

Public Document Pack

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27 August 2020

Pension Advisory Board

A virtual meeting of the Board will be held at **9.30 am** on **Monday, 7 September 2020**.

Note: In accordance with regulations in response to the current public health emergency, this meeting will be held virtually with members in remote attendance. Public access is via webcasting.

Items 1 to 15 in Part I of the agenda will be available to watch via the internet at the address below. Items 16 to 18 in Part II of the agenda contain exempt information, as indicated, and therefore will not be broadcast.

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Tony Kershaw
Director of Law and Assurance

Agenda

Part I

1. Virtual Meeting Arrangements (Pages 5 - 10)

Report by the Director of Law and Assurance.

The Board is asked to note the steps taken by the County Council to comply with requirements for formal Virtual Meetings. The Board is also asked to note the documents to Board members in June and ask any outstanding questions if applicable.

2. 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.

3. **Part I Minutes of the last meeting** (Pages 11 - 16)

The Board is asked to agree the Part I minutes of the meeting of the Board held on 26 February 2020 (cream paper).

4. **Pension Advisory Board Membership**

The Constitution for the Pension Advisory Board concerning membership terms is as follows:

'The term of office for employer and scheme member representatives is 4 years. This can be extended following reselection up to a maximum of three terms.'

The Board are asked to note that the Chairman has agreed to re-appoint Kim Martin as an Employer representative for a second 4 year term. The new term will begin at the end of the current term which is due to end in December.

5. **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.

6. **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.

7. **Progress Report** (Pages 17 - 18)

This report contains updates on matters arising from previous meetings.

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

8. **Business Planning and Performance** (Pages 19 - 34)

Report by the Chairman of the Pension Advisory Board.

The Board is asked to consider and agree the draft business plan for 2020/21 and that the Pensions Committee is informed accordingly.

9. **Regulations and Guidance update** (Pages 35 - 40)

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. **Review of Pension Fund Policy Documents** (Pages 41 - 100)

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.

11. **Administration procedures and performance** (Pages 101 - 110)

The Board is asked to consider the Administration Report from the 22 July 2020 Pensions Committee by Director of Finance and Support Services.

12. **Communication Strategy** (Pages 111 - 136)

Report by the Director of Finance and Support Services.

The Board is asked to note the schedule of Communications drawn from the Communication Strategy and provide feedback on the Communications presented at the meeting

13. **Pension Fund Covid-19** (Pages 137 - 146)

Report by the Director of Finance and Support Services.

The Board is asked to note report.

14. **Training** (Pages 147 - 166)

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 13 November 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 167 - 168)

The Board is asked to agree the Part II minutes of the meeting of the Board held on 26 February 2020 (yellow paper).

18. **Additional Voluntary Contributions** (Pages 169 - 178)

The Board is asked to consider the following report which went to the Pensions Committee on 22 July 2020.

Report by the 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

7 September 2020

Virtual Meeting Arrangements

Director of Law and Assurance

Summary

In mid-March, at the start of the current Covid-19 public health emergency, all formal meetings at the County Council were cancelled up until the end of April.

The Government issued new Regulations with effect from 4 April, enabling local authority meetings to be held virtually. The requirement is that members attending remotely should be able to hear, and be heard, by others in the meeting and by the public and that public meetings will be webcast.

The County Council's Standing Orders relating to formal meetings were revised through urgent action procedures to reflect these new regulations.

For reasons outlined in para 1.4 in consultation with the Chairman of the Pensions Advisory Board the Board meeting scheduled for 12 June was cancelled. In its place relevant information was despatched to Board members so that they could continue their role in monitoring key pension activity.

Recommendations

The Board is asked to

- 1) Note the steps taken by the County Council to comply with requirements for formal Virtual Meetings.
- 2) Note the documents sent to Board members in June, at Appendix A, that were circulated following the cancellation of June meeting; and ask any outstanding questions if applicable.

1. Background and Context

- 1.1 Prior to the Covid-19 emergency, formal meetings could not be held virtually; members of committees were required to be physically present. However, due to the emergency the Government passed new regulations – the [Local Authorities and Police and Crime Panels \(Coronavirus\) \(Flexibility of Local Authority and Police and Crime Panel Meetings\) \(England and Wales\) \(Regulations\) 2020](#). These came into effect from 4 April and enable council meetings to be held virtually (by video or by phone). The regulations also allow annual appointments to be delayed until May 2021. The amended regulations cease to apply in May 2021.
- 1.2 A [report](#) went to the 20 May 2020 Governance Committee outlining the new arrangements and reporting that [Standing Orders](#) had been updated via the Urgent Action procedure to allow the County Council to hold formal meetings virtually.

- 1.3 Following this, formal meetings of the County Council have been held virtually and webcast to adhere to the necessary requirements.

2. Pension Advisory Board

- 2.1 The Pension Advisory Board scheduled for 12 June 2020 was cancelled in consultation with the Chairman due to the public health emergency. It was determined that there was no time critical or urgent business that the Board needed to hear or discuss. Officers of the County Council remained in contact with the Chairman to up-date on any changes to business requirements.
- 2.2 Virtual formal meetings of the County Council have worked well under the new requirements. The Chairman has therefore now agreed that meetings of the Pension Advisory Board should resume using virtual technology, as used by the County Council. The Board meetings will follow the same guidelines and requirements as all other formal meetings of the County Council to comply with Standing Orders.
- 2.3 Following the cancellation of the 12 June meeting; the Chairman instructed officers to send all relevant information direct to Board members so that they could continue their role in monitoring key pension activity.
- 2.4 The documents, as outlined in Appendix A, were circulated to Board members on 16 June 2020. Board members were invited to raise any queries they had on the papers.
- 2.5 The Chairman of the Pension Advisory Board also monitored the webcasts of the Pensions Committee, and submitted a summary document to Board Members outlining the meeting content. This ensured all Board Members were kept up-to-date.
- 2.6 For the 7 September meeting, the Chairman of the Pension Advisory Board was mindful of the agenda length for the Board's first virtual meeting. Therefore the opportunity has been taken to remove the Pensions Committee's minutes and agenda from the Board agenda and circulate these directly to Board members, this follows similar steps taken to manage agenda lengths as per the 22 July Pensions Committee. Board members were invited to raise any queries they had on the approved minutes or the agenda.

3. Scheme Advisory Board

- 3.1 The Scheme Advisory Board (SAB) released a [statement](#) regarding the cancellation of Local Pension Board Meetings and their concern that an interpretation of the new regulations may not include Local Pension Boards.
- 3.2 The Statement from the SAB includes the following:

'...the LGPS Regulations states that a local pension board shall have the power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions. Having taken legal

advice, SAB is satisfied that arranging a virtual meeting of a local pension board would facilitate the discharge of its duty to conduct business during the emergency.'

- 3.3 The Chairman has provided comment to the SAB on the cancellation of the 12 June 2020 meeting and on the steps taken to ensure members of the West Sussex Pension Advisory Board were kept informed and updated on all necessary information.

4. Equality Impact Review

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

Tony Kershaw

Director of Law and Assurance

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

Appendices

Appendix A – Document List

Background papers

None

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Documents circulated on 16 June to Pension Advisory Board Members following the June Meeting Cancellation.

The following documents were circulated to the Pension Advisory Board Members to ensure they received all necessary information during the public health emergency and had the opportunity to raise any queries.

Pensions Committee Documents

- (a) **Officer Update**
- (b) **Part I Minutes - 27 January 2020**
- (c) **Part II Minutes - 27 January 2020**
- (d) **Agenda - 4 May 2020**
- (e) **Administration Report - 4 May**
- (f) **Funding and Employer Management Report - 4 May**
- (g) **Chairman's summary of 4 May Meeting**

The Pension Committee documents included the regular consideration of Pension Committee approved minutes and agenda; items from the 4 May Pensions Committee; an officer update on Administration and Funding and Employer Management; and a summary from the Pension Advisory Board Chairman on the 4 May Pensions Committee webcast.

Business Plan update

The Chairman of the Pension Advisory Board also wrote a report giving an update on Business Plan arrangements for 2020/21, information on LGPS Bulletins issued since the last meeting, and the current status of SAB projects, including the Good Governance Review, and other work currently delayed or on hold during the public health emergency.

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Pension Advisory Board

26 February 2020 – At a meeting of the Board at 9.30 am held at County Hall, Chichester, PO19 1RQ.

Present: Peter Scales (Chairman)

Kim Martin, Becky Caney, Chris Scanes (Arrived at 9.42.) and Tim Stretton

Apologies were received from Richard Cohen, Miranda Kadwell, Nadine Muschamp and Adam Chisnall

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

Part I

49. Declarations of Interests and Conflicts

49.1 No interests or conflicts were declared, but Rachel Wood, Pension Fund Investment Strategist told the Board that a Conflicts Policy relating to the pensions fund would come to a future Board meeting.

50. Part I Minutes of the last meeting

50.1 Resolved – That the part I minutes of the meeting of the Board held on 20 November 2019 be approved as a correct record and signed by the Chairman.

51. Terms of Reference

51.1 The Board considered its revised Terms of Reference (copy appended to the signed minutes) and discussed the following points: -

- In paragraph 7 it was highlighted that the Board should meet no fewer than four meetings a year yet only 3 months are mentioned for proposed dates. – **ACTION:** Rachel Wood to investigate and update the Terms of Reference at their next review.
- The Chairman's terms of office were not restricted.
- The Board queried whether the Chairman needed to be present for the Board to be quorate – *Rob Castle checked this post meeting and determined that the Chairman did not need to be present for the Board to be quorate. In the absence of the Chairman, the Board should elect a Chairman for the meeting.*

51.2 Resolved – that the Board notes its revised Terms of Reference with the clarification over meetings addressed

52. Progress Report

52.1 The Board considered the progress report on matters arising from previous meetings (copy appended to the signed minutes). The following points were discussed: -

- It was hoped to invite the Pension Regulator to a future Board meeting in conjunction with a Pensions Panel training session.
- The breach log would be reported consistently between the Pensions Panel and the Board going forward.

52.2 Resolved – that the Board notes the report.

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

53.1 The Board considered the confirmed part I minutes from the 25 October 2019 Pensions Panel meeting; and the Agenda from the 27 January 2020 Pensions Panel meeting (copies appended to the signed minutes).

53.2 The Board learned that the Retail Prices Index could be replaced by the Consumer Prices Index in future actuarial valuations and discussed death grants.

53.3 Resolved – That the Board notes the minutes and agenda.

54. **Business Plan Update**

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

54.2 The Board discussed the report and made the following points regarding Appendix A: -

- Under business planning and performance the number of members that attended the employer AGM in July should read four not three – **ACTION:** The Chairman to update the report.
- Under governance arrangements the special presentation made by internal audit was not made at the February meeting - **ACTION:** Rachel Wood to advise when the presentation would take place.
- Under governance arrangements the review of internal procedures and controls relating to third party contracts by internal audit did not take place in February - **ACTION:** Rachel Wood to advise when the review would take place.
- Under communications a note to be added that communications were further reviewed at the February meeting – **ACTION:** The Chairman to update the report.
- Under Pension Advisory Board 2019/20 training the entry for Internal Audit to be deleted and entry for Becky Caney attending CIPFA LPB Spring Seminar to be deleted – **ACTION:** The Chairman to update the report.
- Dates to be added to the Pension Advisory Board 2019/20 training table – **ACTION:** Rachel Wood to add dates to the table when it is incorporated into the Board's annual report.
- All Board members to be made aware that the Annual General Meeting will take place on 22 July.

54.3 - The Board made the following points regarding Appendix D: -

- The Council was compliant with the Competition and Markets Authority's order that pension scheme trustees and managers set objectives for their investment consultants.
- Data quality was showing as red in the risk register – a data improvement plan was in hand to improve this.

54.4 Resolved – That the Board agrees the recommendations in the Business Planning and Performance report.

55. Regulations and Guidance update

55.1 The Board received a report by the Chairman of the Pension Advisory Board (copy appended to the signed minutes) who introduced the report telling the Board that: -

- A further report and training was required on provider AVCs to understand how they worked.
- Appendix B showed a snapshot of the Pensions Regulator's website which was a source of information and set out the Regulator's expectations of public service organisations.
- Regarding responsible investment it was important to understand how this affected the Board and how non-financial factors could affect the financial position of companies e.g. in their share values..

55.2 Points covered in discussion: -

- Training would be available after the Council had carried out a review of AVCs.
- Guidance on responsible investment would be updated after a hearing in the Supreme Court.

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

56. Governance Reviews and Surveys

56.1 The Board received a report by the Chairman of the Pension Advisory Board (copy appended to the signed minutes) who told the Board that the new regulations re compliance would need new guidance, individual assessments and key performance indicators.

56.2 Resolved – That the Board notes the current position on progress on the Scheme Advisory Board (SAB) governance review and on surveys from tPR and SAB.

57. Review of Pension Fund Policy Documents

57.1 The Board received a report by the Director of Finance and Support Services (copy appended to the signed minutes) which was introduced by Rachel Wood, Pension Fund Investment Strategist, who asked members to

consider the list of policy documents at Appendix A. The Board were informed that: -

- The Pension Fund had asked all employers for comments.
- Re McCloud – the Pension Fund had found a way of keeping rates as they were.
- There had been little change to the Treasury Management Strategy.

57.2 The Board made the following comments on the list of policy documents: -

- The list would come to the next Board meeting on 12 June 2020.
- The Funding Strategy Statement had been reviewed in February.

57.3 Resolved – that the Board notes the register of Policy Documents and that the Funding Strategy Statement and the Treasury Management Strategy comply with the regulatory requirements.

58. Administration procedures and performance

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

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

58.3 Tara Atkins, Principal Pensions Consultant, and Andrew Lowe, introduced the report and informed the Board: -

- Performance was heading in the right direction with all but the backlog at 100% in January.
- The Data Improvement Plan had key milestones for the end of March to tie in with the end of the financial year.
- The Contributions' Monitor showed no late payments.
- The number of people using the Portal was increasing and should continue to rise as new starters were encouraged to use it.
- There had been two low risk data breaches since the report was written.
- In January 2019 Hampshire took over 2,000 calls, all of which were dealt with in the allotted time. This January, with West Sussex joining Hampshire, there was nearly double the amount of calls, but all were still dealt with in the allotted time – there had also been over 3,000 emails to answer this January, 1,500 of which had dealt with at first point.

58.4 The following points were made in discussion: -

- A team within the Pensions team dealt with all calls and emails.
- Those leaving employment and those in retirement were being encouraged to use the Portal.
- Membership numbers had increased due to recent more reliable reporting.
- The number of leavers increased at the end of the school year as many teaching and non-teaching staff left employment at this time.

- Hampshire's IT team led on cyber breaches.
- There had been no cyber breaches relating to data, only scam/spam emails – discussions were taking place about what needed to be reported.

58.5 Resolved – That the Board notes the update.

59. **Communication Strategy**

59.1 The Board received a report by the Director of Finance and Support Services (copy appended to the signed minutes) which was introduced by Tara Atkins, Principal Pensions Consultant who told the Board that feedback on the draft pensioners' newsletter had been received from the administration team – the final newsletter would be reflected within the papers for the June meeting of the Board for comments.

59.2 The following points were made in discussion: -

- The Board's section in the newsletter would be more detailed next year to avoid it being the same each time.
- Hard copy payslips will now only be issued to retired members where pensions varied by £5 or to those that asked for them.
- Employer Matters was issued twice a year – there were stop press alerts for anything important between issues.
- Online systems were good for those in employment whereas deferred/retired members might prefer hard copies of newsletters/payslips.
- Retirement courses were run for everyone in the scheme .

59.3 Resolved – That the Board notes the schedule of communications.

60. **Training**

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

60.2 The following points were made in discussion: -

- **ACTION:** Adam Chisnall to update the document to show that Tim Stretton did not attend the CIPFA Local Pension Board Spring Seminar on 20/02/20 and that LGA Employer training had taken place.
- The results for the Pension Regulator Toolkit training were for West Sussex collectively, not individuals - **ACTION:** Adam Chisnall to liaise with Kim Martin to establish the results for individuals.
- A report on internal audit work will go to the Regulation, Audit & Accounts Committee (RAAC) in March and to the Board in June – the report will include progress against last year's plan, intended activity for this year and the link between RAAC and the Board.
- CIPFA slides could be used as a training tool – **ACTION:** Adam Chisnall to liaise with Miranda Kadwell re presenting these to a future Board meeting.
- The Board will receive training on Access with the Pensions Panel – **ACTION:** Rachel Wood to look for a date for this training, possibly including tPR.

- **ACTION:** The Chairman to circulate the slides from the seminar he recently attended.

60.3 Resolved – That Board members will continue to report progress on training.

61. **Date of Next Meeting**

61.1 The Board noted that its next scheduled meeting would take place on Friday 12 June 2020 at 9.30 a.m. at County hall, Chichester.

62. **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.

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

The Board agreed the Part II minutes of the 20 November 2019 meeting and they were signed by the Chairman.

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

The Board noted the contents of Part II minutes from the 25 October 2019 Pensions Panel meeting.

65. **ACCESS Update**

The Board considered the report by the Director of Finance and Support Services from the 27 January 2020 Pensions Panel (copy appended to the signed minutes).

The Board noted the report.

The meeting ended at 12.03 pm

Chairman

Pension Advisory Board Progress Report – September 2020

Date Received & Minute Number	Subject	Matters Arising	Who	Update	Next Update
22/11/18 Minute No. 77.5 1st Bullet	Pensions Committee Representative Member Roles	The Board queried if the Pensions Committee's 'Employee' representative role should be 'Member' representative.	RW	The amendment will be considered at the September Governance Committee.	Closed
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.	VH	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.	13/11/2020
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	The anticipated length of term is aligned to Committee members (ie 4 years). Should an occasion arise where a term longer than this required, discussions would take place between the Chairman of the Pensions Committee, Director of Finance and Support Services and the Director of Law and Assurance	Closed
06/03/19 Minute No. 89.3	The Pension Regulator	The Board proposed inviting The Pension Regulator to a future Board meeting	RW	To be reflected as part of the full Training Strategy which will be published separately to the Business Plan for 2020/21 once more information is known about how external providers will be delivering events.	13/11/2020
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	A highlight report will be prepared for 30 September 2020 and shared with the Scheme Manager, the Pensions Committee and Pension Advisory Board	Closed
26/02/20 Minute 51.1 1st Bullet	Terms of Reference	The Board queried the frequency of meetings as outlined in the terms of reference	RW	It is proposed that reference to months is removed so that the item reads – <i>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) be held in (provisionally) March, July and November.</i> The amendment will be considered at the September Governance Committee.	Closed
26/02/20 Minute 54.2 1st Bullet	Employer AGM	The Board queried the number of board attendees for the employer AGM in July	PS	The Chairman to update the report	Closed
26/02/20 Minute 54.2 2nd Bullet	Internal Audit Presentation	The internal audit was not made at the February meeting	RW	To be covered as part of the 2020/21 Business Plan deliverables.	31/03/2021
26/02/20 Minute 54.2 3rd Bullet	Internal Audit Review	The Internal Audit review of internal procedures and controls relating to third party contracts did not take place in February	RW	To be covered as part of the 2020/21 Business Plan deliverables.	31/03/2021
26/02/20 Minute 54.2 4th Bullet	Communications	The Board requested that a note to be added to confirm that communications were reviewed at the February meeting	PS	The Chairman to update the report	Closed
26/02/20 Minute 54.2 5th Bullet	Training attendance amendments	For 2019/20 training the entry for Internal Audit to be deleted and entry for Becky Caney attending CIPFA LPB Spring Seminar to be deleted	PS	The Chairman to update the report	Closed

Date Received & Minute Number	Subject	Matters Arising	Who	Update	Next Update
26/02/20 Minute 54.2 6th Bullet	Training Table updates	Dates to be added to the Pension Advisory Board 2019/20 training table	RW	The Pension Advisory Board in February included a summarised table: https://westsussex.moderngov.co.uk/documents/s14678/Appendix%20A%20-%20Business%20Plan%20Performance%20Report%20for%20201920.pdf However a more detailed register including dates is included within the Training standing agenda item https://westsussex.moderngov.co.uk/documents/s14676/Training.pdf	Closed
26/02/20 Minute 60.2 1st Bullet	Training Log Updates	Training log to be updated to show that Tim Stretton did not attend the CIPFA Local Pension Board Spring Seminar on 20/02/20 and that LGA Employer training had taken place.	AC	Training log to be updated.	Closed
26/02/20 Minute 60.2 2nd Bullet	Pension Regulator Toolkit	Adam Chisnall to look into results for individual Pension Regulator Toolkit training	AC	Clarity to be provided on this to the relevant Board member.	Closed
26/02/20 Minute 60.2 4th Bullet	CIPFA Training Slides	Adam Chisnall to liaise with Miranda Kadwell re presenting these to a future Board meeting.	AC	Arrangements to be made to schedule the training for an appropriate time.	Closed
26/02/20 Minute 60.2 5th Bullet	ACCESS Training	The Board will receive training on Access with the Pensions Committee	RW	The revised Inter Authority Agreement between participating ACCESS Authorities will be completed by the Authority once ratified by the appropriate officers at the participating authorities. Training on ACCESS Governance will be provided to the Pensions Committee and Pension Advisory Board following the completion of the IAA.	13/11/2020
26/02/20 Minute 60.2 6th Bullet	Seminar slides	The Chairman to circulate the slides from the seminar he recently attended.	PS	Slide circulation to be discussed at September meeting.	Closed

Pension Advisory Board

7 September 2020

Business Planning and Performance

Report by the Chairman of the Pension Advisory Board

Executive Summary

As reported to the Pension Advisory Board (PAB) in February, further work has been undertaken to produce a business plan for 2020/21 to align the programme with that of the Pensions Committee. Progress has been delayed due to the impact of the COVID19 pandemic on Council business. A first draft of that plan is now ready for consideration and approval

Recommendation

The Board is asked to consider and agree the draft business plan for 2020/21 and that the Pensions Committee is informed accordingly.

1. Business Plan for 2020/21

1.1 The first draft of a revised plan is set out in this report as follows:

Appendix A - Background and framework

Appendix B - Key tasks and activities

Appendix C - Work plan for 2020/21

1.2 The Board is asked to consider the draft and agree any changes to finalise the Plan before it is submitted to the Pensions Committee for information.

1.3 [The Pension Fund Business Plan 2020/21](#) was considered at the Pensions Committee on 22 July 2020.

2. Equality Impact Review

2.1 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 2020/21 - Background and framework

Appendix B - Business Plan 2020/21 - Key tasks and activities

Appendix C - Business Plan 2020/21 - Work plan for 2019/20

Background papers

None

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Pension Advisory Board Business Plan

This is the Business Plan for the West Sussex Pension Advisory Board.

The Business Plan is an important document which sets out the aims and objectives of the Board over the coming year, its core work and how the objectives will be achieved.

The County Council is responsible for the administration of the West Sussex County Council Pension Fund and as the Administering Authority, is required under S106 of the LGPS Regulations 2013 to establish a local pension board and has established the Pension Advisory Board for this purpose.

The County Council acts as the Scheme Manager, as defined by the Public Service Pensions Act 2013, in respect of the management of the Scheme and its functions in this respect are discharged in accordance with the Council's scheme of delegation by the:

- Governance Committee (delegated to the Pensions Committee); and
- Officers (Director of Finance and Support Services and the Director of Law, Assurance & Strategy)

The Board is supported by the officers, by the appointment of an independent chairman, and by assurance statements and information provided by external service providers. The costs of the Board's operations are charged to the Pension Fund and a budget is included in the Business Plan.

The Board's approach has been to establish a core programme of work based on guidance received from the Pensions Regulator, the Scheme Advisory Board and from CIPFA in the form of advisory guidance.

Following a review of the Board in 2018, this Business Plan has been adapted to be more consistent with and complimentary to the Pensions Committee's business plan. The Plan is reviewed annually and progress monitored at each meeting. New priorities that might arise can be introduced at each meeting and new action identified where progress has not been as expected.

Details of how the Board's objectives will be met, together with key priorities for 2020/21 and 2021/22 and an indication of key risks are included in the Plan.

The achievement of the objectives and key tasks are reviewed at the end of each year and reported to the Pensions Committee. A brief report is also approved for inclusion in the Pension Fund Annual Report and is made available to scheme employers and to scheme members.

Statutory Responsibilities

1. The statutory responsibilities of the Board are similar to those set out in the Regulations for all local pension boards, that is:

Assist the Scheme Manager:

- To secure compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme;
- To secure compliance with requirements imposed in relation to the scheme by the Pensions Regulator;
- In such other matters as the scheme regulations may specify;
- To 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 (COP14); and
- To ensure that the Board complies with the knowledge and understanding requirements in the Regulator's Code of Practice.

Accountability

2. The Board is accountable to the Scheme Manager, to the Pensions Regulator, to the Scheme Advisory Board, and to the scheme employers and members that it represents.
3. The Scheme Advisory Board will advise the Responsible Authority (the Ministry for Housing, Communities and Local Government) and the Scheme Manager.
4. The Pensions Regulator will report to the Responsible Authority 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).

Principal Functions

5. The principal functions of the Board include:
 - Seeking assurances that due process is followed with regard to Pensions Committee decisions;
 - Considering the integrity and soundness of Pensions Committee decision making processes;
 - Seeking assurance that administration performance is in compliance with the Administration Strategy;
 - Considering the effectiveness of communications with employers and members including the Communication Strategy;
 - Considering and commenting on Internal Audit recommendations; and
 - Consideration of External Auditor reports.
6. Any complaint or allegation of breach of due process brought to the attention of the Board shall be dealt with in accordance with the Pensions Regulator's Code of Practice.

Objectives

7. The Board's main objectives are set out below:

Governance: Act solely in terms of the public interest, with integrity, objectivity, accountability, openness, honesty and with leadership, and seek to ensure these are followed by all those involved in the Fund's administration.

Compliance: Seek to understand the statutory framework of regulations and guidance, and ensure all aspects are complied with.

Administration: Seek to ensure that proper procedures and controls are in place and are followed, and that performance expectations are met.

Communication: Seek to ensure that standards of reporting and clear communications are maintained and improved.

Efficiency: Seek to ensure improvements are being made in all processes, and minimise demands placed on officers in supporting the Board's work.

Effectiveness: Seek to ensure that the Board is making an effective contribution to the governance of the Fund through careful planning and performance assessment.

Risk management: Seek to ensure that fund risks are being identified, monitored and mitigated through proper procedures and controls.

Proper advice: Seek to ensure that proper advice is being taken and considered in all aspects of decision-making.

Knowledge and understanding: Seek to ensure that all Board members maintain a suitable level of knowledge and understanding.

Responsiveness: Seek to ensure that the Board considers and responds to consultations, surveys and requests for information effectively.

8. The means by which the Board can deliver these objectives is set out in the detailed plan. As part of the agenda planning process, the officers and chairman have agreed a structured agenda as a standard and discuss the detailed agenda well in advance of each scheduled meeting.
9. The papers for each meeting are made available at least one week prior to the meeting and implementation of action agreed is monitored in a progress report at the following meeting.

Budget

10. The Board does not have delegated powers to incur expenditure but agrees an annual budget with the officers each year. Provisional sums are included to allow the Board to request any additional independent advice should that might be required in exceptional circumstances.

Budget item	Budget 2019/20 £	Spend 2019/20 £	Budget 2020/21 £
Fee for independent chairman	16,000	16,000	17,500
Travel expenses/subsistence	2,000	1,072	2,000
Training provision	2,500	1,500	2,500
Democratic Services Support (0.2 FTE)	7,000	6,760	7,000
Meetings (incl. refreshments)	500	671	700
Provisional sums (if required):			
✓ Legal and other external advice	3,000	0	3,000
✓ Contingency	2,000	0	2,000
TOTAL BUDGET	33,000	26,003	34,700

N.B. All costs are chargeable to the Pension Fund.

Training

11. The Pensions Committee has agreed a Training Strategy which incorporates the Board's training needs. Training for Board members, including induction training, is provided through regular focus sessions at each meeting, regular updates from officers and advisers, internally developed training days, and attendance at external seminars which specialise in the needs of local pension boards.
12. Reference is also made to the e-learning provided by the Pensions Regulator and, at the start of 2020/21, all members of the Board had successfully completed the public service learning modules.
13. In terms of self-learning and familiarisation, the Board has developed arrangements to keep members apprised on changes to the scheme regulations and guidance through access to the national LGPS and Scheme Advisory Board websites.

Risk Management

14. The Board does not consider it necessary to have its own risk register but monitors the Fund risk management arrangements as reported to the Pensions Committee on a regular basis.

