lowest rating of those provided by Fitch, Moody's and Standard & Poor's. The minimum credit rating criteria will be:

- Short-term minimum: F1(Fitch); P1(Moody's); A1(S&P)
- Long-term minimum: A-(Fitch); A3(Moody's); A-(S&P)
- Sovereign minimum (Non-UK): AA+(Fitch); Aa1(Moody's); AA+(S&P)

Counterparty	**Minimum short-term credit rating**	**Minimum long-term credit rating**	**Monetary limit**
Financial Institutions	As Above	As Above	£5m per group
Lloyds Bank plc	As Above	As Above	See Paragraph 4
Money Market Funds *(i)*	-	AAA	£10m per fund *(ii)*
Local Authorities	-	-	£5m per Authority
UK Government	-	-	No limit

(i) Funds that operate either under a constant net asset valuation (CNAV) or under a Low Volatility Net Asset Valuation (LVNAV).

(ii) Exposure limit per fund set to £10m or 0.5% of the fund's net asset size, whichever is lowest.

4. The monetary limit per group will be subject to explicit approval by the Director of Finance and Support Services in consultation with the Chairman of the Pensions Panel and will be continually reviewed in-year. Such approval will relate to the institution rather than the particular investment and will remain in force until revoked. In particular, approval is given to hold cash deposits, including foreign currency (EUR/USD) held within separate bank accounts, in excess of the approved £5m monetary limit with the Pension Fund's main provider of banking services (currently Lloyds Bank Plc).

5. As at **27 January 2020** the current list of approved counterparties that meet the investment criteria and offer instant access deposit accounts are:

Counterparty *(i)*	**Sovereign**	**ST Credit Ratings**	**LT Credit Ratings**	**Maximum time limit**
Lloyds Bank Plc	UK	F1/P1/A1	A+/Aa3/A+	7 days
Handelsbanken Plc	UK	F1+/ /A1+	AA/ /AA-	7 days
National Westminster Bank plc	UK	F1/P1/A1	A+/A1/A	7 days
Santander UK Plc	UK	F1/P1/A1	A+/Aa3/A	7 days
Debt Management Office	UK	-	AA	7 days
Money Market Funds (GBP)	**Domiciled**			
Aberdeen Standard	Luxembourg	-	AAA	Overnight
Amundi	Luxembourg	-	AAA	Overnight
BlackRock	Ireland	-	AAA	Overnight
BNP Paribas	Luxembourg	-	AAA	Overnight
Deutsche	Ireland	-	AAA	Overnight
Federated Investors	UK	-	AAA	Overnight
Goldman Sachs	Ireland	-	AAA	Overnight
Insight	Ireland	-	AAA	Overnight
JP Morgan	Luxembourg	-	AAA	Overnight
Morgan Stanley	Luxembourg	-	AAA	Overnight
State Street	Ireland	-	AAA	Overnight

(i) The consideration of UK Banks that only offer instant access accounts has reduced the number of approved financial institutions as shown above.

6. The administering authority will run a daily cash flow reconciliation of funds held by the Fund as working balances.

Borrowing Strategy

7. The LGPS (Management and Investment of Funds) Regulations 2016 give a fund's administering authority explicit power to borrow for up to 90 days for the purpose of its pension fund:

- To pay benefits due under the scheme, or
- To meet investment commitment arising from the implementation of a decision to change the balance between different types of investment

provided that if, at the time of borrowing, the authority reasonably believes that the sum borrowed and interest charged in respect of such sum can be repaid out of its pension fund within 90 days of the date of the borrowing.

8. The West Sussex Pension Fund currently has sufficient cash flow and cash balances not to have to borrow to pay benefits due under the scheme.

Pension Panel	
27 January 2020	**Part I**
Pension Administration Performance	
Report by Director of Finance and Support Services	

Summary

Hampshire Pension Services provide Pension Administration, on behalf of West Sussex County Council, to the 80,031 active, deferred and pensioner members participating in the Local Government Pension Scheme.