Pension Advisory Board - Business Plan 2020/21 to 2021/22 - Key tasks and activities

Business Planning and Performance		
Core on-going work	Special activities and reviews 2020/21	Special activities and reviews 2021/22
<p>Agree programme of work, budget and resources for the coming year and monitor progress at each meeting</p> <p>Undertake a self-assessment of performance for the year to include on-to-one interviews in January/February</p> <p>Agree a report each year on activity for inclusion in the Fund Annual Report and for scheme employers</p>	<p>Help maintain workflows in the light of new COVID19 secure working arrangements</p>	<p>Review of current Board operations in line with the national Scheme Advisory Board's Good Governance Review outcomes</p>
Key Risks		
<ul style="list-style-type: none"> • Failure to manage work efficiently and effectively • Failure to account for activities and performance 		

Compliance Checks		
Core on-going work	Special activities and reviews 2020/21	Special activities and reviews 2021/22
Review the County Council's policy on conflicts of interest annually, ensure interests declared at each meeting and maintain a register of interests for the Board on the website.	Review of conflicts policy in line with West Sussex authority-wide arrangements.	
Review the Pension Fund Annual Report and Accounts for content and compliance.	To be considered in September 2020	
Review statutory policy statements on a regular basis and on a three-year rolling basis	Standing agenda item to cover relevant Policy Documents.	
Monitor and review changes to regulations and guidance at each meeting	Standing agenda item.	
Key Risks		
<ul style="list-style-type: none"> • Failure to manage conflicts properly • Non-compliance with regulations and guidance • Changes being implemented at short notice due to delays caused by pandemic 		

Governance Arrangements		
Core on-going work	Special activities and reviews 2020/21	Special activities and reviews 2021/22
Review decisions of the Pensions Committee	Agenda, minutes and relevant papers are shared with the Board.	
Review management and monitoring of the pension fund risk register	Define role in risk management process	
Monitor audit reports and assurances on internal controls	Review internal audit programme of work	Review external audit programme of work
Monitor work planned by the Pensions Regulator (tPR)		Engage with tPR on Board compliance with the code of practice
Monitor reports and initiatives from the Scheme Advisory Board (SAB)	Review SAB proposals on future governance arrangements when made available	
Respond to surveys and requests for information from the tPR and the SAB		
Report to the Pensions Committee and Governance Committee on a regular basis and as required		
Report to tPR, MHCLG and SAB in exceptional circumstances		
Key Risks		
<ul style="list-style-type: none"> • The decision-making process is not fully effective • Key risks are not managed properly • Failure to be aware of scheme-wide developments and changing requirements • Failure to properly account for the Board's activities • Misinterpretation of data given in response to SAB and tPR surveys 		

Administration procedures and performance		
Core on-going work	Special activities and reviews 2020/21	Special activities and reviews 2021/22
Consider a report on the administration of the scheme at each meeting	Review management of breaches register	
Monitor notifiable events and the recording and reporting of breaches		
Monitor key performance indicators and recovery action		Consider scope for inter-fund comparative indicators as part of the national Scheme Advisory Board's Good Governance Review outcomes Review use of member portal and Employer Hub
Monitor recording of compliments and complaints, and progress on IDRPs cases		
Monitor movements in membership numbers		
Monitor data quality and integrity, and progress on improvement plans	Review implementation of Data Improvement Plan	
Monitor timeliness of receipt of contribution payments and any recovery action required		
Review operation of key internal procedures and controls relating to third party contracts	Review AVC arrangements Review internal controls for areas of weakness particularly in relation to COVID19 pandemic	
Key Risks		
<ul style="list-style-type: none"> • 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 COVID19 pandemic 		

Investment and funding		
Core on-going work	Special activities and reviews 2020/21	Special activities and reviews 2021/22
Review the investment strategy statement to assess compliance with regulations and guidance issued by MHCLG and CIPFA		Review revised guidance on investment strategy statement issued by MHCLG when available
Review the funding strategy statement to assess compliance with regulations and guidance		
Review the process of consultation with appropriate persons, particularly scheme employers	Review outcomes from valuation process, particularly in relation to consultation with employers	
Review the valuation process for compliance and good practice		Develop understanding of actuarial methods, standards and practices and application to the valuation process.
Review developments on the pooling arrangements, particularly in relation to governance and investment management		Review ACCESS governance arrangements
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	Review revised SAB guidance when issued	
Key Risks		
<ul style="list-style-type: none"> • 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 • Lack of clarity on role of PAB in relation to ACCESS and on responsible investing 		

Communications		
Core on-going work	Special activities and reviews 2020/21	Special activities and reviews 2021/22
Monitor disclosure of information in line with statutory requirements, including annual benefit statements	Review effectiveness of communications in ABSs and AVCs	
Review newsletters for content and clarity		
Review communications with employing authorities		Survey employers and scheme members for feedback on all aspects of administration
Monitor developments in the website and pensions portal		
Consider more effective links to scheme members		
Key Risks		
<ul style="list-style-type: none"> • Failure to keep employers and scheme members properly informed • Non-compliance with Administration Strategy • Scheme members fail to understand scheme benefits and opt-out 		

Training		
Core on-going work	Special activities and reviews 2020/21	Special activities and reviews 2021/22
Maintain training log and review activity regularly		
Monitor implementation of training strategy	Develop a more effective and structured approach to Board training	Undertake comprehensive refresher training
Identify opportunities for in-house training after each meeting and for external training courses or events	Establish collaborative approach to sharing learning experiences	
Key Risks		
<ul style="list-style-type: none"> • Failure of Board members to maintain a suitable level of knowledge and understanding • New training requirements imposed on PAB in relation to compliance testing 		

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Pension Advisory Board - Work plan for 2020-21

Standing agenda items

- Declarations of interests and conflicts
- Minutes of the previous meeting
- Progress report
- Pensions Committee business
- Business planning and performance
- Regulations and guidance update
- Review of pension fund policy documents
- Administration procedures and performance
- Investment pooling and ACCESS work update
- Training

N.B. Meeting scheduled for **12 June** cancelled due to COVID19 pandemic. Key papers circulated for information and review at next meeting.

Monday 7 September 2020

PrAM: 14 Aug Despatch: 27 Aug

Standing agenda items

Special activities and reviews

- Review COVID19 arrangements
- Review AVC arrangements
- Structured and shared training

Friday 13 November 2020

PrAM: tba Despatch: 5 Nov

Standing agenda items

Special activities and reviews

- Risk management role
- Review internal audit programme and internal controls
- Review SAB governance proposals and ESG guidance
- Management of breaches register
- Effectiveness of ABSs/AVCs communications

Friday 26 February 2021

PrAM: 5 Feb Despatch: 18 Feb

Standing agenda items

Special activities and reviews

- Review conflicts of interest policy
- Review Data Improvement Plan
- Review appointment process for actuary

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Pension Advisory Board

7 September 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 and should maintain their awareness of developments in the regulatory framework.

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 Governance.

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 some developments outlined below.

2. LGPS Bulletins

- 2.1 Since the February, LGPC have issued six monthly bulletins, four of which were reported to the Board in June. Since June, the following have been issued:

July Bulletin 199 covering updates to LGA guides, including discretions, GAD 2020 data collection update, McCloud member FAQs published, and McCloud ABS wording agreed. Also, tPR updated COVID19 guides and their corporate plan published.

August Bulletin 200 covering McCloud data collection, MHCLG consultation on statutory underpin, HMT response on restricting exit payments, and Ministerial statement on survivor benefits.

- 2.2 Full details of these are available on the [LGPS website](#).

3. Scheme Advisory Board meetings

- 3.1 A meeting of the SAB was held (virtually) on 5 May 2020 and the reported outcome of their discussions was outlined in the June papers. The next meeting is due to be held on 25 August (deferred from 10 August). Based on the reports on the website for that meeting there is no further progress to report on the SAB initiatives.
- 3.2 The Investment Governance and Engagement Sub-Committee met (virtually) on 13 July 2020 following the cancellation of their meeting scheduled for 20 April. The main issues considered were:
- The Supreme Court judgement in favour of the Palestine Solidarity Campaign determined that in broad terms MHCLG can regulate how funds are invested (i.e. using the investment regulations) but cannot determine the choice of individual investments through guidance (i.e. on preparing the investment strategy statement). It is not clear where MHCLG now stand on Investment Strategy Statement (ISS) revised guidance.
 - Progress on the "A-Z of Responsible Investment" including the framework and structure. This now intends to provide a form of glossary and case studies but does not define 'fiduciary duty' as was originally intended.

4. The Pensions Regulator (tPR)

- 4.1 There are no further updates on the tPR website regarding the outcome of their 2019 survey, changes to Code of Practice 14, or their e-training facilities.

5. Scheme Changes

- 5.1 There have been a number of developments in the context of the Scheme Regulations. These have been summarised in Appendix A which has been prepared for the Pensions Committee.

6. Equality Impact Review

- 5.1 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 – Scheme Changes

Background papers

None

Scheme Changes

The Pension Committee's Business Plan includes an item on responding to Scheme changes. When the Committee met on 22 July, the Director of Finance and Support Services Resource Services and the Fund Actuary drew attention to some recent developments. Further information has been provided below:

McCloud

In June 2019, the Supreme Court rejected the Government's appeal against a ruling which found that the transitional protection introduced to the firefighters' and judges' pension schemes in 2015 amounted to age discrimination for younger workers.

MHCLG have now set out proposals to remove the unlawful age discrimination identified in the McCloud judgment from the Local Government Pension Scheme. Similar proposals have been set out by HM Treasury for unfunded public service pension schemes (NHS in England and Wales, NHS Scotland, Teachers in England and Wales, Teachers in Scotland, Fire in England, Fire in Wales, Fire in Scotland, Police in England and Wales, Police in Scotland, Civil Service in Great Britain, UK Armed Forces, and the Civil Service (Others)).

The remedy extends the 'transitional protections' underpin that was promised to active members in 2012 who were within 10 years of normal retirement age to all other active members, regardless of age. This underpin gives a member the better of Career Average Revalued Earnings (CARE) or final salary benefits for the eligible period of service.

- Eligibility is restricted to members who were active in the LGPS on 31 March 2012 and who went on to have membership of the CARE scheme (from 1 April 2014), without a break in service of 5 years.
- The underpin period applies between 1 April 2014 and 31 March 2022, but ceases when the member leaves active membership or dies in service;
- The final salary for comparison purposes applies at the point that the member leaves active status or reaches age 65 therefore preserving the final salary link beyond 2022 as long as they are accruing benefits.

The changes will be retrospective and will apply to anyone who has left, retired or died and who did not meet the old underpin criteria but meets the new one. In some cases, this will mean retrospectively recalculating benefits for pensioners, and paying arrears and interest.

The changes present a significant challenge to administering authorities and to employers, not least of which will be a major data collection exercise to enable the final salary underpin to be calculated. Whilst benefits accruing from 1 April 2022 will be career average for all members, the new underpin will require 2008 scheme pay to be recorded for some members for the next 40 years. As well as changes to ongoing administrative systems, processes and communications, the recalculation of leavers' benefits represents an enormous task, covering retirements, deferred leavers, deaths, transfers and trivial commutations.

In respect of contribution rates, the Scheme Advisory Board asked Funds and actuaries to allow for McCloud costs at the 2019 valuation in England and Wales when setting funding strategies. Within the West Sussex Scheme the Fund Actuary based contribution rates on slightly more prudent measures – rather than adding on an explicit ‘McCloud margin’ to the contributions themselves. At whole fund level, the Fund Actuary does not expect the McCloud remedy to have a significant impact on liabilities or contributions rates – based on typical LGPS funding assumptions, they estimated that total liabilities might increase by around 0.2% (or by 0.6% of active liabilities), equivalent to around £0.5bn across the whole of the English & Welsh LGPS which will have a small impact on contributions.

This estimate is significantly less than the £2.5bn quoted in the LGPS consultation. This will be due to a combination of factors, with the pay growth assumption being a crucial one (the Government estimate uses CPI +2.2% pa which is significantly higher than that used by a typical LGPS fund (which might only be around CPI + 0.7% pa)). The sensitivity to pay growth assumptions is also reflected in the impact across employers ie. employers with younger members will be impacted more as their membership has a longer period of salary increases compared to older members (especially once promotional increases are considered, which tend to be higher at younger ages).

The Consultation closes on 8 October 2020.

Further Information

- Consultation - <https://www.gov.uk/government/consultations/local-government-pension-scheme-amendments-to-the-statutory-underpin>

Cost Control Mechanism

The HMT Cost Control Mechanism is the process introduced across public sector Schemes where the benefit structure (including member contributions) is revisited from time to time to ensure that the cost of benefits remains within a ‘cost cap envelope’.

Alongside the consultation, the Government has confirmed that:

- the pause of the cost control mechanism will be lifted and the cost control element of the 2016* valuations process will be completed
- the costs of addressing the discrimination identified in the McCloud judgment will be fully reflected in this process

The inclusion of McCloud in the cost envelope will reduce, or possibly even wipe out completely, the proposed package of benefit improvements that had been due to take effect from 1 April 2019 in the LGPS in England and Wales.

The Scheme Advisory Board (England and Wales) will also reconsider its position on the SAB employer cost cap process (which feeds into the HMT Cost Control Mechanism).

Restricting Exit Payments

The government published a consultation on 10 April 2019 seeking views on regulations implementing a £95,000 cap on exit payments in the public sector. The consultation closed on 3 July 2019.

The government has now published its response to the April 2019 consultation on restricting exit payments in the public sector introducing a £95,000 cap on public sector exit payments.¹ Importantly early retirement strain costs are included within the £95,000 cap.

MHCLG will be consulting on changes to LGPS regulations 'shortly' but HMT are aiming for Regulations to be in force by end of this calendar year.²

Further Information

- Scheme Advisory Board - <https://lgpsboard.org/index.php/structure-reform/public-sector-exit-payments>

Goodwin

The Employment Tribunal has determined that providing for a survivor's pension which is less favourable for a widower or surviving male civil partner than would be the case for a widow or surviving female civil partner is discriminatory.

Although the determination relates to the Teachers Scheme, it is expected that it could also impact the LGPS and potentially other public sector Schemes (although this is to be confirmed). Similar to McCloud, the expected remedy will have a short term impact on administration to identify, correct the pensions of and compensate survivors.

¹ <https://www.gov.uk/government/consultations/restricting-exit-payments-in-the-public-sector>

² <https://www.legislation.gov.uk/ukdsi/2020/9780348210170>

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Pension Advisory Board

7 September 2020

Part 1

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 A. 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 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.
5. The Funding Strategy Statement was considered by the Pension Advisory Board at their meeting on 22 May 2019 and 26 February 2020 and the relevant Regulations and Guidance were provided to the Board.

6. Since the Strategy was published on 31 March 2020, the Pensions Committee have agreed an additional Appendix in relation to its Exit Credit Policy. This followed MHCLG's partial response to a consultation in May 2019 in relation to LGPS employer exit arrangements, changes to the local valuation cycle and management of employer risk. The resulting Regulations (The Local Government Pension Scheme (Amendment) Regulations 2020) came into force in March 2020.
7. Under the new Regulations the administering authorities may determine, at their absolute discretion, the amount of any exit credit payment due, having regard to any relevant considerations. An Exit Credit Policy has therefore been drafted that:
 - the Actuary will be asked whether there is an exit credit and the proportion which has arisen because of the value of the employer's contributions;
 - we will take into account any representations made by the exiting employer, the Scheme employer in connection with that body and any other connected body;
 - we will consider "other relevant factors" which includes
 - a. whether the employer joined the Scheme prior to May 2018 (when the Regulations introduced an exit credit),
 - b. risk sharing arrangements,
 - c. any agreements on the treatment of the employer on exit from the scheme,
 - d. whether there are any outstanding sums owed to the Fund,
 - e. the effects of changes in assumptions, investment performance or other factors.
8. Taking this into account the amount of the payment will be determined by the Director of Finance and Support Services.
9. The Policy was shared with employers for their comments (23 July 2020 to 6 August 2020). Four comments were made in relation to the application of the policy to specific employer classes i.e. Parish Councils, the application of the policy to a specific employer and two general comments on the existence of the policy. No amendments were made following the conclusion of the consultation.

Annual Report

10. The Regulations require the County Council to prepare an Annual Report. An extract is included in Appendix C. The Regulations require that "In preparing and publishing the pension fund annual report, the authority must have regard to guidance given by the Secretary of State". In this context, CIPFA's has published guidance on Preparing the Annual Report 2019 (published April 2019), which is available on request.
11. The CIPFA guidance uses 'Must', 'Should' and 'May' in relation to compliance and states that where significant variation from the guidance is considered appropriate an explanation should be provided.

Criteria	Commentary
Must	Compliance is mandatory. Any non-compliance should be clearly identified in the annual report and an explanation provided. The Fund is compliant with 95% of these requirements.
Should	Compliance is anticipated but is discretionary. Where non-compliance may be significant or material for the readers the non-compliance should be identified and explained. The Fund is compliant with 80% of these requirements.
May	Compliance is recommended but is discretionary.

12. A full checklist is included within the CIPFA guidance. Appendix C indicates where the Pension Fund's latest Annual Report is not fully compliant with aspects of the guidance. As identified, there are a few areas where it has not been possible to meet the guidance in full mainly due to the applicability of the guidance.
13. The draft Annual Report for 2019/20 was considered by the Pension Panel at their meeting on 22 July. The Panel agreed the report subject to minor amendments. A copy of the report was also shared with all employers.
14. The Statements of Accounts, which form an appendix within the report were not available at the time of the meeting but have since been published as part of the County Council's Accounts Inspection Period which lasts from 21 August 2020 to 2 October 2020.

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 – Exit Credits

Appendix C – Regulation extract relating to Annual Report

Appendix D - Exceptions to compliance with *Preparing the Annual Report 2019*

Appendix E – Annual Report

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>

Subsequent referral of Funding Strategy Statement – Agenda Item 11 Pension Advisory Board Meeting 26 February 2020

<https://westsussex.moderngov.co.uk/documents/s14682/Report.pdf>

Pension Committee 22 July 2020 – Annual Report

<https://westsussex.moderngov.co.uk/documents/s17705/Report.pdf>

Agenda Item 10

Pension Committee 22 July 2020 – Exit Credit

<https://westsussex.moderngov.co.uk/documents/s17707/Report.pdf>

County Council and Pension Fund Unaudited Accounts 2019/20

https://www.westsussex.gov.uk/media/14633/2019-20_unaudited_statement_of_accounts.pdf

Register of Pension Fund Policy Documents

Policy	Regulation	Importance	How often it should be reviewed	Previous PAB review date	Next date for PAB to review
<u>Actuarial valuation</u>	LGPS Regulations 2013 Regulation 62	Statutory required (must have)	Every 3 years		Nov 2020
<u>LGPS Administering Authority Discretions</u>	LGPS Regulations 2013 Regulation 60	Statutory required (must have)	Every 4 years	Apr 2019	Apr 2023
<u>Pension Administration Strategy</u>	LGPS Regulations 2013 Regulation 59	Highly recommended	Annually	Mar 2019	Nov 2020
<u>Annual Report</u>	LGPS Regulations 2013 Regulation 57	Statutory required (must have)	Annually	Sept 2019	Sept 2020
<u>Breaches policy</u>	Pensions Act 2004 Regulation 70	Highly recommended	Every 2 years	Nov 2019	Nov 2021
<u>Communications Policy Strategy</u>	LGPS Regulations 2013 Regulation 61	Statutory required (must have)	Annually	May 2019	Feb 2021
<u>Conflict of Interest</u>	Public Service Pension Act 2013 Regulation 5(4) and 5(5)	Highly recommended	Every 3 years		tbc
<u>Funding Strategy Statement</u>	LGPS Regulations 2013 Regulation 58	Statutory required (must have)	Every 3 years	May 2019	May 2022
<u>Governance Policy and Compliance Statement</u>	LGPS Regulations 2013 Regulation 55	Statutory required (must have)	Annually	Nov 2018	Nov 2020
<u>IDRP (Internal Dispute Resolution Procedure)</u>	The Pension Regulator & Occupational Pension Schemes (Internal Dispute Resolution Procedures Consequential and Miscellaneous Amendments) Regulations 2008	Highly recommended	Every 3 years		tbc
<u>Investment Strategy Statement</u>	LGPS Regulations (Management and Investment of Funds) 2016	Statutory required (must have)	Every 3 years		Sept 2021

Policy	Regulation	Importance	How often it should be reviewed	Previous PAB review date	Next date for PAB to review
<u>LGPS Privacy Notice</u>	<u>Data Protection Act 2018 and General Data Protection Regulation (EU) 2016/679</u>	Statutory required (must have)	Every 3 years		Apr 2021
<u>Risk Register</u>	<u>The Pensions Regulator Code of Practice no.14</u>	Highly recommended	Annually		Nov 2020

Exit Credits

Under the Regulations Administering Authorities may determine, at their absolute discretion, the amount of any exit credit payment due, having regard to any relevant considerations.

The Administering Authority's approach is set out below. It should be noted:

- As set out in the Regulations, any existing exit credits that had not been paid by 20 March 2020 (even if overdue) are now subject to the Administering Authority's exercising of its discretion, as set out below.
- Any exit credit payments which have been paid shall be treated as if the Administering Authority had exercised its discretion to pay that amount, and the Administering Authority may not seek to change the amount due or exercise its discretion retrospectively.
- Exit credits are to be authorised payments in accordance with section 176 of the Finance Act 2004 (payments by public service pension schemes).
- In the event of any dispute or disagreement on the amount of any exit credit paid and the process by which that has been considered, the appeals and adjudication provisions contained in Regulations 74-78 of the Regulations would apply. The Pensions Ombudsman also has jurisdiction to hear complaints of maladministration against LGPS administering authorities, if the internal dispute resolution process is unsuccessful.

When a body becomes an exiting employer, the Administering Authority will notify the employer, the Scheme employer in connection with that body and any other body that has given a guarantee in respect of the admission body and obtain from the Fund Actuary an actuarial valuation as at the exit date of the liabilities of the West Sussex County Council Pension Fund in respect of benefits of the exiting employer's current and former employees.

When commissioning the valuation from the Fund Actuary, the Administering Authority will request that the Fund Actuary confirms:

- a. the extent to which there is an excess of assets in the Fund relating to the employer over the value of the liabilities on the employer's exit basis; and
- b. the proportion of any excess of assets which has arisen because of the value of the employer's contributions.

These will be taken into account by the Administering Authority when making its determination on the exit position alongside:

- any representations made to the Administering Authority by the exiting employer, the Scheme employer in connection with that body and (where the employer is an admission body) any of the following:
 - a. a person who funds the admission body in whole or in part, the connected Scheme employer
 - b. a person who owns, or controls the exercise of the functions of the admission body; and

- c. the Secretary of State but only in the case of specific admission bodies (such as those established by or under any enactment and providers of probation services).
- any other relevant factors including, but not limited to:
 - a. the date that the original contract (where applicable) was entered into (ie. before May 2018)¹
 - b. the level of pensions risk the employer has taken on during its period of participation (including pooling arrangements the employer has benefited from)
 - c. any agreements on the treatment of the employer on exit from the scheme;
 - d. whether there are any outstanding sums owed to the Fund; and/or
 - e. the effects of changes in assumptions, investment performance or other factors

The amount of the payment will be determined by the Director of Finance and Support Services, per the County Council's Constitution.² The reasons for the decision will be documented.

Once the determination has been made the Administering Authority will pay the exit credit within six months of the exit date, or such longer time as the Authority and the exiting employer may agree. Once the exit credit has been paid, no further payments are due from the Authority to the exiting employer in respect of the surplus.

¹ The original contract could not have been drafted with regard to the May 2018 regulation changes that implemented exit credits retrospectively and, subject to any representations to the contrary, that the employer priced the contract accordingly.

² Part 3, Section 2v, No. 257

Pension Fund Annual Report

Extract from The Local Government Pension Scheme Regulations 2013 // Regulation 57 **This section has no associated Explanatory Memorandum**

1. An administering authority must, in relation to each year beginning on 1st April 2014 and each subsequent year, prepare a document ("the pension fund annual report") which contains—
 - a) a report about the management and financial performance during the year of each of the pension funds maintained by the authority;
 - b) a report explaining the authority's investment policy for each of those funds and reviewing the performance during the year of the investments of each fund;
 - c) a report of the arrangements made during the year for the administration of each of those funds;
 - d) for each of those funds, a statement by the actuary who carried out the most recent valuation of the assets and liabilities of the fund in accordance with regulation 62 (actuarial valuations of pension funds), of the level of funding disclosed by that valuation;
 - e) the current version of the statement under regulation 55 (governance compliance statement);
 - f) for each of the funds, the fund account and net asset statement with supporting notes and disclosures prepared in accordance with proper practices;
 - g) an annual report dealing with –
 - i. the extent to which the authority and the Scheme employers in relation to which it is the administering authority have achieved any levels of performance set out in a pension administration strategy in accordance with regulation 59 (pension administration strategy), and
 - ii. such other matters arising from a pension administration strategy as it considers appropriate;
 - h) the current version of the statement referred to in regulation 58 (funding strategy statement);
 - i) the current version of the statement under regulation 12 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (statement of investment principles);
 - j) the current version of the statement under regulation 61 (statements of policy concerning communications with members and Scheme employers); and
 - k) any other material which the authority considers appropriate.
2. The authority must publish the pension fund annual report on or before 1st December following the Scheme year end.
3. In preparing and publishing the pension fund annual report, the authority must have regard to guidance given by the Secretary of State.

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Exceptions to Compliance Checklist

Criteria	Category	Description Guidance check list	Reason for non-compliance	Actions
Must	Post Pool Reporting	7.1 Investment analysis by fund manager must be split between assets transferred, and not yet transferred, to national pools	Not applicable as the fund hasn't as yet transferred any assets to the pool.	Review what information is relevant and applicable for 31 March 2021 report.
Must	Post Pool Reporting	7.4 Analysis of ongoing investment management costs must be split between pooled and non-pooled assets	Not applicable as the fund hasn't as yet transferred any assets to the pool.	Review what information is relevant and applicable for 31 March 2021 report.
Should	Pension scheme Administration	Key performance data should include: 4.11 Satisfaction levels of employers and members	Hampshire Pension Services do not provide customer satisfaction levels. They have a Customer Service Excellence award. In achieving this accreditation HPS are able to demonstrate how they deliver against 50 criteria in five key areas (customer insight, culture of the organisation, information and access, delivery and timeliness and quality of service). Feedback from all stakeholders is considered at monthly partnership meetings.	No further action proposed at this time.

Criteria	Category	Description Guidance check list	Reason for non-compliance	Actions
Should	Pension scheme Administration	Key staffing indicators should include: 4.18 Benchmarking of staff levels against appropriate comparators	All other staffing indicators are provided, officers feel this is sufficient.	No further action proposed at this time.
Should	Post Pool Reporting	7.6 The Annual Report should compare gross and net investment yield for each class of asset, analysed between pooled & non pooled investments and comparing actual return achieved during the year to the relevant passive return index (for quoted investments) or the local target return (for non- quoted investments)	Not applicable as the fund hasn't as yet transferred any assets to the pool.	Review whether it is relevant and useful to provide this information for 31 March 2021 report

Criteria	Category	Description Guidance check list	Reason for non-compliance	Actions
Should	Post Pool Reporting	<p>7.8 Explain changes to investment costs in terms of:</p> <ul style="list-style-type: none"> • change in the value of assets under management and how this is split between pooled and non-pooled investments • changes implemented as a result of pooling, such as re-balancing of direct vs pooled investments, changes in the split of active and passive investments, renegotiated fund mandates, new fee structures (eg changes to ad valorem fees) or new suppliers. 	Not applicable as the fund hasn't as yet transferred any assets to the pool.	Review what information is relevant and applicable for 31 March 2021 report.
Should	Governance policy and compliance statement	9.8 The annual report from the local Pension Board	We have a statement from the PAB	Continue with statement (as per last year)
Should	Governance policy and compliance statement	9.10 How the fund and pool operator are meeting the requirements of the CIPFA/SOLACE Good Governance Framework	Information not included due to the review of the Good Governance Project by the SAB.	Review what information is relevant and applicable for 31 March 2021 report.

Criteria	Category	Description Guidance check list	Reason for non-compliance	Actions
Should	Funding Strategy Statement	<p>13 This section of the report should also include a commentary on matters relating to the implementation and application of the FSS during the period, such as;</p> <p>13.2 Implementation of any contribution increases</p> <p>13.3 Management of admitted bodies</p> <p>13.4 Any bonds or any other secured funding arrangements entered into.</p> <p>13.5 Links between the FSS & ISS should be set out in the annual report.</p>	All relevant information is included within the Funding Strategy Statement.	Review what information is relevant and applicable for 31 March 2021 report.

West Sussex Pension Fund

Annual Report

**1 April 2019 to
31 March 2020**



Forward by the Chairman of Pension Committee

I am pleased to provide an update on the Pension Fund's activities during 2019/20.