An Administration Strategy has been agreed and is monitored and performance has improved since the Panel met in October. Legacy issues are being worked through and are used to inform a data improvement plan.

Contribution Monitor for the year to date is included as Appendix 2 and provides details of the Scheme Employers performance regarding the monthly contribution payments.

Recommendation

That the update on the Administration Performance is noted.

1. Background

1.1. Hampshire County Council 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.

1.2. 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.

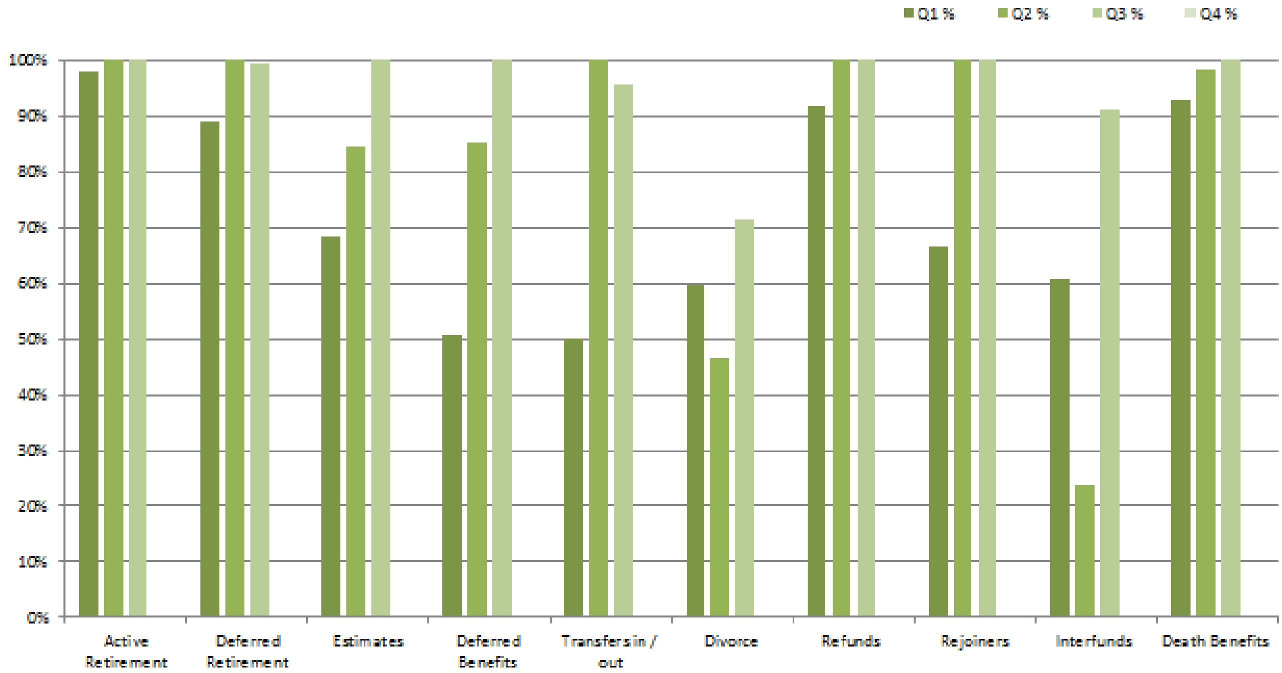
1.3. The table below summarises membership within the Scheme.

	Membership as at quarter end		
	30/06	**30/09**	**31/12**
Active	29,439	29,807	30,021
Deferred	27,844	28,119	28,585
Pensioners	17,864	21,284	21,425
Total	**75,147**	**79,210**	**80,031**

Note: The membership movements may vary more than expected as the team complete backlog and cleanse activities

2. Performance

2.1. 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 July to 31 Dec) are illustrated below with date for the latest quarter and year to date shown in the table. Appendix 1 provides the full year performance.



Case Type	Quarter 3		Year to Date	
	Total Cases	**Completed on Time (%)**	**Total Cases**	**Completed on Time (%)**
Active Retirement	99	100%	322	99%
Deferred Retirement	153	99%	529	96%
Estimates	324	100%	1,160	83%
Deferred Benefits	824	100%	1,909	87%
Transfers In/Out	92	96%	123	89%
Divorce	81	72%	166	63%
Refunds	179	100%	439	98%
Rejoiners	99	100%	186	94%
Interfunds	101	91%	172	70%
Death Benefits	126	100%	360	97%
Total	**2,078**		**5,366**	

2.2. It should be noted:

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

b. Some work resulting from legacy issues has been ring-fenced to ensure that performance on new work items meet the SLA targets.

c. As was expected quarter 3 saw a continued high volume of leavers due to the end of the school year. The timescales for completing this work is included within the Deferred Benefits performance, which all cases were completed within the service level agreement.

3. Contributions

3.1. All LGPS Contributions are expected to be received by the Fund on the 19th of the Month or 22nd if the payment is being made electronically. As part of this monthly process a Contribution Monitor is maintained this can be found as Appendix 2. The Fund has a clear escalation procedure if the situation were to arise where an Employer was consistently making late payment.

4. Member Portal Access

4.1. 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	Number	% of population
	30/09	**31/12**	
Active	6,184	7,334	24.43%
Deferred	2,131	3,257	11.39%
Pensioner	1,093	1,288	6.01%
Total	**9,408**	**11,879**	**14.84%**

5. Data Improvement Plan

5.1. The Pension Fund has been aware of the need to undertake some data improvement work once the transfer had been completed with Hampshire.

5.2. A data improvement plan has been agreed between the Pension Fund and its administrators based on legacy matters identified following the transfer and other data scoring. There are a number of work items required relating to:

- How the data is held on the two administration system, or the Fund's accounting system

- The completeness of some member records (including the necessity of keeping paper files for some members)

- Administrative tasks not being applied or completed

5.3. All work has been reviewed and prioritised and given a completion date of 31 March 2020, 30 June 2020 or 31 October 2020 deadline.

5.4. There will be a charge by the administration team to complete a number of the work items. Other elements will be covered by Hampshire as part of their ongoing work, or resourced by the West Sussex team.

6. Breach Reporting

6.1. 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.

6.2. The materiality of the breach with regard to the production of Annual Benefit Statements is under investigation.

7. Pension Scams

7.1. There have been an increased risk of pension savers being persuaded to transfer their entire pension savings, or to release funds from it, by scammers making attractive-sounding promises they have no intention of keeping. This follows reforms offering greater flexibility in the way that individuals aged 55 and over can access their defined contribution (DC) pensions. As the LGPS is a public sector defined benefit Scheme this 'Freedom of Choice' reform does not apply to it directly. However members do have the right to transfer their pension rights out of the LGPS to a DC arrangement prior to their retirement.

7.2. The Pension Ombudsman has recently upheld a case (Ref PO-21489) relating to a scam where a LGPS Administering Authority (Hampshire County Council) was required to reinstate the member's pension due to maladministration (on a case which dates back to 2013). In response the Local Government Association (LGA) updated the standard transfer forms, which have been adopted by the administration team.

8. McCloud

8.1. Whilst there has not been a remedy for the McCloud and Sargeant judegement the County Council is working with the administration team as the issues around any potential remedy become clearer, including resourcing. This has been informed by the first tribunal judgments providing a remedy for the Police Pension Scheme and Firefighters Schemes.