In May 2018, I took the decision to transfer the pension administration service with the intention of improving the customer service experience and strengthening resilience. I am pleased to report that after a year with our new administration partners – Hampshire County Council – the team are meeting all their key performance indicators. Feedback from both employers and members has been positive and I would like to thank the administration team for their work over the year.

In respect of our £4.179bn investment portfolio, the West Sussex Pension Fund retains its approach as a long term, active investor with a high degree of commitment to managing the Pension Scheme in the best interests of its stakeholders. We have appointed managers to invest in a mix of assets based on market opportunities and their best ideas to deliver strong relative returns. As a result of this active approach, the Fund has outperformed the market by 0.9% and 0.5% per annum, net of fees, over the last three and ten years respectively. This fulfils our objective of maximising the returns from investments within an appropriate risk framework.

Alongside providing strong returns to the Pension Fund, the appointed managers have been directed to actively engage with the companies held within its portfolio about good practice in terms of environmental, social and governance (ESG) issues. These issues are considered a key driver to a company's financial performance. This stewardship role is recognised actively through dialogue with companies and the exercising of voting rights on behalf of the Fund. During the last year, the Fund managers voted at 100% of domestic and 96% of foreign meetings, and had informed engagements with invested companies.

Although we have not yet transferred any money into the ACCESS Local Government Pension Scheme asset pool, we continue to be strongly involved with the pool. We are working to ensure that the Fund complies with the Government requirements regarding pooling, whilst maintaining local accountability and value for money for the West Sussex Fund stakeholders/members.

The above is all undertaken with the objective of maintaining a strong funding level. A key health check is the Pension Fund's valuation which is carried out by the Fund's actuary every three years. The latest valuation (at 31 March 2019) showed the Fund's solvency had improved to 112%.

The year ended amid market volatility affected by the impact of the Covid-19 pandemic and lockdowns. Stock markets declined amid considerable volatility but the benefit of the Committee's decision, to reduce the level of investment risk (equities) as the funding position improved, was demonstrated through the relatively stable funding level maintained during this period, with the Fund ending the year 102% funded.

The spread of Coronavirus has had a significant impact on markets and will continue to weigh heavily on global growth prospects for 2020 and beyond. We continue to monitor risks on an ongoing basis and will consider appropriate actions where necessary.



Jeremy Hunt, Chairman of the Pension Committee

Forward by the Chairman of the Pension Advisory Board

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

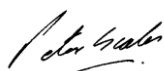
The Board is required to have a minimum of four members with equal representation of employers and scheme members, in April 2018 it was agreed to increase the number of members to six to assist with effective governance and increase resilience of the Board. Each member has demonstrated their commitment to meeting their responsibilities, to gaining new knowledge and understanding of the issues, by preparing for each meeting and by participating effectively in the Board's discussions.

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 be covered. The work plan has been comprehensively addressed 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 Local Government Pensions Committee (LGPC), the Scheme Advisory Board (SAB) and The Pensions Regulator (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. Updated regulations and guidance are expected to be published 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 Committee, 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 is provided to new members. Progress on training is monitored and discussed at each meeting and reviewed annually in the year-end performance reviews.

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 Ministry of Housing, Communities and Local Government (MHCLG) and Chartered Institute of Public Finance and Accountancy (CIPFA). The requirements imposed by tPR 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.



Peter Scales, Chairman of the Pension Advisory Board

The West Sussex Local Government Pension Scheme

Scheme Benefits

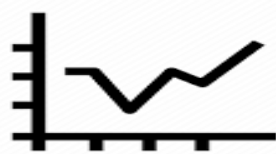
The Local Government Pension Scheme (LGPS) is a valuable part of the pay and reward package for employees. Benefits are set nationally with key benefits set out below:



The LGPS is a 'defined benefit' Scheme which means each year 1/49th of a members' pensionable pay (or 1/98th if a member elects to pay into the 50/50 section of the Scheme) is put into their pension account (and adjusted for cost of living at the end of the year).



A pension is usually payable from a member's normal pension age which is linked to their State Pension age (with a minimum of 65). A member could choose to retire and take a reduced pension early (between age 55 and 75) or - if a member is made redundant or retired in the interests of business efficiency (after age 55) - they could receive immediate payment of their benefits, with adjustments.¹



The LGPS is funded, which means that contributions are received from both the member and employer and are then invested by the Fund. However, pension benefits are set in statute and are not dependent on the returns achieved by the Fund on its investments.



The Scheme includes a number of options for members including the ability to pay half normal contributions in return for half the normal pension amount (the 50/50 section), boosting a pension by paying more into the Fund and exchanging some pension for tax-free cash on retirement.

¹ Provided the member has met the two years vesting period.

Contributions

The rate of contributions a member will pay is set nationally and is based on their pay. The contribution table for 2019/20 and 2020/21 for the Main Scheme is below.² The contribution rates and / or pay bands are reviewed periodically and may change in the future. This is to maintain an average contribution from employees of 6.5% and to ensure the long term costs of the scheme are managed.

Pay Bands 2019/20 Actual pay for employment	Contribution Rate	Pay Bands 2020/21 Actual pay for employment
Up to £14,400	5.5%	Up to £14,600
£14,401 - £22,500	5.8%	£14,601 - £22,800
£22,501 - £36,500	6.5%	£22,801 - £37,100
£36,501 - £46,200	6.8%	£37,101 - £46,900
£46,201 - £64,600	8.5%	£46,901 - £65,600
£64,601 - £91,500	9.9%	£65,601 - £93,000
£91,501 - £107,700	10.5%	£93,001 - £109,500
£107,701 - £161,500	11.4%	£109,501 - £164,200
More than £161,501	12.5%	More than £164,200

² The LGPS offers a member the flexibility to pay half their normal contribution rate and build up half their normal pension

Scheme Management

West Sussex County Council (WSSCC) is an Administering Authority for the Local Government Pension Scheme (LGPS) which means it has responsibility for managing and administering the LGPS for the local area.

Those responsible for the management of the Fund have a responsibility to act in the best interest of employers, taxpayers and scheme beneficiaries at all times, rather than to represent their own local, political or private interest.

In this context:

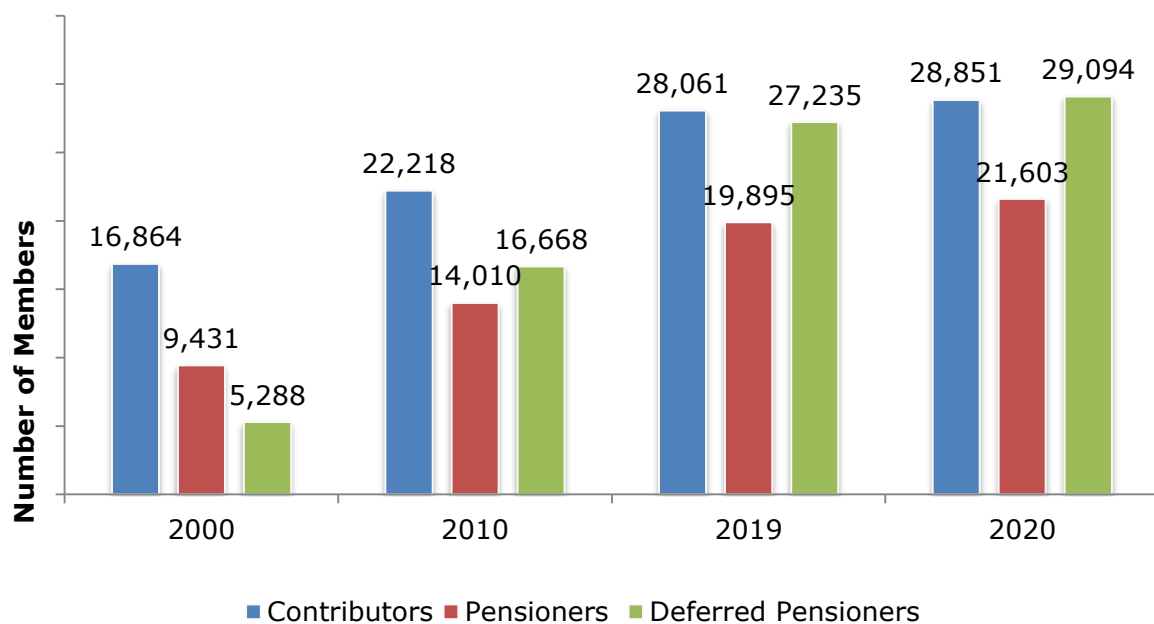
- The Scheme Manager (the Director of Finance and Support Services and the Director of Law and Assurance) has responsibility for managing and administering the Scheme.
- The Pension Committee has responsibility for the Pension Fund's investment policy and its performance, appointment of advisers and managers, key scheme governance, funding and administration matters and communication with stakeholders.
- The Pension Advisory Board assists the Scheme Manager in matters of governance and administration.

Information about the managers and advisers to the Fund and Pension Committee and Pension Advisory Board members can be found in [Appendix 1B](#) – Officers and Advisers.

Scheme Participation

The West Sussex Scheme comprises:

- 246 employers (201 active and 45 who are no longer actively contributing) which, includes the County Council, local district and borough councils, academies, the Police and Crime Commissioner and Office of the Chief Constable and private sector bodies where a local authority has outsourced a service or a community interest company has been created (e.g. a staff mutual).
- 79,548 members split between active members (contributors), deferred members (former active members who have a right to be paid a pension at a point in the future) and pensioners (those currently receiving pension benefits). The membership mix is illustrated below:



The Pension Fund

The LGPS is paid for by member and employer contributions and investment returns. Members are paid their benefits at the point of retirement based on their membership in the Scheme - it is not dependent on the returns achieved on the Fund's assets.

Net Assets

The table below summarises the Pension Fund's accounts for 2018/19 and 2019/20.

		Year ending 31/03/2019	Year ending 31/03/2020
		£'000	£'000
Net assets of the Scheme at the start of the year		4,104,276	4,374,121
Income	Member contributions	27,454	29,142
	Employer contributions	102,858	108,941
	Transfers in	4,317	17,562
	Other	5	2
Investments	Investment income	60,164	72,276
	Net increase/decrease in investments	218,068	-153,114
Payments	Benefits paid	-113,811	-114,575
	Management expenses	-17,835	-17,075
	Payment to and on account of leavers	-11,375	-15,861
Net assets of the Scheme at the end of the year		4,374,121	4,301,419

Additional information about the Pension Fund's expenditure against budget, administration, management and transactions costs, overpayment recovery and contribution receipts can be found in Appendix 2B – Further financial Information.

A Code of Transparency covering investment management fees and costs was developed and approved by the national Scheme Advisory Board (SAB) and launched in May 2017. Fund managers to the LGPS are being encouraged to sign up to this Code. Each of the West Sussex Pension Fund managers are signatories to the Code and completed and submitted the template for the relevant mandates for the year ending 31 March 2020. This information is being considered by officers. Further information about the Code can be found on the SAB's website.

Investment Assets

Whilst member contributions, benefit payments and transfer terms are set nationally, West Sussex County Council has responsibility for determining and implementing the investment strategy of the Fund and for setting employer contribution rates (with the Actuary). Investment strategy and employer contributions are linked. Assets, determined by the investment policy, are held to pay benefits and to reduce the cost of the Scheme. Therefore it is important to have a policy which maximises the returns from investments, diversifies to keep risk within acceptable levels and has the right mix of investments (such as bonds and property) to provide stability. The table on the following page summarises the Pension Fund's investments at 31 March 2020.³

	31/03/2019	31/03/2019	31/03/2020	31/03/2020	Strategy
	£m	%	£'m	%	
Listed equities	2,164.7	50%	1,984.5	47%	40%
Private equity	110.7	3%	91.1	2%	0%
Property	377.0	9%	366.1	9%	10%
Other Income ⁴	-	0%	-	0%	10%
Bonds	1,556.9	36%	1,656.1	40%	40%
Cash	99.3	2%	87.4	2%	0%
Net investment assets/liabilities	4.9	-	-5.9	-	-
Total	4,313.3	100%	4,179.3	100%	100%

³ The total does not include cash internally managed by WSCC on behalf of the Pension Fund of £119.1m (31 March 2019: £53.6m).

⁴ The Pensions Committee has made a strategic decision to invest in asset classes which will provide income and diversification to reduce volatility and to improve cash-flow. The asset classes allocated to in order to implement this decision are to be determined.

Investment Performance

Market Context and Fund Returns

The last 12 months has been a volatile period for investment markets, which has been reflected in the performance of the Fund over this period. Asset performance was generally positive for the period from April 2019 to early 2020 despite the impact of Brexit uncertainty and trade tensions between the US and China – with a key expectation to this being negative returns in UK bond towards the end of the calendar year (due to a brief period of rising yields). However, world events and the resulting market impact have since been dominated by the impact of Covid-19. Given the global spread of Coronavirus, and the impact of containment measures, latest consensus forecasts suggest the global economy will contract by over 2% in 2020. GDP in the major advanced economies is expected to fall more than during the global financial crisis of 2008.

Falling domestic demand globally and steep oil price declines, due to collapsing demand and over supply, are disinflationary. Inflation, which was already below target in the major advanced economies, is forecast to slow in 2020, with some Eurozone countries and Japan expected to enter deflation.

The US Federal Reserve (Fed) and the Bank of England (BoE) have cut rates to record lows. The Bank of Japan and the European Central Bank have joined the Fed and BoE in restarting and expanding their quantitative easing programs. The Fed's now unlimited purchase program will, for the first time, include corporate debt. At the same time, governments are making available unprecedented levels of fiscal support with the aim of limiting bankruptcies and unemployment.

Sterling initially drifted lower in 2019 before entering a period of strength that continued in to 2020. However, Sterling fell precipitously in March and ended the period 2.1% lower versus overseas currencies with much larger falls recorded against the perceived havens of the dollar and yen.

Bonds

The Fund has allocated 40% of its portfolio to bonds, to reduce year on year volatility and reduce the chances of poorer funding outcomes over the medium / long term to provide stability. The Committee increased the allocation to bonds as the funding position improved. The de-risking strategy started in 2017 and has now been fully applied. At 31 March 2020 the Fund held 40% of its portfolio in bonds.

The yields on government bonds fell in 2019 reflecting a weaker economic outlook, before plunging to record lows in March 2020. In the UK, 10-year nominal gilt yields fell from 1.0% p.a. to 0.36% p.a. Implied inflation fell as index-linked gilts fell less than fixed interest gilts due to lower inflation expectations.

The additional spreads on corporate bonds versus government bonds had initially reduced going into 2020, following a relatively benign period, until anticipation of economic disruption and a higher likelihood of defaults saw credit spreads widen significantly in March - finishing the period 1.1% p.a. higher. The sell-off in the US was more marked with spreads 1.8% p.a. higher. Falling underlying yields, reflecting rising prices of government bonds, cushioned the absolute fall in the value of corporate bonds.

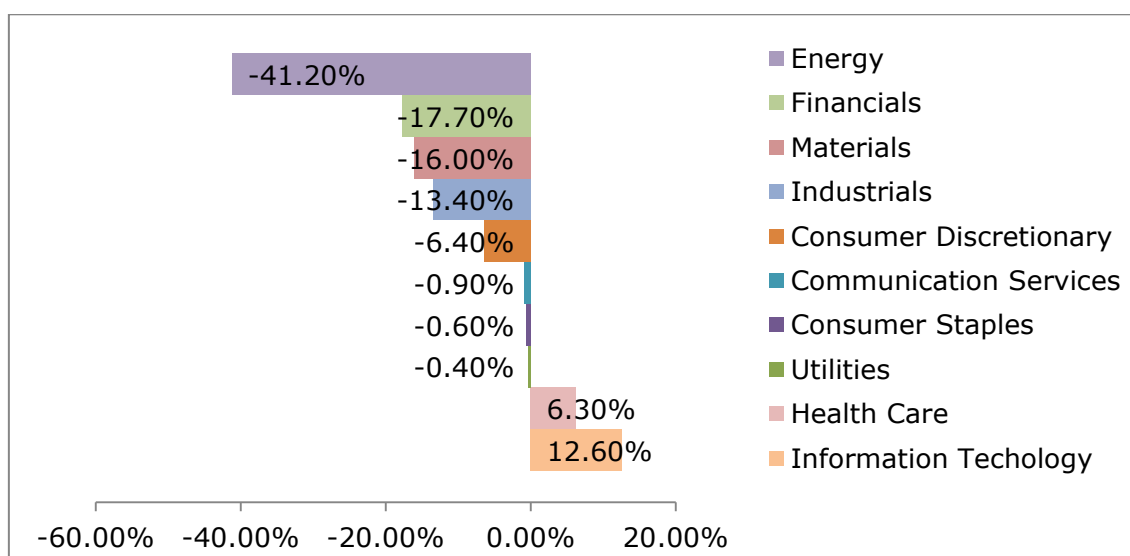
Unsurprisingly, sub investment grade credit spreads underperformed their investment grade counterparts with US and European high yield spreads rising 4.8% p.a. and 3.7% p.a., respectively. US markets underperformed European counterparts due to larger exposure to the oil and gas sector.

Overall the bond market provided a positive return over the full 12 month period. Whilst traditionally bonds provide a lower return to equities, the Fund's holdings provided protection during the recent market volatility and dampened the funding level impact of the market dislocation. The Fund's portfolio underperformed the market with a return of 1.9% (against a benchmark of 3.3%) and 4.6% (against a benchmark of 5.9%). This reflects the portfolios overweight positions in energy, the relative allocation to bonds with a lower credit rating and the relative underweight position to government bonds (which returned 10% over the year compared to sterling investment grade corporate bonds which generated a return of 1.7%).

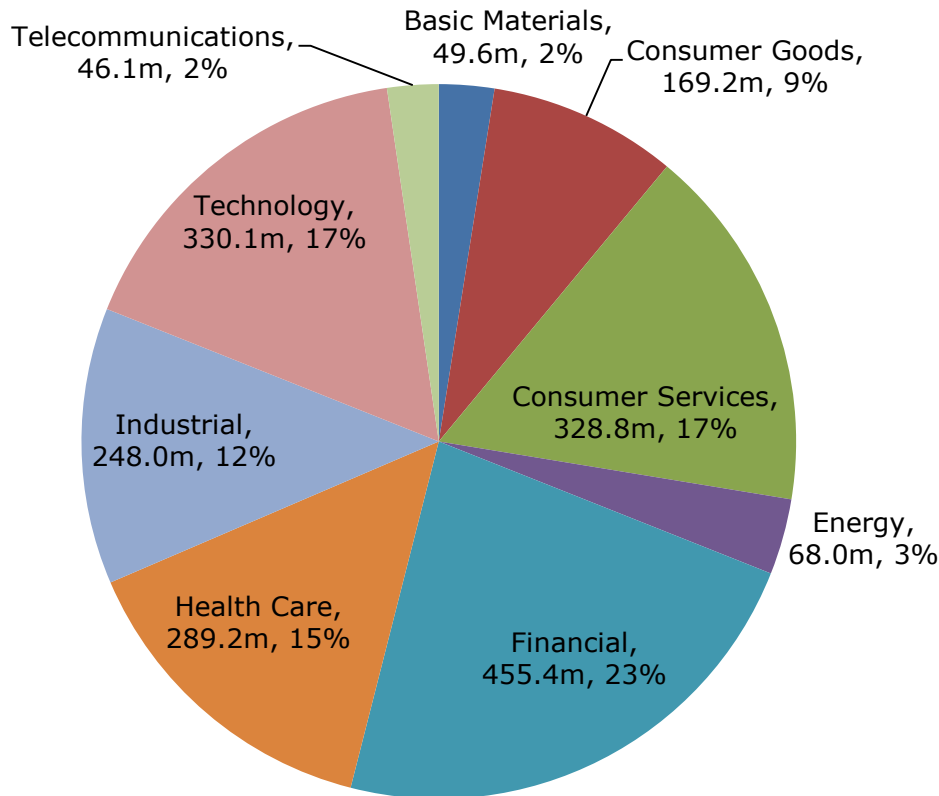
Equities

The Fund has allocated 40% of its portfolio to equities, to provide portfolio growth and reduce risk, the contribution required from employers. The Committee reduced the allocation to equities as the funding position improved and it sought to reduce its exposure to more volatile asset classes. At 31 March 2020 the Fund held 47% of its portfolio in equities.

Global equity markets fell 9.6% in local currency terms and 6.2% in sterling terms, as sterling weakness benefited unhedged investors. Global stock markets put in a good performance for most of the reporting period. This ended in late February. The UK equity market was the worst performer over the year and saw the largest falls in the quarter to 31 March given its exposure to the oil and gas sector while the US market outperformed. Traditional defensive sectors such as telecoms, healthcare, utilities and consumer goods performed better than the broader market – with technology stocks being the standout performers. The index returns by sector over the year is shown on below:



The Fund has a portfolio comprising the companies that are expected to provide the best long term returns. The chart on the following page shows the diversified industry exposure within the directly held equity portfolio. This represents £1,984m.



Overall the global equity market lost value over the year (-6.2%). The Fund's overall performance was impacted by its relative overweight position in UK equities relative to global, whilst the global equities portfolios provided a mixed return (one underperforming the market with a return of -10.1% and the other outperforming with a return of -1.2%), reflecting the underlying stock selection within the portfolios. Holdings in a number of healthcare-related companies in the portfolio (such as Teladoc (telemedicine) and Olympus (medical equipment)) and those within the technology sector (such as Alibaba) performed well, whilst online retailer Amazon was one of the few companies which benefited directly from COVID-19, as online demand saw a boost. Amongst the detractors were several of the banking stocks held, including Banco Bradesco and Bank of Ireland, energy companies such as Apache (or those businesses which are to some degree reliant on the energy sector), and the travel sector.

Property

The Fund has allocated 10% of its portfolio to property, to provide it with a steady income source and to assist with its cashflow requirements. At 31 March 2020 the Fund held 9% of its portfolio in property.

UK commercial property market returns continued to slow, returning 0.1% in the 12 months to 31 March 2020, with income return insufficient to offset declining capital values. A number of UK property funds have suspended dealing as property valuers have been unable to accurately value the underlying assets with any certainty, inserting material uncertainty clauses into their valuations.

Over the year the portfolio outperformed the market with a return of 0.6% (benchmark return - 0.2%) this demonstrate the lower volatility, income driven, characteristics of the asset class and reflective of the quality of assets held within the portfolio.

Private Equity

The Fund is winding down its investments in private equity, and therefore currently has a 0% allocation. At 31 March 2020 the Fund held 2% of its portfolio in private equity.

In line with the wider economy and public markets, during 2019 there were signs of late cycle activity in private equity. Global deal volume was down slightly from a peak in 2018, although it remained robust and broadly in line with the two prior years – and pricing continued to be elevated. Earnings quality continued to deteriorate throughout 2019 in line with the trend over the past few years, as ongoing adjustments effectively resulted in higher valuations.

As a result of strong fundraising and robust credit availability, the industry was well positioned to weather the impact of the Covid-19 pandemic that emerged in Q1 2020. Assets under management had risen to over \$4.1trn globally. Private Equity firms had been net sellers of assets in recent years as they took advantage of favourable exit markets, leaving most portfolios in good shape. Many portfolio companies had also been refinanced as managers consciously prepared for a downturn, focusing on preserving value and ensuring that companies can withstand a much more challenging macroeconomic climate. As we move in the latter part of 2020 and into 2021 we should expect private equity managers to take advantage of a market that will undoubtedly offer some interesting investment opportunities.

Responsible Investment

The Pension Fund is a long term investor and therefore seeks to deliver financial sustainable returns to meet the future pension benefits of our members. As a result the Fund feels that it is important that Environmental, Social and Governance (ESG) issues are integrated into its investment processes and ownership practices - in the belief that this can positively impact financial performance. As long term investors, the Fund requires the portfolio managers to perform their stewardship role actively to support the investment process that is looking to identify and generate long term sustainable corporate growth. This is achieved through:

- Investing responsibly rather than divesting or restricting the investment opportunities. All investments are managed on behalf of the Pension Fund by external fund managers who make investment decisions. However the fund managers are required to demonstrate that they have invested in the best performing companies that are financially and environmentally sustainable, adopt high standards of governance and provide financial benefit. In turn, the fund managers invest considerable resources to support their research driven investment decision making, long term stewardship and engagement with companies on the future direction and the risks associated with their business, including climate change.
- Having a dialogue with companies on a variety of environmental, social and governance issues such as strategy, performance, business ethics, corporate governance, climate change, human capital and supply chain management and building relationships with management and board members helps fund managers to understand and influence less tangible aspects of a company, such as corporate culture. Corporate engagement can deepen the knowledge of and confidence in those companies invested in, build relationships and collaboration with company management and allows our managers to, where necessary, drive corporate conduct on issues that affect the companies' long-term value - such as climate change. Some examples of active engagement are on the next page:

Company	Comment
Facebook	Our managers met with Facebook's Chief Financial Officer and Head of Global Policy Management. The cultural shift from 'move fast and break things' to 'move slower and balance responsibilities' has been led from the top in recognition of the need for a more inclusive approach given that the platform has almost ubiquitous reach. Working with regulators and government, the company is also making progress on setting and enforcing the rules on what content can be shared on the platform.
CRH	Our managers met the new chairman of the international building materials and products business, focusing on long-term strategy, board composition, remuneration and the company's approach to carbon. The company has worked to reduce emissions at every stage of production and is now looking at carbon capture technology to help improve efficiencies and reduce carbon emissions further. This represents a proactive approach which is evidenced through industry leading transparent reporting.
BGCO Corporation	Our managers have been invited by the company to provide feedback on their ESG performance and disclosure. In addition to recommending that the company look at the Task Force on Climate-related Financial Disclosures (TCFD) and CDP disclosure frameworks to enhance future reporting, our managers encouraged the company to review and address board independence, alignment of executive pay with company performance, disclosure on emissions, toxic releases and setting up of reduction targets, and employee engagement. They also commended the company for its Research and Development investments in new farming solutions.
Blanco Animal Health	Our managers engaged with the company to provide guidance on investor expectations with regard to their ESG key performance indicators and issuance of their first Corporate Social Responsibility (CSR) report in 2021. In addition, our managers discussed the company's remuneration plan and encouraged the company to make enhancements by linking at least 50% of the awards in the long term incentive plan to specific and disclosed performance conditions.

- Actively using shareholders votes to promote and support good corporate governance and the investment managers will exercise voting rights on behalf of the Fund. The table below illustrates the active voting record for the Fund's portfolio for each financial year since 2015/2016. It is normal for there to be a lower number of votes cast in overseas markets for a variety of reasons including share blocking, powers of attorney, or a requirement for wet signatures or physical attendance at the meeting.

Year	UK	Overseas
2015/2016	100%	94%
2016/2017	100%	95%
2017/2018	100%	94%
2018/2019	100%	95%
2019/2020	100%	96%

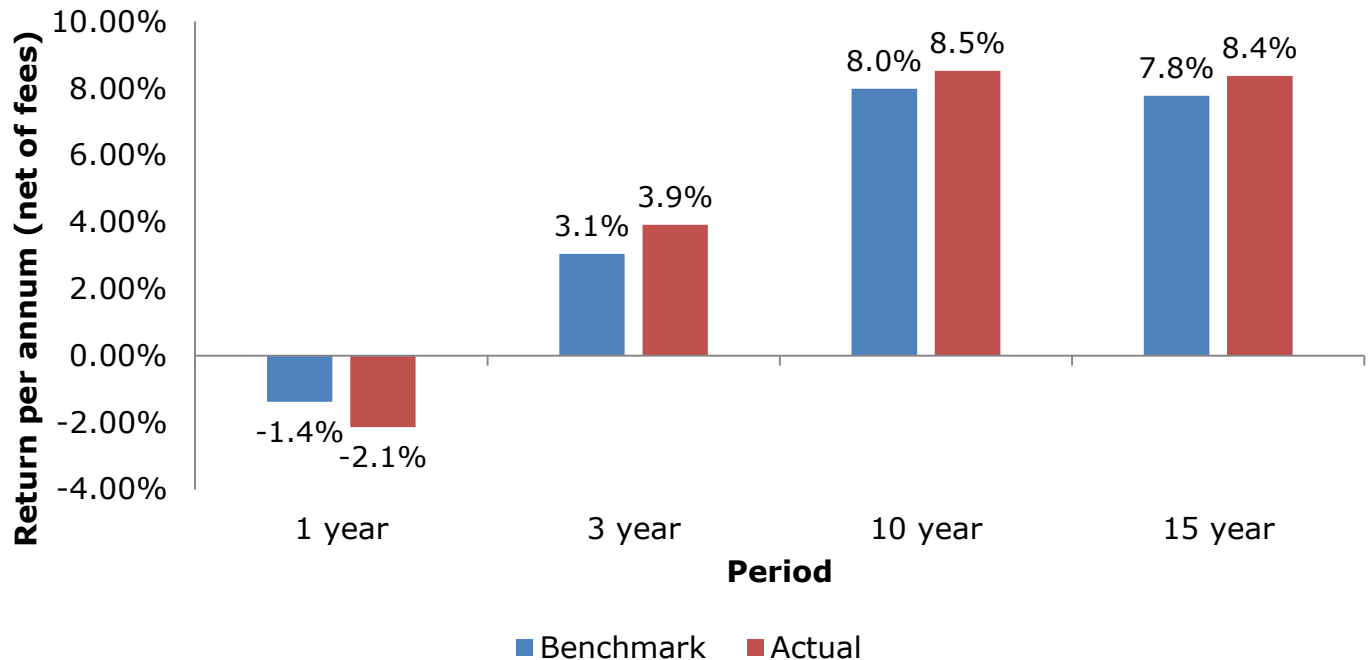
Stock Lending

To maximise the returns it can achieve on its investments, the Pension Fund has implemented a stock lending programme. Stock lending is a market practice where securities are temporarily transferred by one party (in this case the Pension Fund) to another (the borrower). ⁵ Over the year £0.282m income, net of fees, was generated from the Funds stock lending programme. Further information about the performance of this programme has been set out in Appendix 4 – Stock Lending.