Factors taken into account

9. Consultation

9.1. n/a

10. Risk Implications and Mitigations

Risk	Mitigating Action (in place or planned)
Inaccurate and/or incomplete data retained by the Pension Fund.	All employers participating in the scheme are provided with Administration Guide and Employer Guide which sets out their roles and responsibilities whilst participating in the Scheme and understand what member data are required and the process for supplying it. Liaise with Hampshire Pension Services regarding the quality of data and how this can be improved. Liaise with the Actuary to ensure expectations are understood.
Employers either don't pay contributions, pay incorrect amount or don't provide required information	Clear employer guide in place setting out responsibility of employers regarding provision of information and contributions. Regular monitoring and reconciliation of contribution payments received with clear escalation process. Liaise with Actuary to ensure he is aware of any issues.
Failure to comply with changes to LGPS Regulations and/or Inland Revenue Rules	All consultation papers issued by the DCLG, Revenue & Customs, and other bodies are commented on where appropriate. Officers to review all relevant regulation changes. Liaise with professional advisors and Hampshire Pension Services as required.

11. Other Options Considered

11.1. n/a

12. Equality Duty

12.1. n/a

13. Social Value

13.1. n/a

14. Crime and Disorder Act Implications

14.1. n/a

15. Human Rights Implications

15.1. n/a

Katharine Eberhart
Director of Finance and Support Services

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

Appendix 1 – Administration Performance
Appendix 2 – Contribution Monitor

Appendix 1

Administration Performance
1 April 2019 – 31 December 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.

	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**
Active Retirement	33	100.00%	29	100.00%	51	96.10%	113	98.20%
Deferred Retirement	35	94.30%	52	100.00%	79	79.80%	166	89.20%
Estimates	124	99.20%	144	39.60%	149	70.50%	417	68.30%
Deferred Benefits	17	100.00%	115	66.10%	142	32.40%	274	50.70%
Transfers in / out	2	50.00%	6	50.00%	10	50.00%	18	50.00%
Divorce	11	90.90%	35	51.40%	11	54.60%	57	59.70%
Refunds	42	100.00%	40	92.50%	18	72.20%	100	92.00%
Rejoiners	3	66.70%	12	58.30%	21	71.40%	36	66.70%
Interfunds	16	93.80%	2	0.00%	15	33.30%	33	60.60%
Death Benefits	27	100.00%	28	100.00%	44	84.10%	99	92.90%
Total	**310**		**463**		**540**		**1,313**	

	July		August		September		Quarter 2	
	Total Cases	**% Completed on Time**	**Total Cases**	**% Completed on Time**	**Total Cases**	**% Completed on Time**	**Total Cases**	**% Completed on Time**

Active Retirement	21	100.00%	41	100.00%	48	100.00%	110	100.00%
Deferred Retirement	77	100.00%	81	100.00%	52	100.00%	210	100.00%
Estimates	186	66.13%	130	99.23%	103	93.20%	419	84.73%
Deferred Benefits	143	35.66%	139	81.29%	529	53.50%	811	85.45%
Transfers in / out	1	100.00%	7	100.00%	5	80.00%	13	100.00%
Divorce	18	38.89%	5	20.00%	5	40.00%	28	46.43%
Refunds	58	100.00%	31	100.00%	71	98.59%	160	100.00%
Rejoiners	10	100.00%	14	100.00%	27	100.00%	51	100.00%
Interfunds	22	18.18%	13	15.38%	3	100.00%	38	23.68%
Death Benefits	40	100.00%	50	96.00%	45	100.00%	135	98.52%
Total	**576**		**511**		**888**		**1,975**	

	October		**November**		**December**		**Quarter 3**	
	Total Cases	**% Completed on Time**	**Total Cases**	**% Completed on Time**	**Total Cases**	**% Completed on Time**	**Total Cases**	**% Completed on Time**
Active Retirement	39	100.00%	26	100.00%	34	100.00%	99	100.00%
Deferred Retirement	45	100.00%	57	98.25%	51	100.00%	153	99.35%
Estimates	143	100.00%	100	100.00%	81	100.00%	324	100.00%
Deferred Benefits	273	100.00%	240	100.00%	311	100.00%	824	100.00%
Transfers in / out	28	92.86%	35	94.29%	29	100.00%	92	95.65%
Divorce	40	42.50%	21	100.00%	20	100.00%	81	71.60%
Refunds	66	100.00%	74	100.00%	39	100.00%	179	100.00%
Rejoiners	25	100.00%	46	100.00%	28	100.00%	99	100.00%
Interfunds	26	65.38%	32	100.00%	43	86.05%	101	91.09%
Death Benefits	51	100.00%	55	100.00%	20	100.00%	126	100.00%
Total	**736**		**686**		**656**		**2,078**	

The table below shows outstanding work as of 31 December 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;

Time Outstanding

Type of Case	0-5 days	6-10 days	11-15 days	16-20 days	21-30 days	31+ days	Total
Active Retirement	6	13	0	0	0	0	19
Deferred Retirement	5	9	9	2	0	0	25
Estimates	28	38	24	7	4	4	105
Deferred Benefits	54	72	116	48	93	794	1177
Transfers In & Out	3	3	4	1	1	8	20
Divorce	4	2	1	0	1	1	9
Refunds	7	10	0	0	0	2	19
Rejoiners	8	8	2	3	0	4	25
Interfunds	4	12	14	12	10	135	187
Death Benefits	6	9	1	0	5	3	24
GRAND TOTAL	**125**	**176**	**171**	**73**	**114**	**951**	**1,610**

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Appendix 2

Contributions Monitor
01 April 2019 – 30 November 2019

The table below provides a monthly review of the Scheme Employers performance in respect of their statutory responsibilities when paying their contributions to the Fund:

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	YTD Average
Late	1	1	0	0	1	1	0	0	0.5
On time	191	190	190	192	191	191	192	193	191.3
Number of Active Employers	192	191	190	192	192	192	192	193	191.8
% Late of Active Employers	0.52%	0.52%	0.00%	0.00%	0.52%	0.52%	0.00%	0.00%	0.26%
Average Days Late	29.00	17.00	0.00	0.00	9.00	15.00	0.00	0.00	8.8
Total Amount Overdue (£)	546	188	0	0	28,081	645	0	0	3,682.5
Total Contributions (£'000)	10,756	10,776	10,821	10,863	10,745	10,761	10,957	10,954	10,829
% Late of total contributions	0.01%	0.00%	0.00%	0.00%	0.26%	0.01%	0.00%	0.00%	0.03%

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Pension Advisory Board

26 February 2020

Communication Strategy

Report by Director of Finance and Support Services

Summary

The terms of reference for the Pension Advisory Board includes consideration of the effectiveness of communication with employers and members including the Communication Strategy as part of the Pension Advisory Board's functions.

Recommendation

(1) That the Board note the schedule of Communications drawn from the Communication Strategy

(2) That the Board feedback on the Communications presented at the meeting for adherence with the Communication Policy Statement and their effectiveness.

Background

1. The Pension Fund maintains a Communication Policy Statement which reflects:

   - the LGPS Regulatory requirement to maintain a Statement concerning how the Pension Fund communicates with its broad range of stakeholders (members, representatives of members, prospective members and Scheme employers)

   - the Pension Regulator's Code of Practice 14 which refers to necessary communications and their content.

2. By reviewing communications on a regular basis the Board will be fulfilling their role in considering the effectiveness of communication with employers and members and any future activities, compliance with the Communication Policy Statement, Regulations, Guidance or best practice and assisting with its knowledge and understanding of the Scheme.

Communication Strategy

3. The Communication Policy Strategy was considered by the Pension Advisory Board at their meeting on 22 May 2019. The review was in respect of compliance with the Regulations.

4. Appendix A describes how the communications referred to within the Strategy are delivered in practice. The relevant communication for the period has been included in Appendix B.