⁵ Borrowers for the Pension Fund are limited to UK authorised persons and EEA regulated entities.

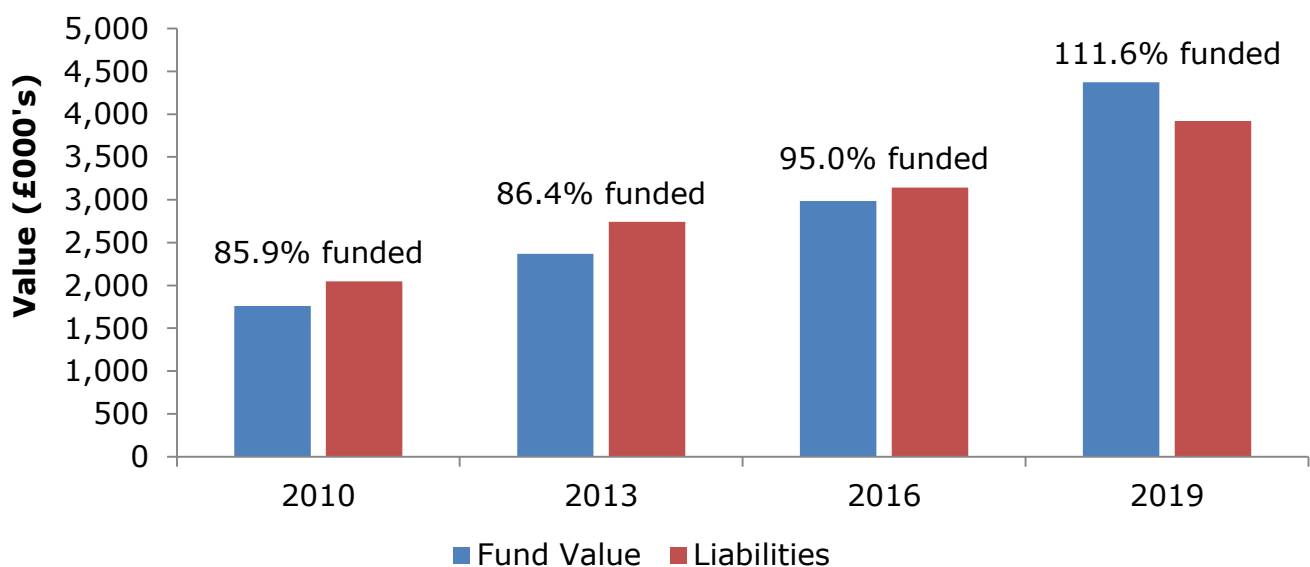
Pension Fund Performance

The Fund's overall investment performance can be summarised below.



Further detail about performance by individual manager can be found in Appendix 5.

A key health check of the Pension Fund's performance is the Pension Fund's valuation which is carried out by the Fund's actuary every three years. The latest valuation (at 31 March 2019) showed the Fund's funding level had improved to 112% (31 March 2016: 95%). This has allowed the Pension Fund to reduce contribution rates for its major employers where appropriate.



At 31 March 2020 the Fund was estimated to be 102% funded.

The funding level is only a short term measure. The LGPS remains an open scheme, with a strong covenant and therefore should be able to take a long term outlook when considering the general funding implications of such external events. Therefore it is not proposed that the long term funding and investment plans or employer contribution rates are amended at this time. The Fund will continue to monitor risks on an ongoing basis and consider appropriate actions where necessary.

Administration Performance

The Fund has a key objective to deliver a high quality administration service to all stakeholders with processes and procedures to ensure the quality of the information held, that it receives all income due and makes payments to the right people at the right time.

The Pension Administration team are focused on delivering a high-quality, customer-focused service to members. Hampshire County Council has provided the Pension Administration service for the Fund since 4 March 2019.

Value for Money Statement

Value for Money is demonstrated in our administration service through:

- A reduced number of complaints in 2019/20, 54 compared to the 76 received in 2018/19 (nine months to 31 December 2018).
- In May 2019 Hampshire Pension Services improved their accreditation of Customer Service Excellence (CSE) which confirmed the continued compliance with the 57 required CSE areas and were recognised for the very high standards of performance against seven areas.
- 100% compliance in the performance indicators as listed in the case type table above.

Going forward in 2020/2021 the following projects are being undertaken;

- Implementation of the data improvement plan to advance the data quality.
- The rolling out of an Employer Hub to provide employers with immediate access to their employee records, submit joiner and leaver forms online and run their own retirement quotes
- Introducing an online retirement quote function to the member portal

Performance against Administration Strategy

The table below shows performance against the Administration Strategy dealt with by the team and their performance for the 12 months to 31 March 2020.

Case Type	No. Cases	Target working days	% on Target
Additional Voluntary Contributions	114	10	100%
Change in Member Details	1,447	15	99%
Death Benefits – acknowledgement in writing of notification	510	5	91%
Death Benefits – notification to beneficiaries	489	15	98%
Divorce Estimates	206	15	70%
Leaver Forms – notification of benefits and rights to deferred member	2,707	30	81%
Leavers – repay contribution with less than two years membership	638	20	97%
Leavers – payment of individual transfers out	68	15	73%
Leavers – bulk transfers out	0	Individual case basis	n/a
New Starters – set up member record	2,083	20	99%
New Starters – notification to member of transfer in of pension payment	128	15	99%
New Starters – bulk transfers in	0	Individual case basis	n/a
Payment of Retirement Benefits	1,089 ⁶	15	99%
Retirement Estimates	1,486	15	89%

Performance over the full year reflects issues associated with the transfer of the service to the new provider. However, during the latter part of the year the team achieved 100% compliance with the performance indicators listed above.

Members and employers of the Fund are able to provide feedback about their experiences of dealing with the Fund, to help with improving the service. The Pension Fund has a compliments and complaints process which is available on its [website](https://www.westsussex.gov.uk/about-the-council/pensions/)<https://www.westsussex.gov.uk/about-the-council/pensions/>. During 2019/20, 54 complaints were received. There were no trends in the complaints and they were not considered to identify a consistent failure or poor service. As part of the complaint resolution process, actions to prevent recurrence are considered and put in place if necessary.

⁶ The figures shown are the number of cases processed during the year. However there were 922 actual retirements between 1 April 2019 and 31 March 2020. Of these 22 were ill health early retirements, 52 were as a result of redundancy and 848 were voluntary retirements (i.e. a member reaching normal retirement age).

Staff & Casework

The equivalent of 24 full time members of staff are assigned to the administration of the Fund. The average number of cases per staff in 2019/20 was 809 and the ratio of staff to fund members is 1 to 3,325.⁷

Data Quality

Key to the administration of the Scheme is good quality member data to ensure we keep track of each employer's position, collect the right contributions, invest appropriately and pay benefits to members as and when they fall due. The Pension Regulator requires that the Fund carries out checks against the presence of "common data" which is necessary for basic pension administration (e.g. surname, National Insurance number, date of birth) and "conditional data" which is specific for the administration of the LGPS (e.g. employment records and history). The results for the Fund are shown below:

	Target	Actual
Common Data	100%	95%
Conditional Data	N/A	89%

A data improvement plan has been developed by the Pension Fund in consultation with the administration team and the Fund Actuary. It is anticipated that this will be delivered over a period to March 2021.

⁷ Analysis based on 19,404 cases. This includes all cases listed in the Administration Strategy analysis plus changes of address, bank details and death grant nominations, refund quotes, general record maintenance and all Payroll related work but excludes bulk processing (such as applying pensions increase, processing annual returns, producing annual benefit statements) and the handling of phone calls and emails.

Risk and Control

Risk Register

The Pension Fund maintains a risk register to identify key risks, consider and assess the significance, likelihood of occurrence and potential impact of the risk. Key areas of risk are highlighted below:

Poor quality data resulting in error and misstatement.	Poor decision making and disengagement on key issues as a result of officer, Committee and Board lack of knowledge and understanding.	Insufficient funds to meet liabilities resulting in increased contributions required from employers or changing to a higher risk investment strategy
Insufficient resources to comply with the Administering Authority's Regulatory responsibilities.	The introduction of asset pooling impacting on the Fund's ability to implement its investment strategy successfully	Failure to secure value for money through managing contracts with third parties
Political environment (locally or nationally) impact on investment markets and legislative requirements.	Conflict of interest for members and employers	Increase in variety and number of employers participating in the Scheme resulting in risk of non-compliance with obligations.
	Cyber crime resulting in personal data for members being accessed fraudulently	

A full risk register can be found in Appendix 6 – Risk Register.

Audit

The internal audit team are responsible for evaluating the effectiveness of the risk management, control and governance processes to support the risk framework. During the year three audits were undertaken which covered the National Fraud Initiative, externally managed investments and governance and strategy. Further information about the audit conclusions can be found in [Appendix 7 – Audit Assurance](#).










Southern Investment Audit Partnership (SIAP) also provide an annual report on all audits undertaken to the Regulations, Audit and Accounts Committee every July. This report can be found on the County Council's [website](#).

This internal audit work is in addition to the external audit which is carried out by Ernst & Young LLP and takes place annually. The external audit focuses on the Pension Funds Financial Statements and ensuring that they are prepared in line with CIPFA's Code of Practice.

Appendices

Appendix 1A – Committee and Board Membership and Attendance


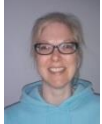





Pension Committee

		Member of Committee Since	Meetings Attended	Internal Training Sessions Attended	External Training Sessions Attended
Jeremy Hunt <i>Chairman County Councillor</i>		2016	4/4	2	2
David Bradford <i>County Councillor</i>		2017	4/4	2	2
Joy Dennis <i>County Councillor</i>		2017	3/4	2	4
Brian Donnelly <i>District Councillor</i>		2015	4/4	2	1
Roger Elkins <i>County Councillor</i>		2018	4/4	2	0
Nigel Jupp <i>County Councillor</i>		2017	4/4	2	3
Judith Taylor <i>Member Rep</i>		2016	3/4	0	3
Deborah Urquhart <i>County Councillor</i>		2013	4/4	1	1
James Walsh <i>County Councillor</i>		2012	4/4	2	1

Internal training sessions offered to the Committee covered financial statements, ESG training and an ACCESS Investor Day.

External training sessions attended included events hosted by CIPFA, the PLSA, the LGA, Baillie Gifford and Aberdeen Asset Management.

Pension Advisory Board

		Member of the Board Since	Meetings Attended	tPR Toolkit	Internal Training	External Training
Peter Scales <i>Chairman Independent</i>		2015	4/4	Complete	3	3
Becky Caney <i>Member Representative</i>		2018	4/4	Complete	3	0
Richard Cohen <i>Employer Representative</i>		2015	3/4	Complete	4	0
Miranda Kadwell <i>Employer Representative</i>		2018	3/4	Complete	4	2
Kim Martin <i>Employer Representative</i>		2016	3/4	Complete	4	0
Christopher Scanes <i>Member Representative</i>		2015	4/4	Complete	3	1
Tim Stretton <i>Member Representative</i>		2017	3/4	Complete	2	2

Internal training sessions offered to the Pension Advisory Board in 2019/20 covered financial statements, ESG, Fund Governance, Hampshire Pension Services Administration and the valuation.

External events were hosted by CIPFA.

Appendix 1B – Officers and Advisers

Officers of the Fund

Scheme Manager (and s151 officer) - Katharine Eberhart

Fund Accountant - Nadine Muschamp



Pension Administration

Responsibility for administration of the Scheme was transferred to Hampshire County Council with effect from 4 March 2019.



Investment Managers

The Pension Fund invests money not required immediately to pay benefits into a portfolio of equities, bonds, property and private equity via external managers.

Cash is also managed by WSCC's Treasury Management Team in accordance with the Treasury Management Strategy, which can be found on the council [website](#).



LGPS Asset Pool

As part of the summer Budget in 2015, the Chancellor announced that administering authorities were required to pool LGPS investments, to deliver significantly reduced costs while maintaining overall investment performance. In response WSCC joined with ten other authorities to create the ACCESS LGPS Asset Pool.



The Annual Report for ACCESS can be found on its [website](#).



Link have been appointed as Operator to the ACCESS Pool - providing the sub-funds available for authorities to invest.

Fund Actuary

Member contribution rates are fixed by Central Government. However the Actuary is required to set employer contribution rates to ensure benefits under the Scheme are properly funded. The County Council has appointed Hymans Robertson as Fund Actuary.



Independent Adviser

Caroline Burton has been appointed to support the Pensions Committee through reviewing investment activity, giving advice on general investment matters, assisting in the selection of new managers and offering a practical approach to address and control risk. Caroline was an Executive Director-Investments at Guardian Royal Exchange plc for a number of years and is currently a non-executive director at an investment related company.



Internal Auditor

Southern Internal Audit Partnership (SIAP) provides our internal audit service to assist WSCC in ensuring it has appropriate risk management processes, control systems, accounting records and governance arrangements in place.



External Auditor

Ernst & Young have been appointed as external auditors for WSCC to give a view of the financial transactions of the Pension Fund and the amounts and presentation of the fund's assets and liabilities.



Custodian

A global custodian arranges for the safekeeping of the Fund's assets (excluding property, private equity, pooled investments and some cash), settlement of transactions effected by fund managers, timely collection of income and other administrative actions. Northern Trust were appointed by the County Council to provide global custody services, stock lending facilities and performance measurement service from July 2019.



Legal Adviser

West Sussex County Councils legal services team provide advice for advice covering conveyancing, investment and employer issues.

AVC Provider

All LGPS's have an Additional Voluntary Contribution (AVC) arrangement in which employees can invest money deducted directly from pay. This is arranged through an AVC provider, often an insurance company or building society. These schemes provide members with a flexible and tax-efficient way of topping up their retirement benefits. The current provider is Standard Life, although some members retain paid up plans with Utmost Life and Pensions, the previous provider.



Appendix 2A – Net Asset Statement

The Pension Fund Accounts can be found here - <https://www.westsussex.gov.uk/about-the-council/pensions/local-government-pension-scheme-lgps/pension-fund/>

Appendix 2B – Further financial Information

Cashflow Estimate v Actual

The table below compares estimated and actual income and expenditure during the year. The Pension Fund maintains an account for each employer participating in the Scheme showing its contributions received, the benefits paid to its members and its share of investment income, administration and investment costs and investment assets.

	2018/19 Actual	2019/20 Estimate	2019/20 Actual
	£m	£m	£m
Contributions (members and employers) ⁸	127.5	133.7	136.8
Income on pension fund investments	60.2	60.8	69.0
Pensions paid	-113.8	-116.2	-114.6
Net Transfers in /(out)	-4.3	7.3	-1.8
Administration and Governance Costs	-2.3	-2.1	-2.5
Investment Management Costs	-15.5	-15.8	-11.9

Transaction Costs

It is considered good practice that the Committee has a full understanding of the transaction related costs they incur and since 2003 the Fund has commissioned a trading cost analysis which shows commissions, fees and market impact costs incurred by the Fund over the year against an institutional average.⁹ In sterling terms, the Fund has made a cost 'saving' of £18.3m against the institutional average over the fifteen years that the Elkins/McSherry report has been produced in full through efficient trading. This has been summarised in the table below.

	Fund £	Fund BP	Universe BP
Commission Paid by managers to brokers at the time of the stock trade. Managers are required to report commissions between trade execution and research, rather than reporting a single commission charge.	400,691	3.5	13.6
Fees Mandatory costs such as stamp duty and local taxes.	668,200	5.8	3.8
Market Impact The difference between the trade execution price and the Volume Weighted Average Price (VWAP) of the stock on trade date.	427,720	3.7	2.4
Trading Cost 2019/20 Commission plus market impact and fees.	1,496,611	13.0	19.8
2018/19	1,447,255	14.4	17.4

⁸ Figure includes a £2.4m payment relating to an exit credit due to an exiting employer for 2018/19 £0.4m payment relating to an exit credit due to an exiting employer in 2019/20. The figure for 2019/20 also includes £0.9m refunds in contributions paid back to members.

⁹ The Elkins/McSherry Universe is a compilation of actual trade data from hundreds of institutions. They provide trading efficiency analyses that determine the relative cost to trade on various stock exchanges globally and the effectiveness of trades and brokers. This trading data is used to create an institutional average universe of commissions, fees and market impact costs. During the year to 31 March 2020, Elkins McSherry monitored £1.16bn in global equities transactions across 2486 trades (2018/19: £999.83m / 2159 trades).

Recovery of Overpayments

Overpayments mainly occur when pension payments have continued after a pensioner has died but could also relate to divorce cases or childrens' pension payments. The invoices raised to cover this are analysed below:

	2018/19	2019/20
	£'000	£'000
Brought Forward	88	97
Overpayment	73	44
Recovered	-49	-47
Raised in error	0	-7
Written Off	-15	-5
Carry Forward	97	82

Administration and Management Costs

Each Administering Authority is required to provide the Ministry of Housing, Communities and Local Government (MHCLG) with information about its administration and fund management for inclusion in the National Accounts (the SF3 Return) and this information can be used as a benchmark.

This SF3 benchmark comparator is available a year in arrears. Therefore the table below compares the Pension Fund's costs for 2018/19 against other Local Authorities SF3 Return alongside comparative information for WSCC only for 2018/19.¹⁰

	2018/19 SF3	2018/19 WSCC	2019/20 WSCC
	£	£	£
Administrative, oversight, governance and investment management	222.27	237.20	180.03
Administrative, oversight and governance costs only (excluding investment management)	32.68	31.13	30.84

¹⁰ The 2018/19 information can be found on the [Gov.uk website](https://www.gov.uk).

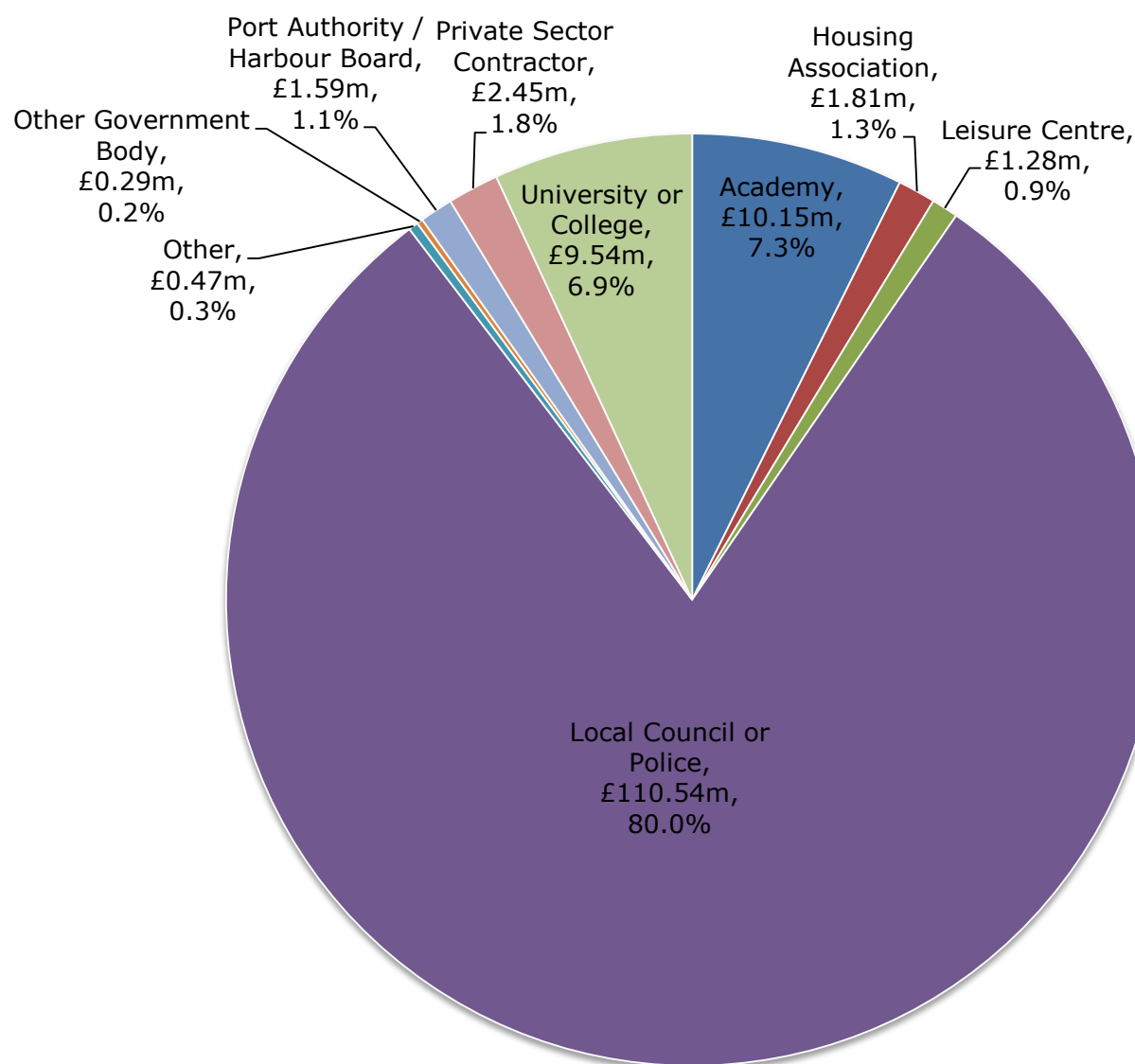
Appendix 3 – Contributions by Employer

Contribution Receipts

The table below shows some key statistics for contribution receipts for 2019/20. Contributions must be received by the Fund by the 22nd of the month following the deduction from pay.

	2018/19	2019/20
Number of Contribution Payments Received	2,271	2,308
Payments received on time	99.7%	99.96%
Interest Charged	£0	£0

The Fund received a total of £138.1m in contributions during the year (£108.9m from employers and £29.2, from employees). This is analysed by employer type below:



Of the Fund's total 198 active employers, the Fund received contributions from 16 employers in excess of £1m during the year – this equates to 87% of the total contributions received. The employers paying in excess of £1m per annum in contributions are listed below.

Employer	Total Contributions £'000	% of Total Contributions to the Pension Fund
West Sussex County Council	59,943	43.4%
Sussex Police & Crime Commissioner	20,132	14.6%
Adur/Worthing Joint Committee	4,767	3.5%
Crawley Borough Council	4,587	3.3%
Arun District Council	4,074	3.0%
Chichester College	3,912	2.8%
Chichester District Council	3,875	2.8%
Mid-Sussex District Council	3,372	2.4%
Horsham District Council	3,313	2.4%
Greater Brighton Metropolitan College	2,693	2.0%
University Of Chichester	2,503	1.8%
Worthing Borough Council	2,031	1.5%
Adur District Council	1,588	1.2%
Shoreham Port Authority	1,339	1.0%
Saxon Weald Homes	1,302	0.9%
South Downs National Park	1,200	0.9%
All other active employers	17,452	12.6%
	138,083	

The total employer contribution receipts are shown below:

Employer	Employer Contribution £'000	Employee Contribution £'000	Total £'000
Adur District Council	1,473.37	114.15	1,587.52
Adur/Worthing Joint Committee	3,598.06	1,169.43	4,767.49
Angmering Parish Council	28.22	8.14	36.36
Ansty/Staplefield Parish Council	4.01	1.07	5.08
Ardingly Parish Council	3.57	0.94	4.52
Arun District Council	3,372.85	701.57	4,074.42
Ashington Parish Council	4.08	1.09	5.17
Ashurstwood Parish Council	5.21	1.34	6.55
Aspire Sussex Ltd	116.84	28.48	145.32
Balcombe Parish Council	3.35	0.86	4.21
Baldwins Hill School	39.90	9.29	49.20
Balfour Beatty Ltd	138.86	34.48	173.34
BAM UK Ltd	3.57	4.07	7.63
Barnham & Eastergate Parish Council	7.56	2.02	9.59

Employer	Employer Contribution £'000	Employee Contribution £'000	Total £'000
Barnham Primary Academy	67.96	16.47	84.43
Bersted Parish Council	12.54	3.74	16.28
Bewbush Academy	140.06	34.81	174.87
Billingshurst Parish Council	34.34	9.46	43.80
Bishop Luffa School	220.90	58.75	279.65
Blackthorns Primary Academy	50.39	11.36	61.74
Bognor Regis Town Council	71.02	21.20	92.22
Bohunt School Horsham	11.14	3.09	14.23
Bohunt School Worthing	90.10	25.66	115.76
Bolney Parish Council	2.40	0.61	3.01
Broadbridge Heath Parish Council	5.31	1.39	6.71
Broadfield Primary Academy	137.18	32.50	169.68
Burgess Hill Academy	178.50	41.84	220.34
Burgess Hill Town Council	93.40	33.34	126.74
Capita	431.61	141.19	572.80
Capita (SSO)	715.11	179.36	894.47
Care Quality Commission	0.00	2.93	2.93
Carers Support 2017	6.20	1.66	7.86
Caterlink Bourne Community College	18.00	4.15	22.15
Caterlink Shoreham Academy	3.82	0.93	4.76
Central C of E Academy	29.92	8.24	38.16
Change Grow Live	19.85	4.43	24.28
Chichester City Council	51.12	17.93	69.05
Chichester College	2,975.10	936.65	3,911.75
Chichester District Council	2,950.39	924.90	3,875.30
Chichester Free School	154.10	46.93	201.02
Chichester Harbour Conservancy	149.85	46.32	196.17
Chichester High School	196.61	51.66	248.27
Chief Constable Sussex Police	240.48	84.66	325.15
Churchill Bishop Tufnell	4.00	0.89	4.89
Churchill Bersted	4.86	1.08	5.94
Churchill Bognor Nursery School	1.70	0.38	2.08
Churchill Coastal	0.90	0.23	1.13
Churchill Northolmes	1.07	0.24	1.30
Churchill Nyewood Junior School	1.13	0.23	1.36
Churchill The Forest	3.67	1.23	4.90
Churchill West Chiltington	1.31	0.33	1.64
Colgate Parish Council	1.55	0.39	1.94
Collyers College	338.44	89.38	427.82
Crawley Borough Council	3,510.59	1,076.59	4,587.18
Cuckfield Parish Council	21.65	5.93	27.58

Employer	Employer Contribution £'000	Employee Contribution £'000	Total £'000
Desmond Anderson Primary Academy	143.76	32.90	176.67
Donnington Parish Council	1.39	0.35	1.75
Downsbrook Primary School	48.05	11.64	59.70
Downview Primary School	83.76	20.95	104.71
Durrington High School	304.08	75.72	379.80
Earnley Parish Council	1.57	0.43	2.00
Easebourne Parish Council	2.37	0.60	2.96
East Grinstead Town Council	99.54	35.00	134.54
East Preston Junior School	41.43	10.10	51.53
East Preston Parish Council	12.15	3.57	15.72
East Wittering & Bracklesham Parish Council	6.81	2.04	8.85
Eastbrook Primary Academy	101.63	24.85	126.48
Edward Bryant	113.56	27.53	141.09
Essex Cares Ltd 2017	122.44	18.07	140.51
Fernhurst Primary	42.92	10.18	53.10
Ferring Parish Council	12.25	3.35	15.60
Firefighters Charity	21.01	1.72	22.74
Fishbourne Parish Council	2.53	0.64	3.18
Fittleworth Parish Council	2.26	1.57	3.83
Forge Wood Primary School	32.55	10.30	42.85
Freedom Leisure 6 Villages	0.94	0.26	1.19
Freedom Leisure Arun	112.23	24.79	137.02
Gossops Green Community Primary School	95.38	27.15	122.53
Grace Eyre Northern	18.30	4.91	23.21
Grace Eyre Western	18.35	4.97	23.32
Greenway Academy	45.19	12.94	58.14
Greater Brighton Metropolitan College	2,192.95	500.49	2,693.44
Halsford Park School	93.22	23.18	116.40
Harlands Primary School	59.24	13.59	72.82
Hassocks Parish Council	21.55	6.29	27.84
Haywards Heath Town Council	46.53	13.32	59.85
Hazelwick Academy	263.81	75.65	339.46
Homes And Communities Agency	240.45	43.79	284.24
Henfield Parish Council	7.80	2.34	10.14
Hilltop Primary School	113.39	30.59	143.97
Holmbush Primary Academy	56.36	12.97	69.34
Horsham District Council	2,484.75	827.94	3,312.68
Hunston Parish Council	3.04	0.81	3.85
Hurstpierpoint And Sayers Common Parish Council	19.12	5.34	24.46
Impact Initiatives	1.46	0.39	1.85