Katharine Eberhart

Director of Finance and Support Services

Contact: Tara Atkins, Principal Pensions Consultant, 033 022 28787

Appendices
Appendix A – Description and Calendar of Communication Deliverables
Appendix B – Communications for the relevant period

Background Papers
Communication Policy Statement -
https://www.westsussex.gov.uk/media/5557/communication_policy_statement.pdf

	WSCC's Role	HCC's Role	Future Activity	How often it should be reviewed	Previous PAB review date	Next date for PAB review
Website	Review at least annually and feedback on content on as required basis.	Maintain and review content of website as necessary.	Updated with amendments to regulations/processes. Review when Annual review feedback provided.	Ongoing	N/A	N/A
Member and Employer Portal	Feedback on content/messages displayed	Maintain and update functionality / content as necessary.	Update/Amendments to functionality.	Ongoing	N/A	N/A
Annual newsletter for pensioners	Feedback on template	Draft template and sign off following WSCC feedback		Annually (April/May)		06/2020
Annual Benefit Statements	Feedback on template	Draft templates and sign off following WSCC feedback	Provide active and deferred benefit statements to all eligible members by 31 August 2020	Annually	[TBC]	[TBC]
Pensions Savings Statements	Feedback on template	Draft templates and sign off	Provide pensions savings statement to members who have exceeded annual allowance by 6 October 2020.	Annually	[TBC]	[TBC]
Payslips (where their pension varies by £1).	Feedback on changes to content, when applicable.	Template based on administration team's existing version – changes will be made where necessary. Payslip production following monthly pensions payroll.	Where pension varies by at last £1, hard copy payslip will be issued. Otherwise published via portal each month.	Monthly		
Latest news updates (specific topics, changes to the regulations)	Sign off of content when comms specific to West Sussex.	Website updates. West Sussex specific communications would be drafted, and template shared for feedback/sign off.	Monthly Correspondence Meeting	Ongoing	02/2020	
Providing and advertising the Pre-Retirement course	Learning and Development run the pre-retirement course, this is advertised on their pages.	N/A		Ongoing	N/A	N/A
Employer workshop sessions	Feedback on proposed content	Draft content and sign off.	Development of biannual Employer Days	Biannual	[TBC]	[TBC]
Providing calculations and costings of early retirement scenarios as requested	Provide HCC with revised factors when required.	HCC calculate as per normal processes.	On receipt of an authorised Employer Initiated Retirement Form (EIRA).	Ongoing	N/A	N/A
Employer newsletters (Employer Matters)	Feedback on template	Draft template and sign off following WSCC feedback		Quarterly	11/2019 02/2020	06/2020
Stop Press publications	Feedback/sign off if West Sussex specific.	For LG wide - draft content and make WSCC aware of stop press. For West Sussex specific – draft content and provide copy for sign off.		Ongoing	[TBC]	[TBC]
Annual General Meeting	Lead	HCC provide an update on performance (HCC and Employer)	Development of agenda	Annual	24/07/2019	22/07/2019
Training for small groups	Propose appropriate sessions	Draft content and sign off		Ongoing	N/A	N/A
Focus group meetings	Feedback on agenda.	Draft agenda and content		Biannual	[TBC]	[TBC]
Actuarial Valuation meetings	Agenda and content in line with Fund Actuary.	Attend as required		Triennial	N/A	N/A
Training on provision of end of year member data, including the completion of the appropriate data capture spreadsheet.	Feedback on content	Draft content, provide to WSCC for feedback and sign off.		Annual	N/A	N/A
Requesting feedback from customers as part of the Customer Services Excellence accreditation.		HCC request feedback from relevant parties including via email signature, training surveys sent to employer training attendees and complaints/compliments reporting	Training surveys Reporting of complaints and compliments	Ongoing		09/2020

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Annual newsletter for pensioners

- A DRAFT Pensioner Newsletter has been provided to the Chairman and Pensioner Representative for their feedback. The final version will be provided to the PAB at their June 2020 meeting.