Employer	Employer Contribution £'000	Employee Contribution £'000	Total £'000
Impulse Leisure	49.60	19.26	68.86
Innovate Services	17.87	3.71	21.58
Kingsham Primary School	74.74	17.38	92.12
Lancing Parish Council	31.11	9.25	40.36
Laurels Primary School	39.33	8.83	48.16
Lindfield Parish Council	11.52	3.23	14.76
Lindfield Primary Academy	87.76	19.74	107.51
Lindfield Rural Parish Council	3.50	0.94	4.44
Littlegreen Academy	78.47	18.21	96.68
Littlehampton Academy	248.94	73.20	322.13
Littlehampton Harbour	36.82	13.38	50.20
Littlehampton Town Council	91.73	26.97	118.69
Martlet Homes	389.80	117.31	507.11
Mears Ltd	26.68	7.64	34.32
Mediasort	3.64	0.99	4.62
Medmerry Primary School	43.56	10.47	54.03
Midhurst Rother College	179.74	51.25	230.99
Midhurst Town Council	12.21	3.20	15.42
Mid-Sussex District Council	2,756.32	615.54	3,371.86
The Mill Primary Academy	83.57	23.77	107.35
Mitie Ltd	32.02	9.10	41.12
Muntham House School	329.62	102.14	431.76
New Horizons Academy	4.42	1.04	5.45
North Horsham Parish Council	45.66	14.28	59.95
North Mundham Parish Council	2.51	0.69	3.20
Northlands Wood Primary School	75.41	17.94	93.35
NSL Ltd 2018	8.58	3.13	11.71
Oaks Primary School	104.09	22.95	127.03
Orchards Junior School	91.01	23.88	114.88
Ormiston Six Villages Academy	110.97	33.19	144.15
Pagham Parish Council	3.17	0.83	4.00
Petworth Parish Council	0.81	0.24	1.05
PFP Leisure	165.85	40.20	206.05
Plaistow & Ifold Parish Council	4.67	1.18	5.86
Portfield Primary Academy	75.90	17.49	93.39
Pound Hill Infants Academy	57.16	12.94	70.10
PPP - Taking Care	99.40	28.71	128.12
Pulborough Parish Council	15.03	4.48	19.51
Pyecombe Parish Council	0.77	0.20	0.97
RCC – Littlehampton Academy	6.53	1.00	7.54
RCC - Sir Robert Woodard	4.76	0.73	5.49

Employer	Employer Contribution £'000	Employee Contribution £'000	Total £'000
Reliance Secure Task Management	0.00	1.56	1.56
River Beach Primary School	165.01	40.85	205.86
Rose Green Junior School	64.84	15.95	80.79
RSPB	7.02	1.83	8.85
Rudgwick Parish Council	6.77	1.81	8.58
Rustington Community Primary	85.05	20.69	105.74
Rustington Parish Council	29.83	9.15	38.98
Saxon Weald Homes	970.42	331.70	1,302.11
Schoolplus Ltd	5.31	1.20	6.52
Schoolswork Multi Academy Trust	76.04	26.50	102.54
Seal Primary Academy	80.16	18.55	98.72
Seaside Primary School	107.98	24.87	132.85
Selsey Town Council	41.86	11.83	53.69
Seymour Primary School	88.03	22.91	110.94
Shaw Healthcare Ltd	128.52	29.41	157.92
Shermanbury Parish Council	1.70	0.43	2.13
Shipley Parish Council	2.37	0.60	2.97
Shoreham Academy	290.24	83.14	373.39
Shoreham Port Authority	1,044.10	295.27	1,339.37
Singleton & Charlton Parish Council	1.83	0.46	2.29
Sir Robert Woodard Academy	189.54	58.87	248.40
Slaugham Parish Council	8.08	2.42	10.50
Slinfold Parish Council	3.56	1.07	4.63
SLM Community Leisure	128.67	31.53	160.20
SLM Fitness & Health	33.59	7.51	41.10
SLM Food & Beverage	12.94	3.20	16.14
Sodexo Ltd	3.83	0.65	4.48
South Downs Leisure	409.72	93.14	502.87
South Downs National Park	881.05	319.29	1,200.34
Southgate Primary School	75.53	17.61	93.14
Southwater Infants School	61.12	15.58	76.69
Southwater Junior Academy	61.59	18.43	80.03
Southwater Parish Council	39.36	10.96	50.32
Southway Primary School	122.54	31.97	154.51
St Lawrence Primary School	103.25	27.46	130.71
St Mary's Community Primary School	62.09	14.51	76.60
St Philip Howard School	198.96	48.52	247.48
Steyning Parish Council	16.99	5.25	22.24
Storrington & Sullington Parish Council	12.72	3.81	16.52
Sussex Police & Crime Commissioner	15,768.41	4,364.04	20,132.45
Tangmere Parish Council	5.61	1.47	7.08

Employer	Employer Contribution £'000	Employee Contribution £'000	Total £'000
Tangmere Primary Academy	49.93	11.94	61.87
The Academy Selsey	75.23	17.66	92.89
The Gatwick School	122.55	34.65	157.20
The Globe Primary Academy	122.00	27.93	149.93
The March CE Primary School	34.94	7.84	42.78
The West Sussex Music Trust	45.58	16.80	62.38
The Regis Academy	470.53	131.20	601.73
Thomas Bennett Community College	181.36	47.18	228.54
Tivoli Group Limited	22.14	7.17	29.30
Turners Hill Parish Council	5.55	1.47	7.02
Twineham Parish Council	0.77	0.20	0.97
University Of Chichester	1,860.58	642.75	2,503.33
Upper Beeding Parish Council	8.97	2.56	11.53
Viridor Waste Management	0.00	0.12	0.12
Warden Park Academy	325.15	86.00	411.15
Warden Park Primary Academy	100.54	24.12	124.66
Waterfield Primary School	85.90	20.13	106.04
West Chiltington Parish Council	5.69	1.70	7.39
West Grinstead Parish Council	6.20	1.64	7.84
West Hoathly Parish Council	3.92	1.02	4.94
West Itchenor Parish Council	1.80	0.46	2.26
West Sussex County Council	47,359.95	12,582.59	59,942.54
Westbourne Parish Council	4.08	1.03	5.11
White Meadow School	141.67	38.64	180.31
Worthing Borough Council	1,972.08	58.61	2,030.70
Worthing High School	194.77	56.22	250.99
Total	108,941.19	29,141.47	138,082.65

Appendix 4 – Stock Lending

The Pension Fund has a stock lending programme. During the period a stock is on loan the Pension Fund retains rights to corporate actions that would have arisen had the stock not been lent, and the borrower is obliged to pay the Pension Fund all cash benefits, such as dividends, arising during the period of the loan. The borrower is required to return the securities to the lender either on demand or at the end of the agreed term. The Pension Fund does not retain voting rights when lending a stock. In return, a rate of commission is agreed between the lender and the borrower to run for the full length of the loan. The amount of stock on loan and the rate of commission will vary depend on market requirements, the length of the loan, the security required by the Fund and the maturity of the programme.

The table below analyses the Fund's stock lending programme against a benchmark comparator (where available).

	2018/19	2019/20	Benchmark for 12 months to 31 March 2020
Stock available to market at year end	£3,668m	£1,961m	
Stock on loan			
Average amount on loan	£258m	£91m ¹¹	
Amount on loan as at 31 March	£303m	£203m	
Percentage on loan as at 31 March	8.5%	10.37%	
Utilisation	9.2%	6.10% ¹²	9.3%
Income			
Gross	£0.736m	£0.339m	
Net	£0.589m	£0.282m	
Net Return in Basis Points	20.5	1.4 ¹³	22.0

For the period of the loan collateral is held against the borrower defaulting. The Fund requires that the collateral held exceeds the amount borrowed. The amount on loan as at 31st March 2020 was £203.4m and the collateral held was £263.6m which equates to nearly 130% of the amount on loan. The amount of collateral held can vary throughout the duration of the loan. The custodian will liaise with the borrower to ensure that sufficient collateral is always held. The high amount of collateral is reflective of the market volatility at year end due to the COVID 19 pandemic. The table below shows the type of collateral held as at 31st March 2020.

	£m
Obligations issued or guaranteed by the United States and United Kingdom	40.9
Obligations issued by other OECD member states or their local government agencies, instrumentalities or authorities provided they have a long term rating of AA- or higher	138.3
Equity from major indices	84.4
Total	263.6

¹¹ Figure calculated from 1st July 2019 to 31 March 2020 as the 1st July was the date of transition to new custodian Northern Trust

¹² As above

¹³ As above

Appendix 5 – Investment Performance

The table below shows the long term performance of the Pension Fund and its underlying managers. All figures are to 31 March 2020.

	12 months	3 years pa	10 years pa	15 years pa
Fund	-2.14 %	3.92 %	8.53 %	8.37%
Benchmark	-1.38 %	3.05 %	7.99 %	7.73%
<i>Difference</i>	-0.76 %	0.87 %	0.54 %	0.64%
<i>By fund manager</i>				
UBS	-8.30 %	0.24 %	6.95 %	6.85 %
UBS Benchmark	-3.27 %	1.98 %	7.46 %	7.60 %
<i>Difference</i>	-5.03 %	-1.74 %	-0.52%	-0.75%
Baillie Gifford	1.65 %	5.84 %	10.66 %	10.07 %
Baillie Gifford Benchmark	0.71 %	3.63 %	8.29 %	8.14 %
<i>Difference</i>	0.94 %	2.21 %	2.37 %	1.93 %
Aberdeen Standard	0.62 %	5.47 %	-	-
Aberdeen Standard Benchmark	-0.22 %	5.11 %	-	-
<i>Difference</i>	0.84 %	0.37 %	-	-
Private Equity	0.00 %	12.75 %	-	-
Private Equity Benchmark	-6.00 %	2.31 %	-	-
<i>Difference</i>	6.00 %	10.44 %	-	-

Custodian Performance

MJ Hudson, an independent custodian monitoring firm, review the service provided by the Fund's custodian. The benchmark figures shown represent the average experience of other Pension Funds using a range of different custodians. The trend is based on how the fund compares to its peers (green indicates results sit within the top third of comparison results, amber indicates results are in the middle third of comparison results and red indicates results are within the bottom third of comparison results) and direction of travel over the year.

		2019 Fund	2020 Fund	2020 B'Mark	Trend
The average monthly activity was 219 trades with a value of £117m (2018/19: 216 trades £103m). The analysis is based on late settlement as a % of average monthly income.	Value of all late settlement Value of outstanding settlement	10.18% 0.00%	5.62% 0.38%	3.97% 0.42%	↑
Over the year, the fund received 604 income receipts with a total value of £64.6 million (2018/19: 594 income receipts totalling £42.2m). The analysis is based on late receipt as a % of average monthly income.	Value of all late income Value of outstanding income	12.89% 0.00%	2.34% 0.00%	4.27% 0.57%	↑
The number of tax reclaims as a percentage of total average monthly tax reflects the restrictions and time periods in local jurisdictions.	Value of tax outstanding Number of tax reclaims outstanding	3,788% 3,349%	1,388% 1,251%	2,346% 2,029%	↑
The analysis is based on small FX deals such as dividend payments which are less than \$200,000 are measured.	FX cost in basis points ¹⁴	8	0	11	↑
The average credit balance during the year was £71.2m which is swept to a liquidity fund. The custodian also holds fractional balances in foreign currency on behalf of the Fund for short periods. Analysis is on credit interest by currency.	GDP EUR USD	0.42% -0.61% 0.76%	0.54% -0.71% 0.41%	0.20% -0.66% 0.74%	↔

¹⁴ Basis points are used to measure movement of less than 1%. One hundred basis points equal 1%, or put another way, one basis point equals one hundredth of a percent.

Appendix 6 – Risk Register

The Pension Fund maintains a risk register to identify key risks, consider and assess the significance, likelihood of occurrence and potential impact of the risk. The 2019/20 key risks and actions taken to mitigate these have been set out below:

Risk Theme	Action
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, Committee and Board knowledge and understanding resulting in poor decision making and disengagement on key issues.	Develop, implement and monitor a Training Strategy.
Performance of the Fund's assets creates volatility and pressure on employer contribution rates.	Monitor, maintain and review the Investment Strategy Statement and Funding Strategy Statement. Clear Investment Management Agreements in place. Regularly review investment performance and funding levels. Consideration of Environmental, Social and Governance issues on the performance of the portfolio.
The introduction of asset pooling impacts on the Fund's ability to implement its investment strategy successfully or the Administering Authority is considered to not comply with the relevant statutory guidance.	Continued strong involvement in the work of the ACCESS Group at officer and at Fund Chairman level.
Change to payroll and pension admin provider resulting in incomplete or inaccurate data being transferred and stakeholders not adopting new requirements.	Well defined project which is robustly managed including appropriate due diligence and testing throughout the project. Clear communication with stakeholders during project and as part of business as usual.
Failure to secure value for money through managing contracts with third parties	Strong contract management Compliance with procurement requirement and standing orders for provision of services to the Fund.
Political environment (locally or nationally) impact on investment markets and legislative requirements.	Work closely with investment managers, other suppliers and advisers to understand potential impacts and responses. Develop, implement and monitor a Training Strategy.

Risk Theme	Action
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.
Cybercrime resulting in personal data for members being accessed fraudulently.	Strong IT environment for administration system and web-based Portals.

Appendix 7 – Audit Assurance

Internal

Title	Comments
<p>○ National Fraud Initiative</p> <p>Update to January 2019</p>	<p>This is update to the biennial Cabinet's Office's Nation Fraud Initiative. This project provides potential inappropriate payment as a result of a member being deceased.</p> <p>The data is provided by the internal audit team and compared against national databases.</p> <p>Of the 139 potentially deceased members that were identified from the 2018/19 results, 92 have been confirmed as deceased and pension has now ceased. The remaining 47 members are being investigated by our administration services. So far there are 11 cases where an overpayment has been identified.</p>
<p>○ Externally Managed Investments</p>	<p>The overall business objective of Pensions – Externally Managed Investments is to ensure that WSCC scheme funds not immediately required to pay pension benefits are suitably invested and that proper advice is taken in the execution of this function.</p> <p>The objectives of the audit will assess the effectiveness of controls in place focusing on the Fund Manager's current independent service auditors' reports.</p>
<p>○ Governance and Strategy</p>	<p>The overall objective of this audit is to ensure that appropriate governance of the Pension Fund is in place which is in accordance with the Local Governance Pension scheme (LGPS) regulations and associated legislation.</p> <p>The audit reviewed the effectiveness of the controls in place focusing on those designed to mitigate the risk in achieving the following key objectives:</p> <ul style="list-style-type: none"> • The processes of performance management and reporting are adequate • Risk Management processes are kept up to date • There is adequate reporting and communication with admitted and scheduled bodies • There is regular actuarial review and outcomes are reported • Appropriate policies have been established in accordance with LGPS <p>Audit's overall opinion was Substantial – A sound framework of internal controls in place and is operating effectively. No risks to the achievement of system objectives have been identified</p>
<p>○ Internal Investments</p> <p>Scheduled, Admitted and Employing bodies</p>	<p>Whilst an audit was not undertaken, internal audit confirmed that they received Sufficient assurance from the Treasury management audit</p> <p>This is currently being scoped and will be reported on in 2021.</p>

<ul style="list-style-type: none"> <ul style="list-style-type: none"> Pension and benefit calculations, Deaths, Accounting for pension receipts 	<p>The areas that will be included in this are Employer contributions in relations to scheduled and admitted bodies and the employer relationships (those joining and leaving the fund).</p> <p>These areas have been audited at Hampshire Pension Services by SIAP and have all received Substantial ratings This means that a sound framework is in place and operating effectively, With no risks to the achievement of the system objectives identified.</p>
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External

[Certificate to follow]

Appendix 8 – Pension Fund Documents

[Administration Strategy](#) - a statement outlining the policies and performance standards aimed at providing high quality pensions and administration service. The Strategy is effective from 4 March 2019.

[Actuarial Valuation](#) - produced by the Fund Actuary and sets out employer contribution rates for a 3 years period and calculates the funding position.

[Administering Authority Discretions](#) - sets out how the Pension Fund applies provisions of the Scheme that are discretionary. Employers will maintain their own Discretions policy which relate to decisions they can make under the Scheme. Please note The Local Government Pension Scheme (LGPS) is a statutory scheme. The rules and regulations governing the scheme are laid down under Act of Parliament.

[Breaches Policy](#) - specifies the Fund's procedures for the identification and reporting of breaches of statutory requirements to the Pensions Regulator.

[Business Plan](#) - this annual plan considers performance against the Fund's objectives during the year and sets out the future priorities.

[Communications Strategy Statement](#) - states how the Fund will communicate with members, representatives of members, prospective members and employing authorities.

[Funding Strategy Statement](#) - identifies how employers' pension liabilities are best met going forward (whilst maintaining as near as possible constant employer contribution rates) and sets out how the Fund will take a prudent long term view of funding those liabilities.

[Governance Policy and Governance Compliance Statement](#) - two Statements which detail the Fund's governance and stewardship arrangements and report the extent of compliance against a set of best practice governance principles.

[Internal Dispute Resolution Procedure \(IDRP\)](#) - provides members with a formal complaint procedure if they are not satisfied with any decision affecting their pension benefits held within the scheme.

[Investment Strategy Statement](#) - outlines how investment decisions are made, the types of investment held, risk and corporate governance.

[West Sussex County Council Code of Conduct](#) - details the responsibilities of members and staff, which should be complied with by Pension Committee members, Pension Advisory Board members and Officers.

Appendix 9 – Contact and Services

Key services provided to pensioners, members and employing bodies:

- Paying out Benefits to Pensioners and beneficiaries
- Paying Death grants to beneficiaries
- Collecting employer and employee contributions from employers
- Maintain members accurate accounts
- Providing Information when requested to Members
- Providing Annual Benefit Statements
- Investing assets of the Pension Fund

Self-service portal

This is a secure portal for members. To sign in or register for the online Pension services please use this website address <https://upmliveportal.hants.gov.uk/>

Members will be able to look at their Annual Benefit statement and also notify the Fund of change in circumstances such as address. Any notifications online can be dealt with by the Administration team in a rapid and efficient manner.

Key information sources for members

The link below will lead to Hampshire County Council website which has details of information that is relevant to West Sussex County Council Pension Fund members.

<https://www.hants.gov.uk/hampshire-services/pensions/local-government>

Here is the [link to the Fund compliments and complaints procedure](#)

Contacting us

Email: pensions@hants.gov.uk

Phone: [01962 845588](tel:01962 845588)

Or by writing to:

Hampshire Pensions Services
The Castle
Winchester
Hampshire
SO23 8UB

Ensuring accuracy and confidentiality

The website address below will lead to the Fund Privacy notice

<https://www.westsussex.gov.uk/about-the-council/information-and-data/data-protection/privacy-notices/lgps-privacy-notice/>

LGPS Member and Employer site

<https://www.lgpsmember.org/> is the national website for members of the LGPS in England and Wales. It provides information on how to join the LGPS and gives details about the scheme.

<https://www.lgpsregs.org/> is the website for LGPS employers and pension funds in England and Wales. It provides information on the Scheme Regulations and other guides and resources on LGPS administration.

The Pensions Advisory Service & Pensions Ombudsman

The Pensions Advisory Service (TPAS) is now part of the Money Pensions Services with is an arm's length body of the Department for Work and Pensions (DWP). They can help with all kinds of pension questions.

Website address: <https://www.pensionsadvisoryservice.org.uk/>
Phone: 0800 011 3797
Address: Money and Pensions Service
120 Holborn
London
EC1N 2TD

The Pensions Ombudsman is an independent organisation set up by law to investigate complaints about Pension Administration.

Website address: <https://www.pensions-ombudsman.org.uk/>
Email: enquiries@pensions-ombudsman.org.uk
Phone: 0800 917 4487
Address: 10 South Colonnade
Canary Wharf
E14 4PU

Pensions Committee

22 July 2020

Part I

Pension Administration Performance

Report by Director of Finance and Support Services

Summary

Pension Administration services have been provided by Hampshire County Council since 4 March 2019. 100% compliance with the key performance indicators has continued. The Data Improvement Plan continues to be worked through with an expected completion date of 31 March 2021.

The administration team continue to work remotely in line with government guidance. Employers have been kept up to date about working arrangements and asked to speak with the team about any issues they foresee as a result of their own working arrangements.

Recommendation

That the update on the Administration Performance is noted.

Background

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.
2. The Pensions Committee has a key objective within its Business Plan to deliver a high-quality administration service to all stakeholders with processes and procedures to ensure that the Fund receives all income due and payments are made to the right people at the right time.
3. At 30 June 2020 the Scheme had 79,924 members as analysed below. It is anticipated that there could be a higher variance over the coming months as a result of the administration team completing end of year work.

	01/04	30/06	Movement	
Active	28,851 ¹	28,595	-256	(-0.9%)
Deferred	29,094	29,529	435	(+1.5%)
Pensioners	21,603	21,800	197	(+0.9%)
Total	79,548	79,924	376	(+0.5%)

¹ Amended from Pension Committee report on 4 May 2020. The figure previously published included membership for legacy employers.

Performance

4. The Pension Committee have agreed an Administration Strategy which sets out performance expectations for employers and the Administering Authority. The current Authority's performance against service standards for key processes (1 April to 30 June) are summarised below and shown in detail in Appendix A. With some exceptions the expectation is that most cases work is completed within 15 working days of receipt of accurate details.

Case Type	Quarter Total Cases	Quarter Completed on Time (%)	12 Month Total Cases	12 Month Completed on Time (%)
Active Retirement	85	100.0%	389	100.0%
Deferred Retirement	198	100.0%	705	99.9%
Estimates	209	100.0%	1,278	95.0%
Deferred Benefits	594	100.0%	3,027	96.1%
Transfers In/Out	24	100.0%	202	98.0%
Divorce	32	100.0%	181	79.0%
Refunds	138	100.0%	676	100.0%
Rejoiners	107	100.0%	320	100.0%
Interfunds	81	100.0%	351	89.2%
Death Benefits	145	100.0%	535	99.6%
Total	1,613		7,664	

5. Financial payments (payments of benefits, retirement processing, bereavement services and refunds to members) continue to be prioritised and arrangements are in place to switch resources if required to ensure that these payments continue. All payrolls have been run without issues. The Pension Fund pays eight pensioners via cheque and continues to request BACS details to facilitate payment.
6. Call volumes and case work remain reduced - however, overall volumes are now starting to increase. There have been no indications that employers are unable to adhere to requirements.

Breach Reporting

7. There are a number of regulatory requirements within the Local Government Pension Scheme (LGPS) for which there is a statutory duty to report to the Pensions Regulator if a material breach occurs.
8. Further to the May Committee report, the Scheme Manager has notified the Pensions Regulator of a breach of material significance in relation to the statutory publication of 2019 Annual Benefit Statements due to data quality / data availability following the transfer. The breach was reported to the Regulator on 11 May 2020. The Regulator has advised that no further action will be taken at this time. The Authority has been working on the delivery of its data improvement plan and on the production of the 2020 Annual Benefit Statements, which is covered later in this report.

9. Since the Committee met in May there has been one low risk data breach reported relating to correspondence being sent to a previous address, which has been logged through the County Council's IT Security Incident Report.

Contribution Receipt

10. Contribution monitoring is managed by the West Sussex finance team. All LGPS Contributions are expected to be received by the Fund on the 22nd. The majority of employers have adhered to this requirement and a clear escalation procedure has been followed where an employer has consistently made late payment. A copy of the contribution monitor is available at Appendix B.
11. Due to the impact of Covid-19, some employers are experiencing a severe impact on their immediate and ongoing revenues. The Fund recognises the challenges this may bring in respect of meeting employer pension costs over the shorter term. Currently the Fund have approved one request for the deferment of employer contributions to 30 June 2020. Employee contributions must still be paid over in line with the timescales set out above.

Scheme Changes

12. Since the Committee met in May the Pension Regulator has updated its guidance for avoiding pension scams. As a result of this guidance the administration team have reviewed their processes and the documentation that is provided to members and included some additional information when communicating with members.
13. A number of guides published by the Local Government Association have been updated to comply with the Public Sector Bodies (Websites and Mobile Application) (No.2) Accessibility Regulations 2018. Where relevant these have been communicated to employers and published on the website.

Annual Benefit Statement and Annual Return

14. At the time of writing this report 98% of deferred member records have an Annual Benefit Statement (ABS) available to be published on the member portal. All ABS's for deferred members will be published and communicated by the end of July. The remaining Statements.
15. The administration team have stated running active member Annual Benefit Statements. There are currently 5,008 active member records which are missing 2020 earnings, the majority (4,250) relating to four employers. The absence of 2020 earnings will result in an ABS not being published. This is considered to be the main substantive item which could impact on the Authority's compliance with the statutory deadline of 31 August 2020. Officers will work with the administration team and employers over the next two months to resolve matters where possible. The current position is summarised below:

	No.
Statements Required	28,595
Statements Produced	23,072
Statements Missing	5,523
Percentage of Statements Produced	80.96%

Member Portal Access

16. LGPS members can register for a pensions account on the member portal so that they can see their annual benefit statements online, as well as access and update their personal details. Pensioner members can view their payslips and P60s.
17. It is now mandatory for an employer to provide an email address for all new joiners as part of the new starter notification process. This is a change to the process and allows the Pensions Team to promote the member portal as the preferred route of communication. The member portal is also promoted in all deferred and retirement letters, to encourage deferred and pensioner members to use the member portal as a preferred route of communication and notification.
18. Since the Committee met in May there has been a 1.5% increase in registrations. The table below shows current registrations.

	Number	% of population
Active	9,151	32.0%
Deferred	4,291	14.5%
Pensioner	1,702	7.8%
Total	15,144	18.9%

19. As part of the Annual Benefit Statement process the member portal will be promoted. The communication will encourage members to check that their information is correct, and that their address, expression of wish and personal details are up to date.

Key milestones for the Next Quarter

20. The table below summarises the key activities for the next quarter and how these will be progressed:

Activity	Action
Continued implementation of Business Continuity arrangements as a result of international Covid-19 crisis, communicating with employers and members as necessary and responding to any national guidance relating to Scheme administration.	Service continues to be maintained.
Review of AVC arrangements to support the transfer of member benefits from Equitable Life to Utmost and to consider the best arrangement for Pension Fund members more generally.	Covered Elsewhere on the agenda.
End of Year work to allow Annual Benefit Statements to be published by the 30 August	Administration team liaising with employers on data submissions and queries. Financial or escalation issues will be raised with the Pensions team as required.

Activity	Action
Promotion of Member Portal in advance of Annual Benefit Statements being published by 30 August	Administration team promote the Portal in partnership with the Pensions team.

Risks and Mitigations

21. The table below highlights key risks and potential mitigations:

Risk	Mitigating Action (in place or planned)
Unable to progress certain casework due to guidance on social distancing eg. distribution of Life Certificates where a member is asked to obtain the signature of a witness that they do not live with (370 members).	Consider on case by case basis.
Failure to comply with Statutory requirements	Work closely with the administration team and employers to ensure that key deliverables are resourced and prioritised.
Unable to admit employers into the Fund due to execution requirements associated with Admission Agreements meaning that eligible members are not protected until process completes.	Consideration of authorisation requirements within Agreements.

Katharine Eberhart
Director of Finance and Support Services

Appendix A – Administration Performance
Appendix B - Contribution Monitor

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Appendix A - Administration Performance Previous 12 Months (1 July 2019 to 30 June 2020)

The table below shows performance against the relevant targets. The casework reported 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.
- Work in progress

	Q2 2019/20	Q2 2019/20	Q3 2019/20	Q3 2019/20	Q4 2019/20	Q4 2019/20	Q1 2020/21	Q1 2020/21	12 Month	12 Month
	No on time	% on time	No on time	% on time	No on time	% on time	No on time	% on time	No on time	% on time
Active Retirement	110	100.0%	99	100.0%	95	100.0%	85	100.0%	389	100.0%
Deferred Retirement	210	100.0%	153	99.4%	144	100.0%	198	100.0%	705	99.9%
Estimates	419	84.7%	324	100.0%	326	100.0%	209	100.0%	1,278	95.0%
Deferred Benefits	811	85.5%	824	100.0%	798	100.0%	594	100.0%	3,027	96.1%
Transfers in / out	13	100.0%	92	95.7%	73	100.0%	24	100.0%	202	98.0%
Divorce	28	46.4%	81	71.6%	40	100.0%	32	100.0%	181	79.0%
Refunds	160	100.0%	179	100.0%	199	100.0%	138	100.0%	676	100.0%
Rejoiners	51	100.0%	99	100.0%	63	100.0%	107	100.0%	320	100.0%
Interfunds	38	23.7%	101	91.1%	131	100.0%	81	100.0%	351	89.2%
Death Benefits	135	98.5%	126	100.0%	129	100.0%	145	100.0%	535	99.6%
Total	1,975		2,078		1,997		1,613		7,664	

The table below shows work in progress as at 30 June 2020. The day count reflects the time from date of receipt of the initiating request. Therefore it includes time whilst cases are on hold with the administration team pending further information. The casework reported does not include work being work on under the historic leavers and interfunds project, which forms part of the data improvement plan.

	Cases in progress 0-5 days from receipt	Cases in progress 6-10 days from receipt	Cases in progress 11-15 days from receipt	Cases in progress 16-20 days from receipt	Cases in progress 21-30 days from receipt	Cases in progress 31 + days from receipt	Cases in progress Total
Active Retirement	9	8	1	0	0	0	18
Deferred Retirement	21	4	7	0	0	0	32
Estimates	62	40	36	11	7	5	161
Deferred Benefits	126	151	69	76	0	0	422
Transfers in / out	0	5	2	1	1	6	15
Divorce	6	1	1	0	0	1	9
Refunds	3	1	0	0	0	0	4
Rejoiners	6	4	0	0	0	0	10
Interfunds	7	5	1	2	0	0	15
Death Benefits	17	5	12	8	0	0	42
Total	257	224	129	98	8	12	728

Appendix B – Contribution Receipts Previous 12 Months (1 June 2019 to 31 May 2020)

The table below shows Scheme Employer performance in respect of their statutory responsibilities to paying their contributions to the Fund.

It should be noted:

- Whilst there were late payments recorded in April and May 2020 the late payments relate to different employers.
- All late contribution payments have now been received as at 30th June 2020.

	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	12 Mth
Late	0	0	1	1	0	0	0	1	0	2	4	2	1
On time	193	195	194	194	195	197	199	199	198	196	193	195	196
% Late of Active Employers	0.0%	0.0%	0.5%	0.5%	0.0%	0.0%	0.0%	0.5%	0.0%	1.0%	2.0%	1.0%	0.46%
Average Days Late	-	-	9	15	-	-	-	2	-	77	19	5	11
Total Amount Overdue (£)	-	-	28,081	645	-	-	-	5,165	-	15,278	35,927	4,439	7461
% Late of total contributions	-	-	0.26%	0.01%	-	-	-	0.05%	-	0.14%	0.33%	0.04%	0.07%

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Pension Advisory Board

7 September 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

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. The Communication Policy Strategy is currently being reviewed and any updates will be communicated to the Board at their next meeting.
5. 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

Appendix C – Annual Benefit Statement Template (Active)

Appendix D – Annual Benefit Statement Template (Deferred)

Background Papers

[Communication Policy Statement](#)

Description and Calendar of Communication Deliverables

	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)	02/2020	02/2021
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	09/2020	09/2021
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 HCC's existing version – changes will be made where necessary. Payslip production following monthly pensions payroll.	Where pension varies by at last £1, payslip will be issued.	Ongoing		
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	09/2020	
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 09/2020	11/2020
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	09/2020	11/2020
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	02/2020 09/2020	02/2021
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 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	[TBC]	[TBC]

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Communications for the relevant period

Latest news updates (specific topics, changes to the regulations) Employer newsletters (Employer Matters)

<https://www.hants.gov.uk/hampshire-services/pensions/local-government/employers/news/west-sussex-news>

- PUBLISHED Employer Matters July 2020
- PUBLISHED Employer Matters April 2020 (Special Edition)

Stop Press publications

<https://www.hants.gov.uk/hampshire-services/pensions/local-government/employers/news/west-sussex-news>

- PUBLISHED Stop Press August 2020 - update on Annual Benefit Statements 2020 being available on the member portal
- PUBLISHED Stop Press July 2020 – McCloud Consultations and Cost Cap
- PUBLISHED Stop Press April 2020 – LGA Employer Webinar invite
- PUBLISHED Stop Press March 2020 – Annual Update and Parental Bereavement Regulations/Service Update/McCloud communications for Employers

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Private and Confidential



**West Sussex Pension Fund
administered by
Hampshire Pension Services**

Issue date August 2020

Your Local Government Pension Scheme (LGPS) 2020 annual benefit statement

Welcome to your annual pension statement. It gives you details of your pension benefits, calculated at 31 March 2020. See below for a summary of your pension benefits. The remainder of the statement provides more detail on how your pension benefits have been calculated.

Your personal details

Name:
Date of Birth:
National Insurance Number:
Employer:
Pay reference:

Summary of your benefits

Estimated benefits at 31 March 2020 (See Section 1)

Standard annual pension:
Automatic lump sum:

Surviving partner's annual pension:

Projection of your benefits to your Normal Pension Age (NPA) (See Section 2)

Standard annual pension:
Automatic lump sum:

The rest of this document provides further information on how this has been calculated and shows more detail on exchanging pension for lump sum.



Director of Finance, Performance and Procurement
Katherine Eberhart

Important information

You will receive a separate statement for:

- any other jobs in which you also contribute to the LGPS
- previous deferred pensions if they have not been combined with this pension
- any Additional Voluntary Contributions you have also paid in the year

All the calculations are based on the information that we hold on our records. This statement will be inaccurate if this information is wrong. Please check the details on this statement to ensure that the information we have used is correct.

This statement is for illustration purposes only and does not commit to payment on this basis. You should not use this statement to make any retirement decisions.

1. Your estimated benefits built up to 31 March 2020

This section shows the estimated value of the pension benefits you have built up to 31 March 2020. This value is calculated as if you left the scheme on 31 March 2020 and assumes you will not take your pension until your normal pension age (NPA).

A breakdown of these benefits is shown in section 4.

Estimated benefits at 31 March 2020

Standard annual pension:

Automatic lump sum:

Surviving partner's annual pension:

2. Projection of your benefits to NPA

This section shows a projection of the benefits that you would build up in the LGPS if you remain an active member up to your NPA, and:

- is based on your pensionable pay to 31 March 2020
- is shown at today's value
- assumes your pay will remain constant to your NPA
- assumes you remain in the section of the scheme you were in at 31 March 2020

If this section shows £0.00 for all benefits you have passed your NPA, and you should use the information shown in section 1.

Your NPA:

Benefits with no pension exchanged for lump sum

Standard annual pension:

Automatic lump sum:

Benefits with maximum pension exchanged for lump sum

Reduced annual pension:

Maximum lump sum:

Projected surviving partner's pension

Annual pension of:

3. Death grant lump sum

This section shows what death grant lump sum would be payable if you die while contributing to the scheme.

Death grant lump sum:

Your Death Grant Expression of Wish

If you have completed a death grant expression of wish form, the details of who you wish to receive any death grant lump sum are shown on the Member Portal.

4a) Your pensionable pay, membership and pension benefits

This section provides information on how your estimated benefits have been calculated. It is important that you check this information carefully as if it is not accurate, your benefits will be incorrect.

4a) Your pensionable pay and membership

The LGPS changed on 1 April 2014 from a final salary scheme to a Career Average Revalued Earnings (CARE) scheme. Pension built up before this date is based on your membership to 31 March 2014 and your final pay (which is the average pensionable pay over your final year).

The pay and membership used in the estimate of your benefits is shown below. The pay figures used were provided by your employer.

Your pensionable pay figure for your benefits up to 31 March 2014 is based on:

- full time pay even if you work part time
- the amount defined as pensionable, not necessarily what you earn
- an average for the year, to take into account pay increases or decreases

Membership awarded from a transfer in before 1 April 2014 or membership arising from a “Club” transfer is included.

You can view and check your service record via our Member Portal. Please see our website to register or log in.

Pay and membership for benefits up to 31 March 2014

Pensionable pay:

Membership (to 31 March 2014 only)

Pre 1 April 2008 (years/days):

1 April 2008 – 31 March 2014 (years/days):

Your CARE pay figure is based on your pensionable pay during 2019/20, including contractual and non-contractual overtime and any additional hours you worked.

In order to ensure the accurate calculation of your benefits, **you must check** that your CARE pay is correct. You may lose the right of appeal if you fail to identify any inaccuracy within 6 years as your employer may no longer hold their original records. If you believe your CARE pay is incorrect, **please contact your employer**.

CARE pay from 1 April 2019 to 31 March 2020

CARE pensionable pay (main section):

CARE pensionable pay (50/50 section):

4b) A breakdown of your pre April 2014 pension benefits

Your benefits in the LGPS before 1 April 2014 are based on your membership in the scheme up to 31 March 2014 and your final salary when you leave the scheme.

- For membership built up to 31 March 2008 you receive a pension of $1/80^{\text{th}}$ of your final pay plus an automatic tax free lump sum of $3/80^{\text{th}}$ of your final pay.
- For membership built up from 1 April 2008 to 31 March 2014, you receive a pension of $1/60^{\text{th}}$ of your final pay. There is no automatic lump sum.

Benefits to 31 March 2014

Automatic lump sum:

Pre April 2008 (80^{ths}) pension:

1 April 2008 – 31 March 2014 (60^{ths}) pension:

Additional pension purchased (ARCs):

Total pre April 2014 pension:

If you have a Pension Sharing Order, see **notes** as this breakdown will not reflect the pension reduction.

4c) A breakdown of your CARE pension calculation

From 1 April 2014, you build up pension at a rate of $1/49^{\text{th}}$ of the amount of pensionable pay you receive each year (or half this rate ($1/98^{\text{th}}$) for any period you elected to be in the 50/50 section of the scheme). This pension is added to your pension account which is then revalued on 1 April each year.

If you joined the scheme during the 2019/20 year, the balance built up to 31 March 2019 will be nil.

CARE pension was revalued at 2.4% on 1 April 2019. This is based on CPI in September 2018.

Balance built up to 31 March 2019	Pension revaluation on 1 April 2019	Total CARE pension added for 2019/20	Total annual pension to be revalued on 1 April 2020

The table below shows how your CARE pension for 2019/20 has been calculated:

CARE benefits from 1 April 2019 to 31 March 2020
CARE (49^{th}) pension 2019/20:
CARE (98^{th}) pension 2019/20:
Transfers In buying pension (other than LGPS transfers):
Additional Pension Purchased:
Total CARE Pension:

5. **Standard Lifetime Allowance (LTA)**

The LTA is the amount of savings you can take from your pension schemes without attracting a tax charge and is set by HM Revenue and Customs.

The LTA for 2019/20 is £1,055,000. If you take more than £1,055,000 from your combined pension savings, you may face a tax charge.

Standard LTA for 2019/2020:	£1,055,000
Value of LTA used in this membership:	
Percentage of LTA used in this membership:	

These figures represent the **standard** LTA. If you have specific LTA protections please let us know.

The LTA for 2019/20 is £1,055,000. This will increase to £1,073,100 from 6 April 2020. Please see the [lifetime allowance factsheet](#) on our website for more information.

Notes

These notes provide more explanation of the information contained in your benefit statement.

When can I take my benefits?

The Normal Pension Age (NPA) is the date you can take your benefits in full and for most people this will be your State Pension Age (but with a minimum of age 65). You can choose to take your pension from age 55 but it will be reduced if you take it before your NPA. If you take your pension after your NPA, increases will be applied.

At any time, the Government may change the factors and methodology used to calculate the reductions and increases which may result in a corresponding change to the pension you are paid at retirement.

You must take your pension by age 75. For more information on when you can take your benefits, see our webpages.

If your State Pension Age changes in future, your NPA in the LGPS will also change.

If you paid into the LGPS before 1 April 2014, you may have a different NPA for benefits built up before this date. If you have a different NPA for your pre April 2014 and post April 2014 benefits, then some of your benefits may be paid in full and some may be increased or decreased depending on when you decide to take your pension. However, when you take your benefits you must take them all at the same time (unless your employer allows you to take flexible retirement).

You can only take this pension when you leave your job or if your employer grants flexible retirement. However, you must take this pension by age 75 if you continue to work.

What options do I have when I take my benefits?

When you take your pension you will have the option to exchange some of your pension for a tax free lump sum. We have shown the benefits based on:

- not giving up annual pension and
- giving up the maximum pension possible.

Partner's pension

If you have a spouse or civil partner, they automatically qualify to receive a survivor's pension if you were to die. If you have a cohabiting partner and meet certain conditions, your partner may be eligible for a pension even though you are not married or in a civil partnership. This is a scheme benefit that is paid to surviving partners and will not reduce or affect your pension even if you do not have a partner. You cannot nominate anyone else to receive your partner's pension.

An estimated surviving partner's pension is shown if our records indicate you are in a partnership. This figure is only for illustration purposes and the amount may differ from the one shown depending on your circumstances and on the regulations that apply when a pension becomes payable. For example, if you are currently married but subsequently re-marry after you leave, your new spouse may not be entitled to as much pension as your original spouse was.

Deductions from your benefits

If you have elected for scheme pays, this may not be reflected in the figures given on this statement. Please contact us for more details if this applies to you.

Pension Sharing orders

If you have a pension sharing order, this may not be reflected in the figures given on this statement. Please contact us for more details if this applies to you.

Death grant lump sum

A death grant lump sum will be payable if you were to die while contributing to the LGPS. The distribution of this is made at the absolute discretion of the fund; however you can express a wish for a person(s) or organisation(s) to receive this. It can be paid directly to a beneficiary and therefore would not be part of your estate or subject to inheritance tax.

You can view and update an existing nomination, or provide a new nomination on the Member Portal. Alternatively you can complete a death grant expression of wish form available from our website.

Please note: If you have a deferred pension and / or a pension in payment from a previous period of membership of the scheme, the death grant lump sum will be the higher of

- The death grant arising from these benefits, or,
- Death grant lump sum of three times your assumed pensionable pay for your active membership(s).

Transfers in

Any transfers in from another LGPS fund, between 1 April 2019 and 31 March 2020, which awarded CARE pension will be included in the CARE pension shown. Any non LGPS transfers in this period will be listed under 'Transfers in buying pension'. Any transfers completed after 31 March 2020 will not show on this statement.

Your pensionable pay and membership

Your pensionable pay was provided by your employer. If you do not agree with the amount shown on your statement, please contact your employer.

Any service you have before 1 April 2014 is used to calculate pension. You can view your service history on the Member Portal. From 1 April 2014, your pension is calculated on your pensionable pay only, not on your service.

Lifetime Allowance (LTA)

The LTA applies to the value of your combined UK registered pension schemes and some overseas schemes; the value shown relates to this pension. It does not include any in-house AVC.

Most people's benefits will not exceed the LTA but we need to provide this information to everyone.

The information shown here is not a transfer value. To obtain a transfer value, please complete a Cash Equivalent Transfer Value form, available from our website.

Your LTA value shown on this statement is based on your benefits built up to 31 March 2020.

Annual Allowance

HM Revenue and Customs sets an annual allowance, which is the amount by which your benefits can increase in a year without being subject to tax. The standard annual allowance is currently £40,000. If you have exceeded the standard annual allowance limit in the year you will receive a Pension Savings Statement by 6 October 2020.

A tapered annual allowance may apply for people with adjusted income of £150,000 and over. If you think this applies to you, please contact us.

Please see the [annual allowance factsheet](#) on our website for more information.

Protect yourself against pension scams

What is a pension scam?

Pension fraud is increasing. If you are thinking of transferring your pension out of the LGPS you may be at risk from scammers. Scam tactics include:

- contact out of the blue,
- promise of high/guaranteed returns,
- access to your pension before age 55,
- free pension reviews,
- pressure to act quickly.

Please read the guidance document produced by [The Pension Regulator](#).

For further detail and information please visit our website

<http://www.westsussex.gov.uk/pensions>

Update on the Court of Appeal ruling – McCloud/Sargeant

This year's Annual Benefit Statement provides an estimate of your pension benefits built up to 31 March 2020. Any projections on your pension entitlement are also based on the assumption that your current membership will continue until your NPA.

Please note that on the 20 December 2018, the Court of Appeal ruled in McCloud/Sargeant that the transitional arrangements introduced as part of the 2015 reforms to the Firefighters' and Judges' pension scheme were discriminatory and, therefore, unlawful. The Government subsequently accepted that this ruling applied to all the main public service pension schemes and is currently working on removing this discrimination to all affected scheme members [including for the LGPS scheme]. This work is complex and will take time. For further information please see the Written Ministerial Statement from 25 March 2020:

<https://www.parliament.uk/business/publications/written-questions-answers-statements/written-statement/Commons/2020-03-25/HCWS187/>

At this stage there is still uncertainty around the final approach to removing this discrimination. This means that it has not been possible to reflect the impact of the Court of Appeal ruling in this year's Annual Benefit Statements.

Keeping in touch

Please make sure to let us know if you move address. You can update your address quickly and easily using our Member Portal. See our website for details.

If you need to write to us, please quote your National Insurance number.

Email	pensions@hants.gov.uk
Phone	01962 845588
Address	Pension Services, The Castle, Winchester, SO23 8UB
Website	http://www.westsussex.gov.uk/pensions

Privacy notice

We use your details for processing your pension benefits. More details on how we ensure that this is kept secure can be found in our privacy notice available on our website.

Disclaimer

Every care has been taken in the compilation of this statement and every attempt has been made to present up-to-date and accurate information. However, we cannot guarantee that inaccuracies will not occur. In the event of any dispute over your pension benefits, the appropriate legislation will prevail.

Pension Services can give you information about your pension but we cannot give financial or tax advice. We are not allowed to advise you to take a particular course of action when a choice arises. Instead, you may wish to seek the assistance of an independent financial adviser or tax adviser. Some advisers may charge you for their services.

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**West Sussex Pension Fund
administered by
Hampshire Pension Services**

*The Castle, Winchester,
Hampshire SO23 8UB*

*Telephone 01962 845588
www.hants.gov.uk/pensions*

Issue Date August 2020

Your Local Government Pension Scheme (LGPS) 2020 deferred benefit statement

Welcome to your 2020 deferred annual benefit statement. It gives you details of your current pension benefits. The annual pension increase on 6 April 2020 has been included in these figures.

Your Personal Details

Name:
Date of birth:
National Insurance Number:
Employer:
Date left scheme:

Your Pension

Value at 6 April 2020

Pension and lump sum payable from

Benefits with no pension exchanged for lump sum

Standard Annual Pension:

Automatic Lump Sum:

Benefits with maximum pension exchanged for lump sum

Reduced Annual Pension:

Maximum Lump Sum:

This statement is for illustration purposes only. You should not use this statement to make any retirement decisions.

Your statement is based on the information that we hold on our records. If you think we have anything wrong then please let us know.



Director of Finance, and Support Services
Katharine Eberhart

Your Partner's Pension

Appendix D

If you have a spouse or civil partner, they may automatically qualify to receive a pension if you die.

If you paid into the LGPS after 31 March 2008 your cohabiting partner may be eligible for a pension, even if you are not married or in a civil partnership, but certain conditions need to be met. Visit our website to find out more.

You cannot nominate anyone else to receive your partner's pension.

Survivor's Pension:

This is only an illustration. The amount may differ from the one shown, depending on your circumstances and on the regulations when you paid into the pension scheme.

A surviving partner's pension will only be shown above if our records indicate you are in a partnership. If you wish to update your record you can do this online via the Member Portal or by completing the Change of Personal Details form available on our website. A nomination form for a cohabiting partner is also available on our website.

Once you have informed us, a surviving partner's pension will be included on all future statements.

Your Death Grant

A death grant lump sum may be payable in the event of your death. The distribution of this is made at the absolute discretion of the fund; however, you can express a wish for a person(s) or organisation(s) to receive this. It can be paid directly to a beneficiary and therefore would not be part of your estate nor subject to inheritance tax.

The amount payable will depend on whether you hold an active LGPS benefit as well. If you die after re-joining the LGPS, only one death grant will be paid – it will be from whichever pension gives the highest death grant.

For more information see our website.

Death grant lump sum at 6 April 2020:

The LTA is the amount of savings you can take from your pension schemes without attracting a tax charge and is set by HM Revenue and Customs.

The LTA for 2019/20 is £1,055,000. If you take more than £1,055,000 from your combined pension savings, you may face a tax charge.

The LTA applies to the value of your combined UK registered pension schemes and some overseas schemes; the value below relates to this deferred pension. It does not include any in-house AVC.

Most people's benefits will not exceed the LTA but we need to provide this information to everyone.

The information shown here is not a transfer value. To obtain a transfer value, please complete a Cash Equivalent Transfer Value form, available from our website.

Standard LTA for 2019/2020: Value of LTA used in this membership: Percentage of LTA used in this membership:
--

These figures represent the **standard** LTA. If you have specific LTA protections please let us know.

The LTA for 2019/20 is £1,055,000. This will increase to £1,073,100 from 6 April 2020. Please see the [Lifetime Allowance factsheet](#) on our website for more information.

Please note AVC statements are sent separately – they are not included in this statement.

If a pension sharing order applies to your pension, the benefits shown are reduced to take this into account.

If you joined the LGPS before 1 April 1980 and left the scheme before 31 March 1998, your pension will be reduced at state retirement age due to National Insurance modification as stated when you left the LGPS.

If you joined the LGPS on or after 1 April 2008, your statement may not show a lump sum figure. However, when you claim this pension you will have the option of exchanging some of your pension to take a tax free lump sum.

Any benefits that were built up after 1 April 2014 will be payable in full at your State Pension Age (SPA). Please be aware that your SPA may change in the future.

The 'payable from' date shown on this statement is the date you can take your benefits without any reduction for early payment. It is known as your Normal Pension Age (NPA). Some parts of your benefits may have a different NPA depending on the scheme rules that applied at the time the benefits were built up. However, you must take all of your benefits on the same date so some parts of your pension may be increased for late payment or decreased for early payment depending on when you choose to take them. The benefits shown on this statement include any late payment increases which would apply to your benefits if they are paid on the date shown. There is more information about NPA protections on our website.

If you take your pension before your NPA, reductions may be applied to your pension. If you take your pension after your NPA, increases will be applied. At any time, the Government may change the factors and methodology used to calculate the reductions and increases which may result in a corresponding change to the pension you are paid at retirement.

Your Death Grant Expression of Wish

You can provide a death grant expression of wish or update an existing one on the Member Portal.

Alternatively, you can complete a Death Grant Expression of Wish form available on our website.

Your pension is due to be paid in full by your Normal Pension Age (NPA).

You may receive it sooner, but this depends on when you stopped paying into the LGPS and left your relevant employment. If you:

- **Left before 1 April 1998:** You can choose to receive your pension from age 55 if you are no longer in the employment relating to this pension. If you do not take your pension early then you must take it at NPA.
- **Left after 31 March 1998:** You can choose to receive your pension from age 55 (or in a few cases from 50 but only if your former employer's policy allows) as long as you are no longer in the LGPS employment relating to this pension.
- **Left after 31 March 2014:** You can choose to receive your pension from age 55 as long as you are no longer in the LGPS employment relating to this pension.

Your pension will be reduced if you choose to receive it before your expected retirement date. The reduction will depend on how early it is paid:

Years early	Reductions		
	Men	Women	Lump sum
1	5.1%	5.1%	2.3%
2	9.9%	9.9%	4.6%
3	14.3%	14.3%	6.9%
4	18.4%	18.4%	9.1%
5	22.2%	22.2%	11.2%
6	25.7%	25.7%	13.3%
7	29.0%	29.0%	15.3%
8	32.1%	32.1%	17.3%
9	35.0%	35.0%	19.2%
10	37.7%	37.7%	21.1%
11	41.6%	41.6%	N/A
12	44.0%	44.0%	N/A
13	46.3%	46.3%	N/A

If you left after 1 April 1998 you can choose to defer your pension past your NPA, please be aware that this will not be backdated when it comes into payment.

Ill health: You may apply to receive your pension on ill health at any age, please contact your former employer in the first instance who will guide you through their deferred ill health process.

There is information on our website about how to claim your pension.

Re-joining the LGPS

Appendix D

If you re-join the LGPS with Hampshire or another fund in England or Wales, please make sure both administering authorities are aware that you have other LGPS pension benefits.

You will normally have a year to make a decision about whether or not to combine your deferred pension with your active one. These options will be explained in the Starter Information booklet. To notify us of your decision you will need to complete our Membership Option Form on the Member Portal.

If you opted out of the LGPS on or after 11 April 2015 but did not leave your job, you will not be able to combine your deferred pension with your active one if you later opt back into the LGPS in the same employment.

Protect yourself against pension scams

Pension fraud is increasing. If you are thinking of transferring your deferred pension out of the LGPS you may be at risk from scammers. Scam tactics include:

- contact out of the blue,
- promise of high/guaranteed returns,
- access to your pension before age 55,
- free pension reviews,
- pressure to act quickly.

Please read the guidance document produced by [The Pension Regulator](#)

For further detail and information please visit our website

www.hants.gov.uk/pensions

Please make sure to let us know if you move address. You can update your address quickly and easily using our Member Portal. See our website for details.

If you need to write to us, please quote your National Insurance number.

Email:	pensions@hants.gov.uk
Phone:	01962 845588
Address:	Pension Services, The Castle, Winchester, SO23 8UB
Website:	http://www.westsussex.gov.uk/pensions

Privacy notice

Our privacy statement is available on our website.

Disclaimer

Every care has been taken in the compilation of this statement and every attempt has been made to present up-to-date and accurate information. However, we cannot guarantee that inaccuracies will not occur. In the event of any dispute concerning your pension benefits, the appropriate legislation will prevail.

Pension Services can give you information about your pension but we cannot give financial or tax advice. We are not allowed to advise you to take a particular course of action when a choice arises. You may wish to seek the assistance of an independent financial adviser or tax adviser. Some advisers may charge you for their services.

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Pensions Advisory Board**7 September 2020****Part I****Covid-19 Impact****Report by Director of Finance and Support Services****Summary**

COVID-19 has had a significant impact on global populations, the investment markets, the operations and financial stability of companies and assumptions about the future. It is unclear at this stage what will be the medium and longer term impact but it is necessary for the Committee to consider the effect and the appropriate response.

Recommendation

1. The report is noted.

Background

1. COVID-19 has led to a worldwide increase in deaths and a significant shock to the global economy with large movements and increased volatility in stock market values and financial difficulties for some employers. Whilst the short-term impact on the number of deaths and the economy is significant, it is unclear at this stage what will be the medium and longer term impact.

Pension Committee

2. The Pensions Committee received a paper at their meeting on 22 July which considered the impact on investments, funding positions and risks.
3. The paper considered by the Pensions Committee has been appended to this report (Appendix A).

Scheme Advisory Board

4. The Scheme Advisory Board has launched and commented on surveys relating to the impact of the Covid-10 pandemic on Administering Authorities.

Date	Description	Link
22 May 2020	LGPS COVID-19 Governance survey	https://lgpsboard.org/images/Covid-19/LGPS_governance_survey_results_May2020.pdf
21 April 2020	Cash flow	https://lgpsboard.org/images/PDF/Covid-19/LGPSCashSurveyApril2020.pdf
7 April 2020	LGPS Resilience	https://lgpsboard.org/images/PDF/Covid-19/LGPSSurveyApril2020.pdf

Katharine Eberhart
Director of Finance and Support Services

Contact: Rachel Wood, Pension Strategist, 033 022 23387

Appendices

Appendix A – Pension Fund Covid-19 Report from 22 July Pensions Committee

Background Papers

None

Pensions Committee

22 July 2020

Part I

Covid-19 Impact

Report by Director of Finance and Support Services

Summary

COVID-19 has had a significant impact on global populations, the investment markets, the operations and financial stability of companies and assumptions about the future. It is unclear at this stage what will be the medium and longer term impact but it is necessary for the Committee to consider the effect and the appropriate response.