Latest news updates (specific topics, changes to the regulations)

Employer newsletters (Employer Matters)

- PUBLISHED Employer Matters February 2020

  https://www.hants.gov.uk/hampshire-services/pensions/local-government/employers/news/west-sussex-news

Stop Press publications

- PUBLISHED update on Standard Life AVC Options

  https://documents.hants.gov.uk/pensions/west-sussex/stop-press-standardlifeavcs.pdf

- PUBLISHED update on LGA Employer Training

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  The Local Government Association (LGA) have asked us to send the below communication on their behalf to all LGPS Scheme Employers:

  LGA Employer Training - Understanding the Employer Role

  In March and April we will be running five Employer Role workshops at four venues (two in London). These workshops are aimed primarily at staff working for scheme employers in England and Wales who have operational responsibilities under the Local Government Pension Scheme (LGPS). Delegates do not necessarily need a thorough working knowledge of the LGPS itself but some experience of the scheme and its provisions would be useful.

  The workshop will open with registration from 9:30am followed by a prompt 10:00am start and finish no later than 4:00pm.

  All bookings are made via the LGA's online events page https://www.local.gov.uk/events Click on the link below to take you directly to the event you wish to book.

Employer Role workshop dates, locations & venues:

10 March	*Birmingham*	*Jurys Inn Hotel*
17 March	*London*	*ETC venues, Pimlico*
24 March	*Cardiff*	*Park Plaza Hotel*
31 March	*London*	*ETC venues, Pimlico*
7 April	*Leeds*	*Marriott Hotel*

An overview of the course content can be found at
http://lgpslibrary.org/assets/Training Course Details/Employer Role Details 2020.pdf

- There has also been a stop press notification sharing information from the Local Government Association in relation to PI multiplier tables and draft contribution rate bands. However on the basis that this information should not be circulated publically it will be provided to the Board in a future agenda item.

Focus group meetings

- PUBLISHED Minutes and Slides for meeting on 13 November 2019.

  https://documents.hants.gov.uk/pensions/west-sussex/Focusgroupminutes-13Nov2019.pdf

  https://documents.hants.gov.uk/pensions/west-sussex/Employerfocusgroup-November2019.pptx

Training Sessions Delivered at County Hall and External from April 2019

	13-May-19	22-May-19	13-Jun-19	26-Jun-19	04-Sep-19	07-Oct-19	13-Nov-19	20-Nov	20-Feb-20
	Internal	Internal Agenda Item	Internal	External	Internal	External	External	Internal	External
	Employer Forum - 2019 Actuarial Valuation	Hampshire Pension Administration Training	Pension Fund Financial Statements 2018/19	CIPFA Local Pension Board Annual Event	Pension Governance Training (by the Chairman)	CIPFA Local Pension Board Autumn seminar	CIPFA Annual Pensions Conference	ESG training	CIPFA Local Pension Board Spring seminar
Peter Scales		✓		✓	✓		✓	✓	✓
Richard Cohen		✓	✓		✓			✓	
Christopher Scanes		✓			✓		✓	✓	
Kim Martin	✓	✓	✓		Slides received			✓	
Tim Stretton		✓		✓	✓				✓
Becky Caney		✓			✓			✓	
Miranda Kadwell	✓	✓			✓	✓		✓	✓

Training on policy documents is recorded within the regular policy documents review item in Appendix A

Pension Regulator Toolkit - Module Progress

	Conflicts of Interest	Managing risk and internal controls	Maintaining accurate member data	Maintaining member contributions	Providing information to members and others	Resolving internal disputes	Reporting breaches of the law
Peter Scales	Passed	Passed	Passed	Passed	Passed	Passed	Passed
Becky Caney	Passed	Passed	Passed	Passed	Passed	Passed	Passed
Richard Cohen	Passed	Passed	Passed	Passed	Passed	Passed	Passed
Miranda Kadwell	Passed	Passed	Passed	Passed	Passed	Passed	Passed
Kim Martin	Passed	Passed	Passed	Passed	Passed	Passed	Passed
Christopher Scanes	Passed	Passed	Passed	Passed	Passed	Passed	Passed
Tim Stretton	Passed	Passed	Passed	Passed	Passed	Passed	Passed

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