Recommendation

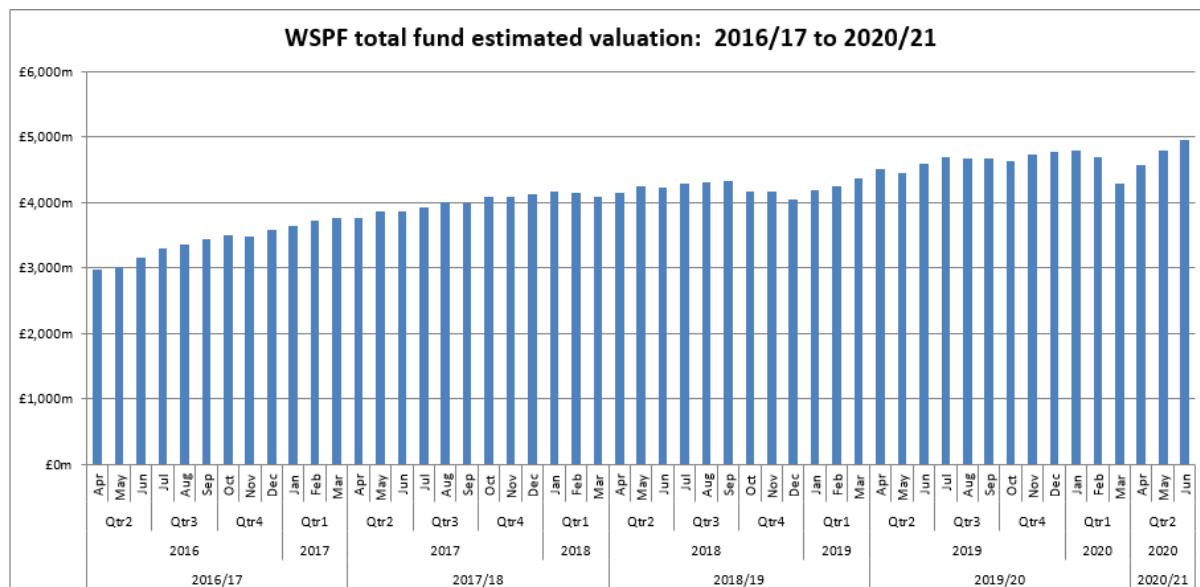
1. The report is noted.
2. The short term risk management approach for employers set out in paragraph 10 is agreed.

Background

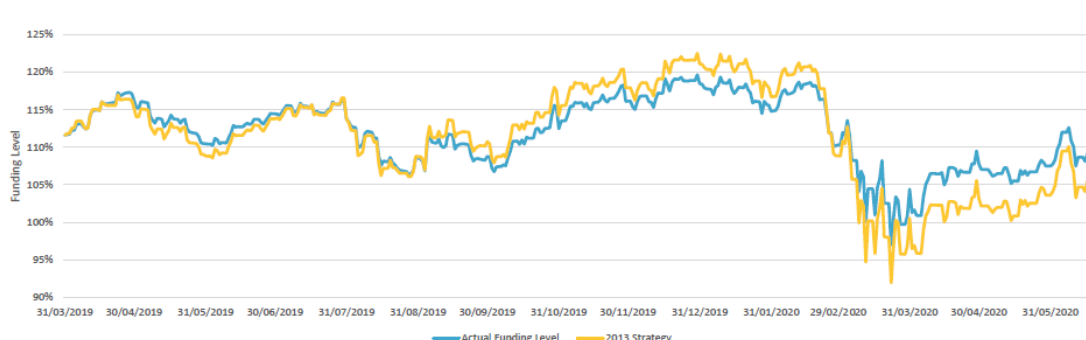
1. COVID-19 has led to a worldwide increase in deaths and a significant shock to the global economy with large movements and increased volatility in stock market values and financial difficulties for some employers. Whilst the short-term impact on the number of deaths and the economy is significant, it is unclear at this stage what will be the medium and longer term impact.
2. The paper covers:
 - Impact on investments held by and opportunities for the Fund
 - Impact on funding positions (whole of fund and employers) and any risks posed to the Fund due to changes in financial covenant of different employers as lockdown continues
 - Experience in relation to the death rates emerging and how they may impact funding
 - Impact on cash flow
 - The response and experience of the administration team
 - Risk mitigation options for the risks identified
3. As the pandemic evolves, and the economic and political environment reacts, aspects of the above may also evolve. The situation and its response will therefore be kept under regular review.

Impact on investments

- Investment markets have rebounded over the previous quarter with the total fund valuation returning to 31 December 2020 levels as illustrated in the following chart:



- The Fund's overall strategy has been to reduce equity exposure and increase the allocations to protection and income assets to help cushion the funding level from market volatility. The chart below compares the actual progression of the funding level versus the progression had the Fund not reduced risk over the last few years. No allowance has been made for manager over/under performance over the period, and the period is covered is short. Whilst towards the end of 2019 when equity markets were performing well, the 2013 strategy would have likely produced slightly higher funding levels, the significant shifts in the markets in March 2020 were dampened for the Fund due to its lower risk strategy.



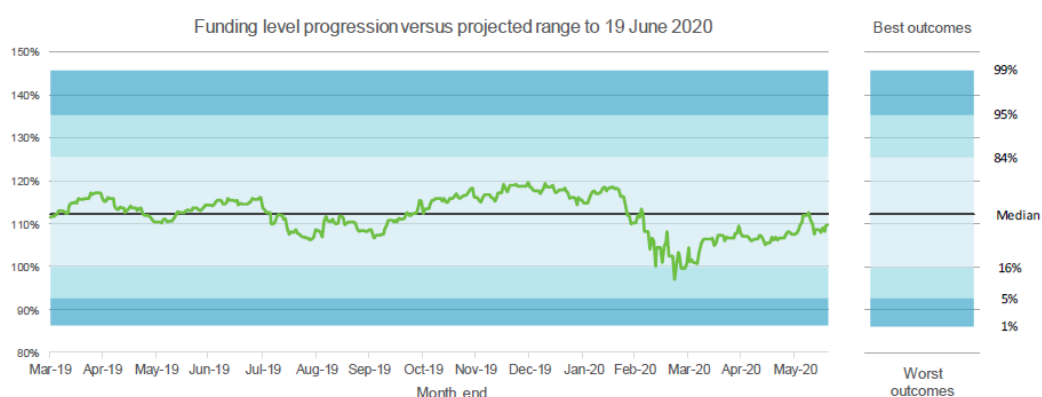
Impact on the funding position

Whole Fund

- The Fund held assets of £4,374 million against liabilities of £3,919 million, equating to a funding level of 112% as at 31 March 2019.

7. The chart below shows the variation in the funding position since 31 March 2019.

- The green line in the following chart shows how the funding level has evolved since 31 March 2019 to a recent date (19 June 2020) by allowing for market movements over the period. Volatility in the funding level measure is to be expected given that the Fund is invested in assets whose day-to-day value can fluctuate significantly e.g. equities.
- The blue shading in the below chart's background represents the 'corridor of potential funding levels' predicted by the Actuary at the 2019 valuation, with the darker shading representing the less likely (i.e. more extreme) outcomes.



8. The chart shows that, at the time of writing, the funding level remains within the 'corridor' of outcomes predicted by the Actuary at the 2019 valuation. For the majority of the period of COVID-19 volatility the funding level remained within the outcomes which have a 1 in 6 chance of occurring (with a very short period when the level fell to a 1 in 20 outcome). The Actuary has provided further comments:

- The funding level became increasingly volatile from February 2020 onwards as COVID-19 started to impact global markets. In particular, the FTSE100 suffered its second largest one day crash in its history, and the biggest since the 1987 market crash.
- Whilst there has been a sharp fall in the funding level since the turn of the year, there has been some 'bounce-back' in recent weeks. It is yet unknown if this will be sustained due to the continuing uncertainty in the global economy. The timing and shape of any rebound is uncertain and depends on containment of the virus and the effectiveness of policy responses in preventing temporary disruption to businesses and consumers from causing permanent damage.

Employers and risks posed to the Fund due to changes in financial covenant of different employers as lockdown continues

9. Within the Fund there are different types of employer and therefore different approaches to calculating the funding target, the period of which this funding target should be met and the certainty required that the

employer will achieve their funding target and as a result the employers contribution strategy.

10. The contribution strategy manages funding risk over the medium and long term. However it is important to consider the Fund's shorter term risk exposure - the risk that the Fund is not able to recover an exit deficit from the employer (or an alternative source of funding) and that other employers active in the Fund will need to meet the benefits of the ceased employer's members in future (i.e. the ceased employer's assets are exhausted while there are still members collecting benefits). It is proposed that:

- Employers in surplus on a cessation basis are not reviewed.
- Those employers with comparatively small deficits are monitored by officers.
- Those employers who have an obligation to put a bond in place (or pay higher contributions) if their funding level were to drop below a certain level on a flat gilts basis and who have previously been considered lower risk in due diligence commissioned by the Authority are monitored by officers.
- Due diligence work is completed for those employers with a significant deficits on a cessation basis, who have been considered medium or higher risk in due diligence commissioned by the Authority previously.

Due diligence includes reviewing an employer's financial position and business plans to help the Fund understand the employers financial health and, importantly, what assets might be available to the Fund to cover any cessation deficit on insolvency where the risk is considered to be highest. Contextual information has been included for the Committee (Appendix A (Restricted)).

Cessations

11. Employers may cease active participation in the Fund as a result of the last active member ceasing participation in the Fund, the end of their contract term, insolvency or a breach of their obligations under the Admission Agreement. The recent volatility may impact funding balance sheets for those employers planning to exit the Fund in the short term. Lockdown restrictions may hasten or trigger an employer's insolvency.
12. The Regulations permit the Administering Authority to revisit an employers contribution rate between formal valuations where there are circumstances which make it likely that an employer (including an admission body) will become an exiting employer "with a view to providing that assets equivalent to the exit payment that will be due from the Scheme employer are provided to the fund by the likely exit date".
- There are two small employers who are planning to exit the Fund during the next quarter and are responsible for funding their exit position.¹ The

¹ Ridge Crest (Littlehampton Academy), due to cease 31/07/2020, funding position of 110% (£9,400 surplus) / Ridge Crest (Sir Robert Woodard Academy), due to cease 31/07/2020, funding position of 99.6% (£400 deficit).

Fund is in discussions with the admission bodies and its related employer in preparation for their exit.

- There are six 'contractor' employers who are due to exit the Scheme in the next six months where a risk sharing arrangements is in place with their Awarding Authority. The Fund assumes all liabilities and assets of employers admitted under risk sharing / 'pass through' arrangements remain with the Scheme Employer as they typically retain nearly all the pensions risks of the members involved. Therefore the exit funding risk is reduced.
- There is currently one employer who may exit the Scheme as a result of insolvency. The Authority is in close dialogue with the guaranteeing employer.

Other employer Matters

13. As a result of Covid-19 a deferral of employer contributions policy has been agreed, to assist employers who are being impacted and facing financial difficulty. The agreement to any contribution deferment will increase the risk of an employer failing to pay their required contributions within the financial year. Therefore careful consideration is made of any request. To date, one employer has applied and had their employer contribution deferment approved. Employee contributions must still be paid during this period.
14. The Fund is aware of re-structuring activity within some organisations which could result in a reduction in active membership and / or additional retirements (either voluntary or as a result of redundancy). This will be kept under review.
15. The Authority is also aware that some sectors are more at risk as a result of the impact of the pandemic than others. This will be kept under review.

Impact of death rates emerging

16. The increased death rates due to COVID-19 that is currently unfolding in the UK and globally will inevitably affect all pension schemes. The key impacts of higher mortality from a funding perspective are:
 - Higher liquidity – ensuring the Fund has sufficient cash to pay out lump sum death benefits promptly to beneficiaries.
 - Death-in-service 'strains' – the death benefits for an active member may be significantly bigger than the valuation liability. Whilst such strains tend to be 'absorbed' easily by large employers, a strain for a small employer with very few active members could materially reduce its funding level. In normal circumstances, these would be very rare events, however they may increase in occurrence due to the level of excess deaths linked to COVID-19.
 - Reduced liabilities – higher deaths than expected amongst pensioners will lead to lower liabilities. Mature employers, with higher proportions of pensioner members, may be most 'affected'.
-

17. The evidence of deaths related to COVID-19 is emerging, but it is difficult at this stage to attach any certainty to mortality rates (not least because testing has not been widespread in the UK). From a Fund perspective:
 - Death cases (including death in service cases) are slightly higher than the annual trend, however it is not considered significant at this stage.
 - The membership of the Fund is predominately female, who are considered to be in the 'lower risk' category in relation to Covid-19.
18. As the majority of deaths are occurring at older ages (nationally), it is reasonable to assume that the overall impact will be a reduction in liabilities and a general improvement to funding levels, all else being equal. However the impact is unlikely to offset market movements to any material extent e.g. an infection rate of 33% across the pensioner population might reduce liabilities by around 1% for a typical employer.
19. At this stage, it is not possible to extrapolate the longer term impact of a higher death rate in 2020/21 either on future mortality or morbidity rates. There are a number of factors to consider:
 - The responses to COVID-19 including social distancing, increased hygiene measures, resulting improved air quality and lifestyle changes may act to improve life expectancy.
 - Whether the virus has hastened the deaths of some of the population which would have died of other causes resulting in a lower death rate over the next few years.
 - Whether the virus persists over time, like influenza.
 - Whether there is a long term impact on the health of those who recover from COVID-19 (which could result in future higher ill health retirement rates).
20. Data is still being collected and analysed and we will monitor any future impacts on life expectancy at subsequent valuations or sooner if necessary.

Impact on cashflow

21. The analysis below models the impact of a potential reduction in employer contributions and investment income, alongside a potential increase in benefit payment.
- 22.

	Current £'000 per month	Assumed Variance	Adjusted £'000 per month
Income			
Contributions	11,004	-10%	9,903
Property	1,378	-30%	965
	12,382		10,868

	Current £'000 per month	Assumed Variance	Adjusted £'000 per month
Expenditure			
Pension benefits	8,313	10%	9,144
Death benefits	216	5%	227
Lump sums	1,157	10%	1,273
	9,686		10,644

23. It should be noted:

- The reduction in contribution payments is based on the experience from the 2008 recession.
- The increase in death benefits is based on advice from the Fund Actuary.
- The reduction in property income is based on advice from the Property managers.
- No distinction between the types of retirements has been made.
- Monthly figures are a smoothed average and don't reflect payment patterns from employers.
- The analysis does not include any income from the equity and bond portfolios, or the Fund's private equity investments.
- The analysis does not take into account the Fund's current cash balances.

Impact on the administration team

24. To date the administration team have been able to fully support business as usual activity and project work. There have been some delays with end of year information and query resolutions with employers which are being managed within the team.
25. The Fund and administration partners are mindful of the potential spikes in work as a result of Statutory deadlines and changes to the Regulation (eg. McCloud). However the team remain confident that this can be absorbed and managed effectively within the team.
26. However it has been noted that continued remote working may present challenges if and when recruitment activity is required.

Risk mitigation options for the risks identified

Risk	Mitigation
Pressure on rental income as tenants request rent free/reduced rent periods while restrictions are in place and following the lifting of lockdown	Communication with Fund Manager to understand their approach and the impact on performance.

Risk	Mitigation
Risk of more overpayments due to increased number of deaths and slow flow of information.	Communication with admin team to ensure any peaks in work load are managed.
Possibility of employers not paying contributions or paying reduced contributions for either resourcing or finance reasons.	Communication with advisors to understand options regarding contribution regulations. Communication with employers to ensure they are aware of Deferral of Employer Contributions policy and to invite early discussion with regards to any workforce changes.
Possible impact on cashflow	Implement cashflow monitor and projections. Monitor on a monthly basis.
Employers exiting the Fund with little or no warning.	Covenant review discussions.
Employers unable to meet end of year deadlines which impacts on the production of ABS.	Regular contact with employers and admin team regarding expectation and timeframes.

Katharine Eberhart

Director of Finance and Support Services

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

Appendices

Appendix A – Restricted Contextual information – For members of the Committee only.

Background Papers

None

Training Sessions Delivered at County Hall and External

	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	24-Jun-20
	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	CIPFA LPB Annual Event
	Internal	Internal	Internal		Internal			Internal		Online
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 as an appendix

The Hymans Robertson LGPS National Knowledge Assessment Report is included at 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

LGPS National Knowledge Assessment

National Report 2020

In this report:

Executive summary	2
Thoughts from England and Wales Scheme Advisory Board	3
Introduction	4
The Results	5
Engagement	11
Insight into the questions	13
Training feedback from participants	15
Conclusion	17
Appendix - Methodology	18

Executive summary

“An investment in knowledge
pays the best interest”
– Benjamin Franklin

Pension Committees and Pension Boards in the LGPS have a significant responsibility. Acquiring, developing and maintaining a good level of knowledge is key to carrying out their role effectively and ensuring the successful running of their fund. The push for higher levels of knowledge and understanding in LGPS Committees and Pension Boards has two fundamental aims –

1 Informed decision making

2 Informed scrutiny

The goal of the National Knowledge Assessment (NKA) is to present participating LGPS funds with an insight into the level of knowledge of their Committee and Pension Board members, both individually and as collective groups.

We're pleased to share the results of the first ever National Knowledge Assessment.

Our key findings

- **Traditional topics are still dominating** – there are higher levels of knowledge in the traditional Committee and Pension Board topics of Investment and Financial Markets and lower knowledge levels on topics such as Administration and Actuarial Methods, Standards and Processes. A similar theme was found in the 2018 National Confidence Assessment.
- **Training engagement will come from varied and topical training subjects** – respondents to the assessment suggested that they would like more frequent training across a wide range of subjects – training needs to be kept topical and interesting!
- **Different knowledge levels at funds but crucially a good spread of knowledge** – funds did find a fluctuation in knowledge levels of participants – as they may have expected. Crucially though there is a good spread of knowledge on most topics which allows funds to evidence that appropriate challenge and decision making exists at their fund.

What should funds do next?

- 1 Ensure they have assessed the current knowledge levels of their Committee and Pension Board
- 2 Use the results to identify weaker areas of knowledge
- 3 Produce a training plan to improve on these areas and track and record Committee and Pension Board training

We hope you find this report insightful. If you would like to discuss any of our findings further, please do get in touch.



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Thoughts from England and Wales Scheme Advisory Board

“ 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 business-like manner with reasonable care, skill and caution ”

These words taken from the iconic case of *Roberts v Hopwood* are often cited to describe the duty owed by councils to the beneficiaries of their decisions. Although the fiduciary duty owed by decision makers in the Local Government Pension Scheme (LGPS) is an issue we and others are still wrestling with, we can take from this case the clear requirement for decisions to be made with care, skill and caution. It is difficult to envisage this being possible if those responsible for taking such decisions do not themselves possess, or have access to, the necessary knowledge of the environment in which they operate.

As Chair of the Scheme's advisory board I welcome the work that has been undertaken to assess the level of knowledge of both LGPS pension committees and local pension boards as a follow up to the 2018 assessment of confidence. The findings of these national assessments will contribute significantly to the Board's Good Governance project, in particular how we can assist both committees and boards in matching the standards required by the Pensions Regulator.

Readers will of course reach their own conclusion on what the national confidence and knowledge assessments say about the effectiveness of LGPS pension committees and local pension boards but for me there are several aspects that deserves further consideration.

Firstly, the findings appear to suggest that pension committees still tend to be investment-centric, which is understandable given the significant assets in the scheme. However, that leaves less time and focus for the equally important areas of scheme administration and governance, especially when scheme changes such as McCloud are on the horizon. I fully recognise that in many cases

administering authorities make full use of their pensions board in these areas or have established separate advisory groups or sub-committees to focus on these issues. Where this is the case, proper engagement between committees and these bodies will be paramount. On the plus side, I am pleased to see that on training requirements, governance and administration score very highly.

Secondly, it is noticeable that in most of the eight sections of work explored, the level of confidence exceeds the level of knowledge for members of both pension committees and local pension boards. Again, this is understandable given the 'collective knowledge' provided through the support of both officers and advisors, however, care should perhaps be taken to ensure that such support is not taken for granted or maybe relied on a little too heavily. To that end, the good governance project will be seeking to assist administering authorities in evidencing how this collective knowledge is both achieved and maintained.

Finally, we shouldn't forget that the acquisition of knowledge and understanding is a statutory requirement for members of local pension boards but not for members of pension committees. I therefore take a considerable amount of comfort in the outcome that there is no significant difference between the knowledge of pension committee and local pension board members across the eight sections of work explored in both assessments.

To conclude, we are reaching a critical stage under the good governance project where aims and aspirations are developing into practical and real world changes to improve the governance and administration of the scheme on a consistent and measured basis that will match the standards expected by The Pensions Regulator. The results of the national assessment on both confidence and knowledge will greatly assist the good governance implementation group in making their final recommendations to the scheme advisory board.

Councillor Roger Phillips
Chair of the Scheme Advisory Board
(England and Wales)

Introduction

Following the success of the 2018 LGPS National Confidence Assessment, the 2020 LGPS National Knowledge Assessment takes the next step in our journey towards understanding and developing knowledge levels in the LGPS.

The NKA aims to provide LGPS funds, and other stakeholders, with an insight into the pensions-specific knowledge and understanding of the people who hold decision making and oversight responsibility at LGPS funds. It is a key barometer for the knowledge levels across the 8 topics of the CIPFA Knowledge and skills framework. This assessment allows funds to provide targeted training to help develop the knowledge of Committee and Board members, who play such a vital role within the LGPS.

Participation

Having assessed over 225 members participating across 20 LGPS funds, the NKA provides a clear indication and insight of national knowledge levels for the decision makers within the LGPS.

The breakdown on participants as at June 2020 is shown below.

	Chair	Member	Total
Committee	12	118	130
Board	18	78	96

Measuring engagement

The world of pensions and investments is continually evolving. Engagement is vital for effective informed decision making and maintaining strong collective knowledge within both groups.

As part of the assessment, we provided participating funds with a benchmark position on the level of engagement from both their Committee and Pension Board. This is a crucial insight for funds as a strong set of results based only on the knowledge performance of a small number of participants would not tell the full story. Understanding your engagement levels in comparison to your peers helps to round that insight.

This assessment was taken in participants own time. We're delighted that over 60% of those eligible to respond chose to do so.

Why does good knowledge matter?

In recent years, a number of events have seen a marked increase in the scrutiny of public service pension schemes, including the 100 regional funds that make up the LGPS across the UK. The below are the 'roots' for the National Knowledge Assessment:

- TPR – Pension Board knowledge requirements
- MIFID II – evidence from Committee training
- TPR 21st Century Trustee campaign – applicable to LGPS
- Hyman's National Confidence Assessment 2018
- SAB (E&W only) Good Governance project

These recent events have reaffirmed that LGPS funds should evidence the training provided and current knowledge and understanding levels retained within their Committee and Board.

The results

Firstly, we look at the overall scores from the assessment, based on the sections used to group the individual questions.

We also made a comparison between the results from the National Confidence Assessment and National Knowledge Assessment.

We then analysed the results further to summarise the results of various sub-groups including:

- Board vs Committee
- Chair vs Members
- Tenure
- Highest and lowest answered questions
- Insight into engagement levels at funds
- Collective knowledge across a participant fund
- Engagement levels
- Training topic feedback

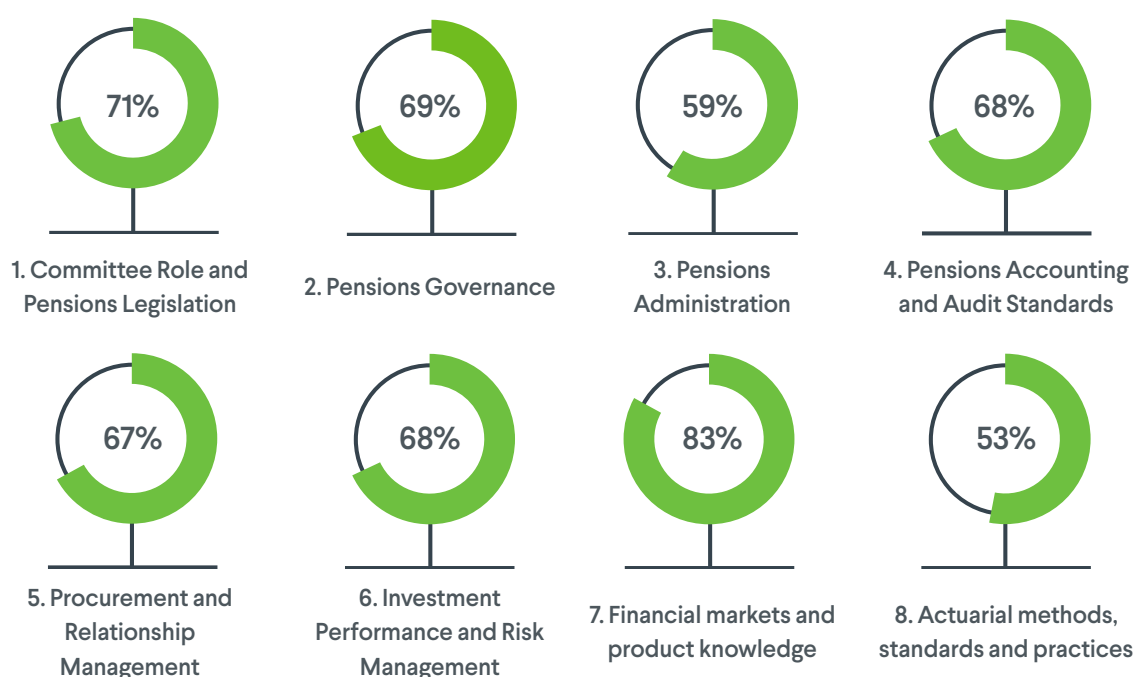
An overview

The responses for **all members** who participated have been collated and analysed. The first set of results show the average participant score across all 8 sections.

The highest scoring section is Financial Markets and Product Knowledge, with an average score of 83% – scoring well above all other areas in the assessment. The lowest scoring sections are Actuarial Methods, Standards and Processes (53%), followed by Pensions Administration (59%).

It's interesting that the highest scoring sections are probably those that are considered the more traditional areas which Boards and Committees might focus on. The lowest scoring sections would typically have less time spent on them at Committee and Board meetings. That's not to say these sections are any less important, it simply reflects our experience of the coverage of these sections on meeting agendas.

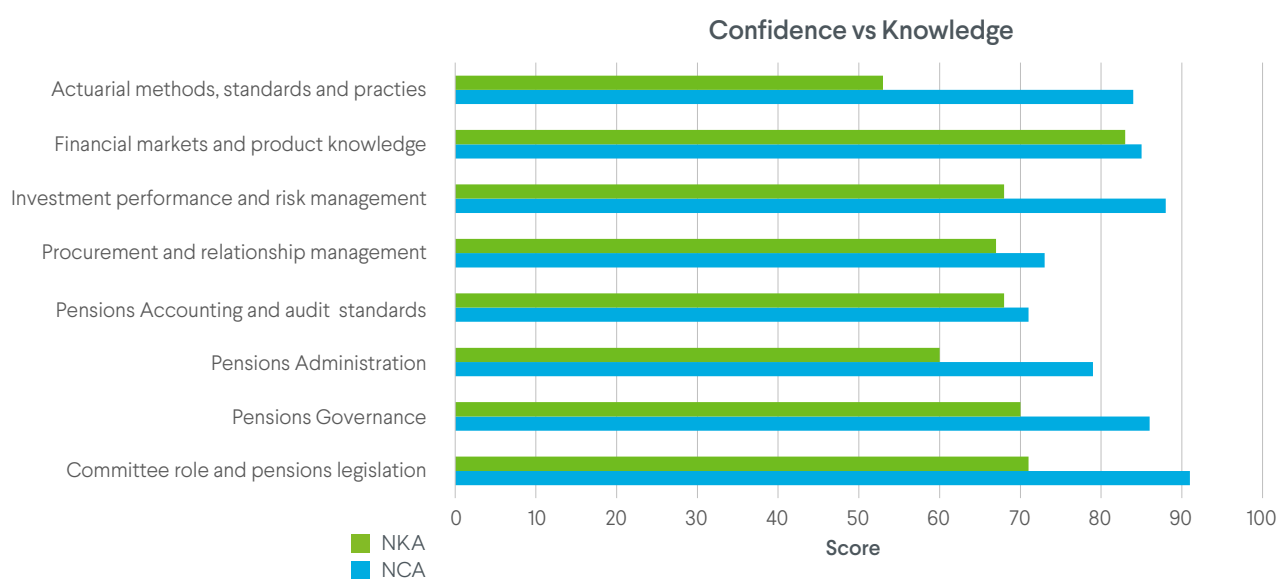
This in itself poses a challenge. It's easy to see why knowledge levels might be lower if they have less time dedicated to them on meeting agendas. To address this issue, it requires a concerted effort to develop knowledge in these areas.



Confidence vs Knowledge

So, how do the NKA results compare to those from our National Confidence Assessment (NCA) in 2018?

The NCA asked members to gauge how confident they were in the same 8 topics covered in the NKA. The chart below shows the comparison between confidence and knowledge.



The NCA score reflects the percentage of responses answered with either “mostly confident” or “completely confident” to questions under each section.

The NKA score reflects the average number of questions answered correctly in each section.

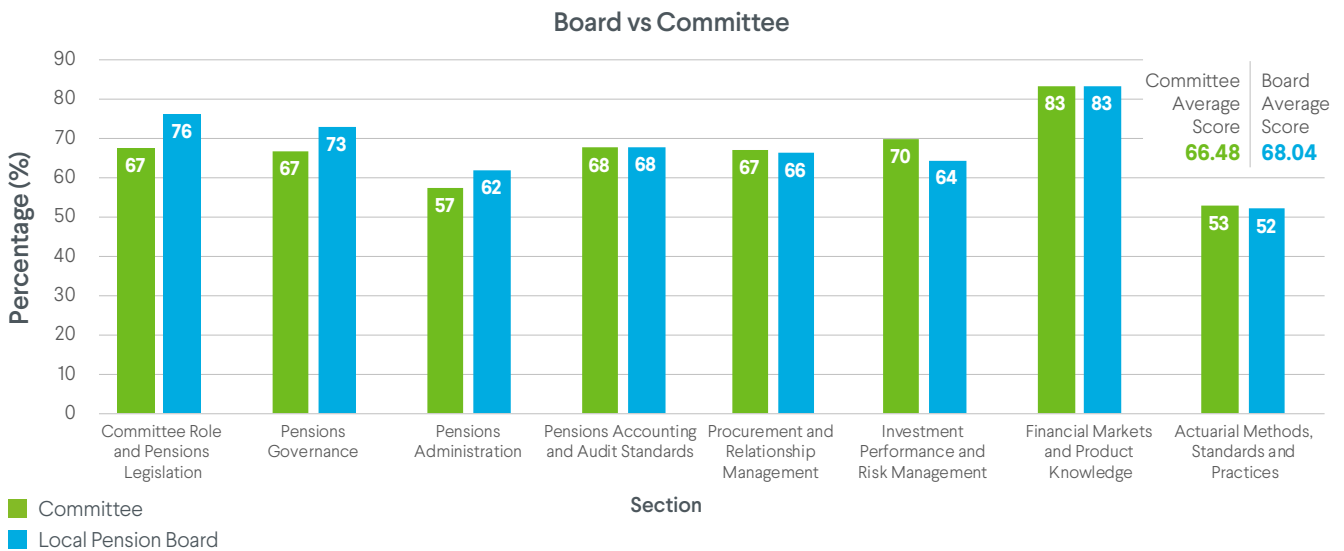
It should be noted that the NCA questions were subjective, with members asked to rate their confidence in the subject areas from very confident to not at all confident. There is no direct quantitative comparison between the 2 surveys, rather it is the gap between levels of knowledge and confidence in each subject area that is most relevant.

The confidence in Financial Markets is borne out in practice based on the NKA results. The biggest discrepancy between confidence and knowledge is for Actuarial Methods, Standards and Practices – the lowest scoring area overall. This suggests members felt confident in this subject area, but when tested with questions on the topic, they did not perform as well as expected. It may also suggest that NCA respondents were confident on the 8 areas due to advice from Officers and Advisers.

Members were most confident in the role of the Committee and Pensions Legislation, and this is reflected in the results of the NKA with this topic scoring second highest but lagging some way behind Financial Markets and Product Knowledge.

Board vs Committee

We have also compared the results of the Committee and the Boards to see if there is any pattern of results. The results indicate that the overall knowledge levels of the Board are marginally higher than those of the Committee, although this varies by section.

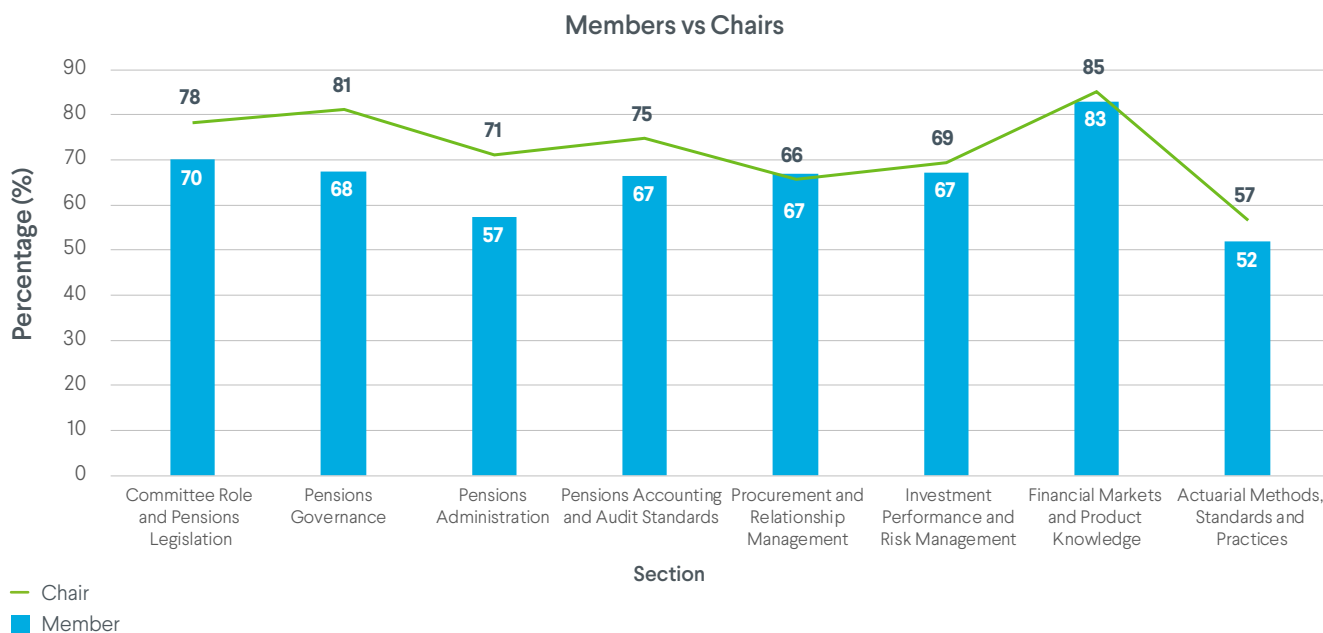


It's interesting that the Board have higher average scores in the sections on Committee Role and Pension Legislation, as well as Pensions Governance. This is not altogether unexpected, given the Board's oversight role. The Committee members' area of outperformance against the Board relates to investment performance. Again, this is not unexpected given the typical roles of both bodies.

The Board and Committee scored similarly in all other areas. As there is no current statutory requirement for Committees to attain a certain level of knowledge, it is encouraging that there is not a vast difference between them and the Pension Board who do have that requirement.

Members vs Chairs

As well as looking at the Committee scores and Board scores together, we have compared the results of the Chairs versus members. The Chair results reflect the results of both Committee and Board, against the remaining members of the Committees and Boards.



The knowledge levels of the Chairs are greater than that of the members on almost every topic. This is as you might expect given these roles are typically taken by individuals with experience of serving on the Committee / Board and often bring with them external experience relevant to the role.

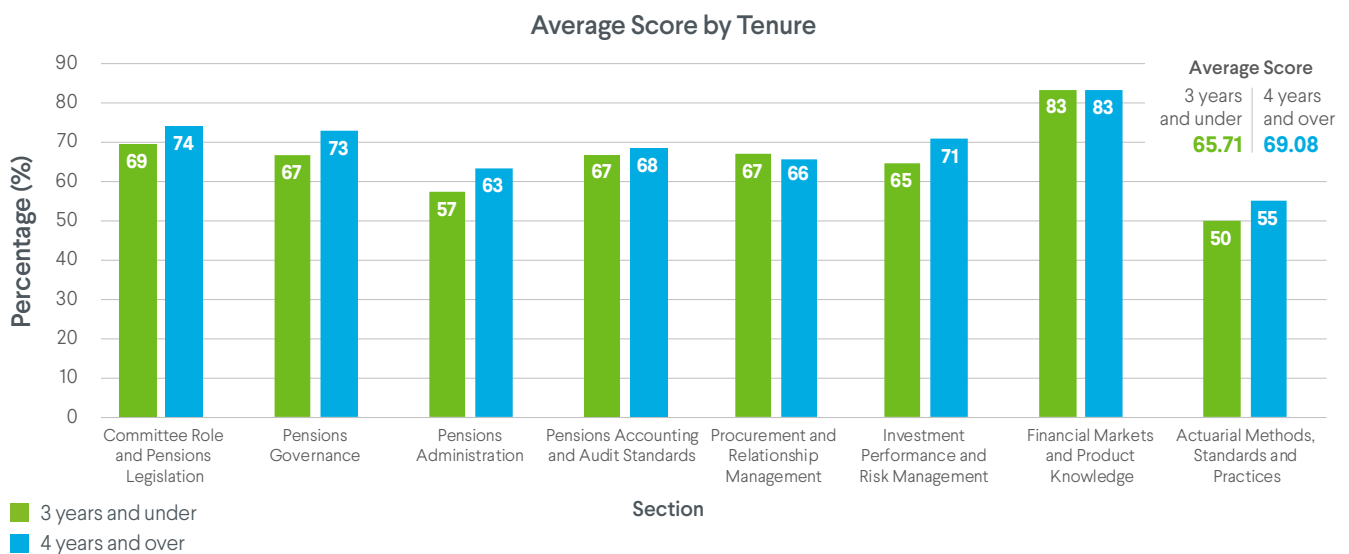
The average score for **members is 66%** and for **Chairs, 73%**.

Chairs outperform the members in all but one section – that of Procurement and relationship management.

There are some distinct differences in the scores of some sections with the Chairs outperforming most in governance and administration. As a key driving force for raising standards at individual funds, these Chair results are very encouraging as the LGPS continues that push.

Tenure

When completing the survey, we asked members to indicate the amount of time they had spent in their role. We have used tenure to gauge whether the time spent on a Committee and/or Board is reflected by the level of knowledge a member has. You would perhaps expect that those who serve longer have more knowledge in certain areas – this is clearly a generalisation but is supported by the results.

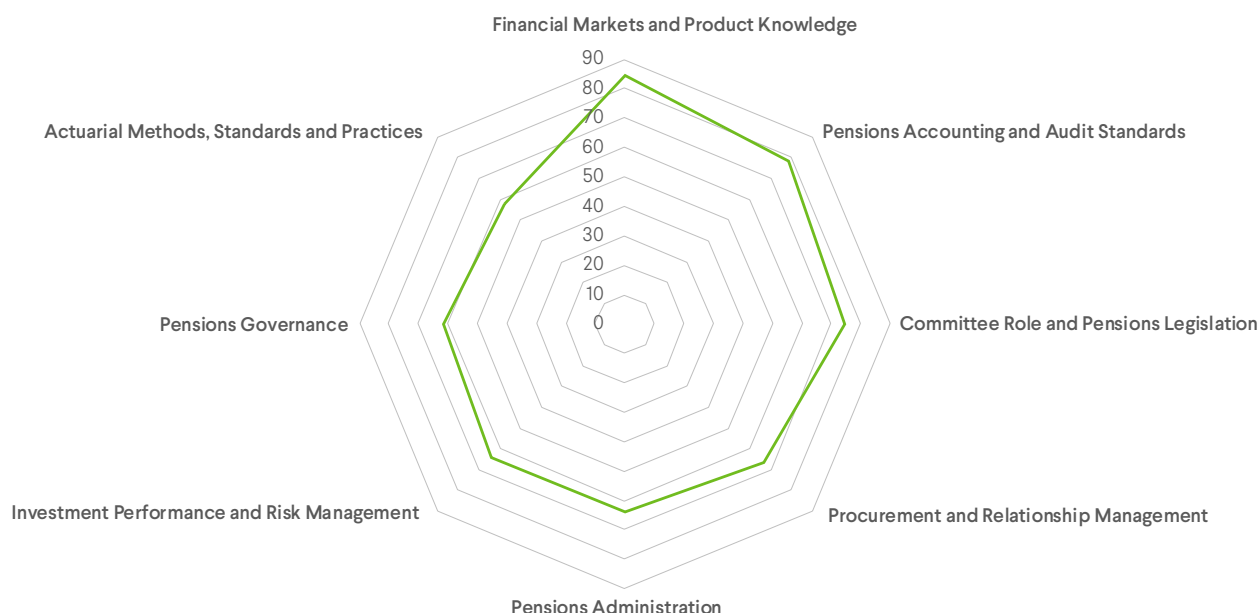


Of those who participated, around 4 years is the average length of service on the Committee/Board. We have used this to analyse the results based on tenure. The chart above shows the results of those who have a tenure of 3 years or less versus those 4 years or more.

As you might expect, the scores are higher for those with longer service on the respective Committee or Board. This will most likely reflect experience these members have had tackling the relevant issues as well as training sessions they have attended. The only section where those with a shorter tenure outperformed was in Procurement and Relationship Management.

There is not a huge divergence in the scores when using tenure as a marker. This probably reflects the fact that the Committee and Board members have a variety of backgrounds and working experiences. Background and experience will, of course, have an impact on a member's knowledge levels.

Spread of knowledge



The above chart highlights the spread of knowledge at a typical participating fund. Taken on its own, you may draw the conclusion that an area like Pension Administration will not be appropriately scrutinised at this Fund. However, as highlighted within the Good Governance project, decision making and scrutiny relies on both the collective knowledge of your decision makers and also on individual skills and knowledge levels within your Committee and Pension Board teams.

We recommend that funds continue to improve their overall scores in all areas, but they should also be encouraged to provide evidence that appropriate decision making, and scrutiny can be provided by at least some of their 'team', if not every member.

Commentary on results

We would fully expect there to be gaps in the knowledge of all members, no matter their role on the Committee or Pension Board, their tenure or indeed their background in terms of pensions experience.

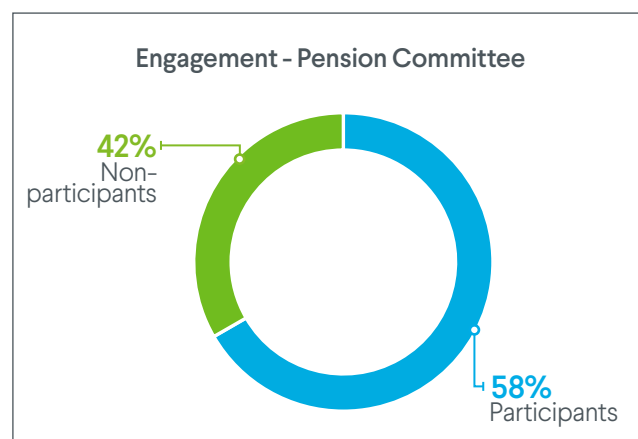
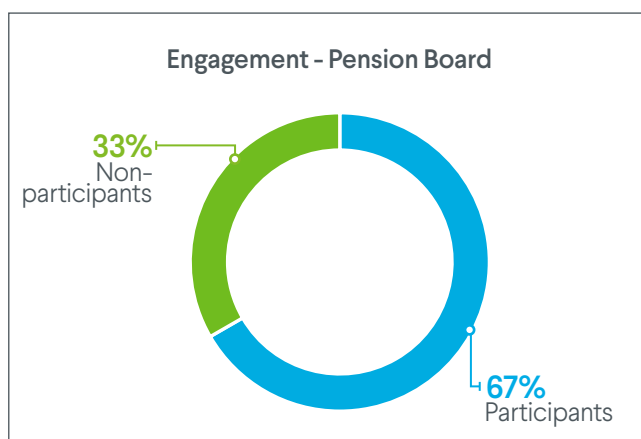
The most important thing to emphasise is that not everybody needs to be an expert in all areas, rather there should be a spread of knowledge across LGPS Committees and Pension Boards which is supported by advice from officers and professional advisors. This will help ensure informed decision making and informed scrutiny takes place up and down the LGPS land.

Engagement

One of the key outcomes from this assessment is being able to gauge the level of engagement of Committee and Board members, both at local fund level, but crucially at a national level as well.

It's very encouraging that 20 Funds signed up to participate in this assessment. However, what is most reassuring, is the level of uptake within those funds. The average participation level – the number of participants as a proportion of those eligible to participate – was over 60%. Given the current circumstances of home-working, this is a good result.

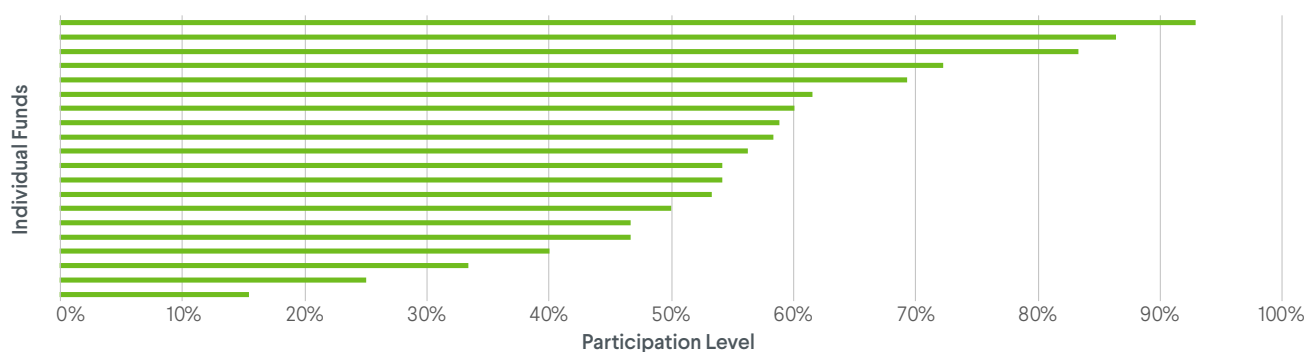
The diagrams below show the breakdown of the total number of Committee and Board participants nationally, as a proportion of those who could have responded from the participating funds.



Members should not only be willing, but keen to develop their knowledge and understanding across the raft of topics upon which they will need to make, or oversee, decisions. Regardless of tenure, past experience or current knowledge levels, the landscape and Regulations of the LGPS changes so quickly (and often) that developing and enhancing knowledge is a continual part of their role.

Fund-level engagement

The following anonymised chart shows the breakdown of participation at fund-level.



We understand that different Committees function in different ways and have different numbers of members. We therefore draw no conclusions or make any inferences about specific funds from these results. The information is simply useful to demonstrate the wide differences in engagement between funds who participated.

With one fifth of the LGPS participating, we feel this can be extrapolated across all funds and suggests that there is great disparity with regards to engagement levels.

The decision making and scrutiny processes will be performed best by Committees and Boards which are fully engaged in their roles.

How to improve engagement levels

- 1 Keep training sessions varied, topical and interesting
- 2 Where possible, training sessions should be short and interactive – it's hard to maintain focus and energy levels within long training sessions
- 3 Introduce options for members to learn within their own time and without needing to be at a specific physical location
- 4 Have a clear training plan for the group and, where required, for individuals who require more training
- 5 If face to face training is required, ensure that the format is split between a presentation and a question and answer session

Insight into the questions

Highest scoring questions

We have picked out the top 3 questions in terms of correct answers from participants:

7.3 By lending money to companies or to Government you would be investing in which asset class?

- A** Bonds
- B Property
- C Equities
- D Cash

3.4 Which of the following is not one of The Pensions Regulator's measures of good practice set out in its code of practice 14?

- A Appropriate knowledge and understanding
- B Strong internal controls and good data and record keeping
- C Providing high quality information to members
- D** Maximising investment returns

5.6 How should the Fund ensure the services it receives are satisfactory?

- A Receive annual reports from providers on the services provided
- B** Have in place a contract management regime with regular reporting and challenge of provider performance
- C Review at the end of the contract term
- D Annual customer surveys

These 3 questions with most correct answers were spread over 3 different topics. In each case they were answered correctly by **more than 90%** of respondents.

Lowest scoring questions

Similarly, we have picked out the 4 questions (8.2 and 8.3 had identical average scores) which were answered most poorly overall:

<p>5.1 Who in the Council is responsible for ensuring that procurement rules are followed?</p> <p>A The committee</p> <p>B Relevant Director and Fund officers</p> <p>C A specialist Procurement Officer</p> <p>D Head of HR</p>	<p>8.2 Which of the following is not a key principle of the Funding Strategy Statement?</p> <p>A Prudent view of Fund solvency</p> <p>B Adequate monitoring of Fund Manager performance</p> <p>C Transparency of governance process</p> <p>D Contribution stability</p>
<p>3.2 Which of the following is not a requirement but which a Fund may currently have in place?</p> <p>A Funding Strategy Statement</p> <p>B Administration strategy</p> <p>C Governance compliance statement</p> <p>D Communications policy</p>	<p>8.3 An employer's "primary rate" (expressed as a percentage of pensionable pay) is...?</p> <p>A The cost of new benefits accruing to the employer's active members</p> <p>B The cost of the pensions due to be paid out in the next year to the employer's former employees</p> <p>C A standard contribution rate calculated by the government for the LGPS as a whole</p> <p>D The minimum contribution payable by the employer</p>

These 4 questions were answered correctly by less than one third of respondents, with the question regarding procurement rules answered correctly in only 10% of responses. This indicates there is clearly some work which can be done to raise awareness of procurement rules and procedures.

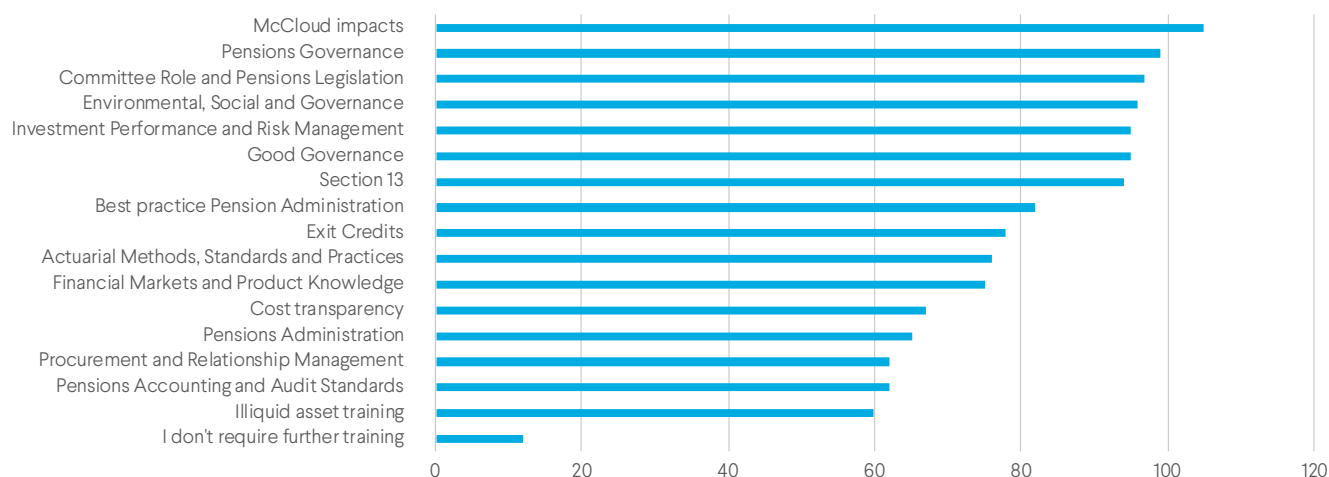
Two of the bottom 4 questions relate to the section on Actuarial methods, standards and practices. This is not surprising since this topic was the lowest scoring section overall but provides an indication of specific areas in which knowledge is lacking.

Training feedback from participants

One of our key aims from conducting this assessment is to facilitate putting in place bespoke training plans for all participating funds. This will allow members to get the most value from their structured training. We provided participating funds with a focussed training guide as part of their individual tailored results report. We hope that funds who opted not to participate in the assessment will still benefit from the aggregated national results and use these as the basis of structuring their training plan over the coming months and indeed years.

We asked members to indicate which topics they would like to receive training on. The list of options available covered a broad range of topics which we believe are most relevant to allow Committee and Board members to effectively perform their roles.

The table below summarises the areas in which members indicated training would be beneficial.



McCloud

The impact of the McCloud ruling is the single most requested training topic. As this is such an important current development in the LGPS, it's perhaps unsurprising. The fact that nearly half of all participants specifically requested training on this issue highlights the lack of confidence and understanding of the issue. We recommend that each fund has a McCloud section at their next Committee or Pension Board meeting if they have not already done so.

Committees could well be asked to approve project plans and measures put in place by the funds' officers to deal with the McCloud issues. Pension Boards will need to have oversight of this and sufficient knowledge to be able to scrutinise the decisions taken. It is apparent that a proportion of Committee and Board members do not feel equipped to do so currently, and that they would value further training.

Governance

Governance also features heavily in terms of requested training topics. Three of the top five topics requested concern governance. This has been a topical area in the LGPS over the past few years, and one which is quite rightly at the forefront of members' minds. That these topics have been requested by such numbers, suggests there is not only a desire, but a need, for further training in these areas.

Training support

Tools such as this online assessment offer different ways for members to take part in training. We have noted some training materials and websites below which might help you deliver focussed sessions to your Committee and Board and keep them informed on the most pertinent pension areas.

- CIPFA Knowledge and Skills Framework
- [TPR Public Service Toolkit](#)
- [LGA fundamental training](#)
- [LGA monthly bulletins](#)
- Hymans Robertson Training videos for Committee and Board members (more info below)

Hymans Robertson's Online training for Pension Committee and Local Pension Board members

We recognise that it's difficult to cover the extensive training requirements at quarterly meetings and understand elected members have limited time to dedicate to long training sessions outside of these meetings. That's why we're developing an online course to make it easier for members to obtain the knowledge they require, in a more efficient and engaging way.

Our online training course for Committee and Board members covers all the key areas that members need to understand in order to successfully manage the running of a fund, including:

- 1** An introduction to LGPS oversight bodies, governance, legislation and guidance
- 2** LGPS administration, including policies and procedures, pension fund auditing and accounting
- 3** LGPS valuations, funding strategy and LGPS employers
- 4** Investment strategy, pooling and responsible investment
- 5** Performance monitoring and procurement
- 6** Current issues in the LGPS

The benefits of going online

- Short and engaging 10 to 20 minute videos with extra learning materials
- Members can go at their own pace
- Regular reporting to funds on progress of their members
- Funds can easily evidence their members' knowledge and skills
- Limits the need for officers to create training material
- More cost effective than delivering training in person
- New members can benefit from training without going through a full cycle of meetings

Conclusion

Pension Funds

With increasing external pressures in the LGPS, there is a greater expectation on funds to improve knowledge levels for their Committees and Pension Boards. This first ever LGPS National Knowledge Assessment has provided the starting point for funds to measure where they are now and how they can measure progress for both groups in the future.

Regardless of external pressures, setting a goal to increase knowledge and understanding will provide strong informed decision making and informed scrutiny at each LGPS Fund. Those NKA benchmark numbers will be key for funds when planning future Committee and Pension Board Training.

Recommendations

We recommend the following action:

- For funds that haven't yet taken part in the National Knowledge assessment, please get in contact to discuss how your Fund can still take part in this assessment and tap into this wealth of benchmarking information. It is not too late for you to receive a 2020 local national report for your fund and gain a clear insight into your Committee and Pension Boards current knowledge levels.

For funds that have received their reports, we recommend you:

- Engage with your fund's Committee and Board members to agree the topics which are most relevant and create a **structured training plan** for the next 18 months, covering the main areas highlighted in this report.
- Plan for the **delivery** of training over a 6-month period while meeting restrictions might continue to be in place.
- **Assess** the tools available to the Fund to assist with training.
- Consider ways of **maintaining** and **increasing** the engagement of both the Board and Committee. This could include providing them with more information, training materials, briefing notes etc.
- Ensure that the fund's training strategy is up to date and **appropriate** for purpose.
- Keep a **training log** showing attendance by members at various training sessions, to ensure members are gaining a sufficient spread of knowledge.

Assessment, planning and recording of this work are key to ensuring your fund progresses and meets both the external and your own internal expectations of an informed Committee and Pension Board now and in the future.

We thank each fund and every participant for taking part in the 2020 National Knowledge Assessment – we look forward to working with you in assessing and measuring your progress in the years to come!

Appendix – Methodology

Approach

Participants were invited to complete the same set of 47 questions on the 8 areas below:

1	Committee Role and Pensions Legislation	5	Procurement and Relationship Management
2	Pensions Governance	6	Investment Performance and Risk Management
3	Pensions Administration	7	Financial Markets and Product Knowledge
4	Pensions Accounting and Audit Standards	8	Actuarial Methods, Standards and Practices

Under each subject heading, there were at least 5 multiple choice questions to answer. Each question had 4 possible answers, of which one answer was correct. This allows us to build a picture of the knowledge levels of each individual member in each of the topics, but crucially to help inform you of the overall levels of knowledge in each area.

The subject areas exactly mirror those that were used in the National Confidence Assessment in 2018. This allows a comparison to be made between the confidence members have in these areas and the knowledge they exhibit through participating in the NKA.

“An excellent initiative, hopefully leading to increased skills & knowledge.”

“By answering these questions it is obvious that there is still a great deal to learn and I would be happy to take part in any future training courses held.”

“Good test. Should be set as a minimum entrance requirement to be member of the Pension Fund Committee.”

“Thanks. This has been very well put together as it tests your field of knowledge. It also shows how much is still to learn and to keep abreast of.”

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