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5 November 2020

Pension Advisory Board

A virtual meeting of the Committee will be held at **9.30 am** on **Friday, 13 November 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 14 in Part I of the agenda will be available to watch via the internet at the address below. Items 15 to 18 in Part II of the agenda contain exempt information, as indicated, and therefore will not be broadcast.

http://www.westsussex.public-i.tv/core/portal/home

Tony Kershaw
Director of Law and Assurance

Agenda

Part I

1. **Declarations of Interests and Conflicts**

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

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

The Board is asked to agree the Part I minutes of the meeting of the Board held on 7 September 2020 (cream paper).

3. **Urgent Matters**

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

4. **Part II Matters**

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

5. **Progress Report** (Pages 11 - 12)

This report contains updates on matters arising from previous meetings.

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

6. **Pensions Committee Minutes - Part I**

The Board is asked to note the confirmed Part I minutes from the meeting of the Pensions Committee on 22 July 2020 and the agenda from the meeting of the Pensions Committee on 23 October 2020.

(a) **22 July 2020 - Part I Pensions Committee Minutes** (Pages 13 - 18)

(b) **23 October 2020 - Pensions Committee Agenda** (Pages 19 - 22)

(c) **23 October 2020 - Chairman's webcast summary** (Pages 23 - 24)

7. **Business Plan Update** (Pages 25 - 44)

Report by the Chairman of the Pension Advisory Board.

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

8. **Regulations and Guidance update** (Pages 45 - 56)

Report by the Chairman of the Pension Advisory Board.

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

9. **Administration procedures and performance** (Pages 57 - 68)

The Board is asked to consider the Administration Report from the 23 October 2020 Pensions Committee by the Director of Finance and Support Services.

10. **Communication Strategy** (Pages 69 - 90)

Report by Director of Finance and Support Services.

The Board is asked to note the schedule of Communications drawn from the Communication Policy Statement. The Board is also asked to provide feedback on the draft Communication Policy Statement and on the Communications presented at the meeting.

11. **Training**

The Board is asked to review the training log.

12. **Review of Pension Fund Policy Documents** (Pages 91 - 158)

Report by Director of Finance and Support Services.

The Board is asked to note the register of Policy Documents and provide feedback on the policy documents presented at the meeting in respect of their compliance with regulations and guidance.

13. **Date of Next Meeting**

The next meeting of the Board will be held at 9.30 am on 26 February 2021.

Part II

14. **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).

15. **Part II Minutes of the last meeting** (Pages 159 - 160)

The Board is asked to agree the Part II minutes of the meeting of the Board held on 7 September 2020 (yellow paper).

16. **Pensions Committee Minutes – Part II** (Pages 161 - 168)

The Board is asked to note the confirmed Part II minutes from the meeting of the Pensions Committee on 22 July 2020 (yellow paper).

17. **ACCESS Update** (Pages 169 - 174)

The Board is asked to consider the following report which went to the Pensions Committee on 23 October 2020.

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

18. **AVC Update** (Pages 175 - 180)

The Board is asked to consider the following report which went to the Pensions Committee on 23 October 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 – At a meeting of the Board at 9.30 am.

Present: Peter Scales (Chairman)

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

Apologies were received from Chris Scanes

Officers in attendance: Tara Atkins (Principal Pensions Consultant (Administration & Employers)), Vickie Hampshire (Finance Manager - Pension Fund Governance), Suzannah Hill (Democratic Services Officer) and Alistair Rush (Interim Deputy Director of Finance)

Part I

1. Virtual Meeting Arrangements

1.1 The Chairman ensured all those attending could hear and be heard clearly and advised them of the meeting protocols for asking questions.

1.2 The Chairman introduced a report outlining the steps the County Council had taken to comply with requirements for formal Virtual Meetings (copy appended to the signed minutes). Questions were invited concerning documents sent out to Board members in June in lieu of the scheduled meeting that had been postponed. There were no outstanding questions.

1.3 Resolved – that the Board noted the report and documents sent to Board Members in June 2020.

2. Declarations of Interests and Conflicts

2.1 No interests or conflicts were declared.

3. Part I Minutes of the last meeting

3.1 Resolved – That the Part I minutes of the meeting of the Board held on 26 February 2020 be approved as a correct record and signed by the Chairman.

4. Pension Advisory Board Membership

4.1 Resolved – That the Board noted that the Chairman of the Pension Advisory Board had agreed to re-appoint Kim Martin as an Employer Representative for a second four-year term. The new term would commence in December 2020, following the end of the current term.

5. Progress Report

5.1 The Board considered the progress report on matters arising from previous meetings (copy appended to the signed minutes). With regard to Minute 60.2, first bullet point, the Chairman queried the reference to LGA training. With the Board's agreement, the Chairman asked that this reference be removed from the Progress Report.

6. Business Planning and Performance

6.1 The Board received a report by the Chairman of the Pension Advisory Board (copy appended to the signed minutes). In response to a query on whether internal audit would be an agenda item at the November meeting or the February meeting, **ACTION:** Vickie Hampshire to advise.

6.2 Resolved – That the Board agreed the recommendations in the Business Planning and Performance report for 2020/21 and that the Pensions Committee be informed accordingly.

7. Regulations and Guidance update

7.1 The Board received a report by the Chairman of the Pension Advisory Board (copy appended to the signed minutes). The Chairman explained that there had been some delays in the flow of information due to the COVID-19 situation, particularly affecting the Good Governance work.

7.2 Concerning the Scheme Changes section of the report, Tara Atkins highlighted that:

- the consultation underway concerning the McCloud Supreme Court judgement would conclude in a months' time
- officers were working closely with the administration team to prepare communications with employers concerning the service and final pay information expected to be required, based on what is in the consultation. It was anticipated that administration work may need to begin before legislation is finalised in 2022
- further information was awaited on what implications cost control mechanisms would have
- exit payments changes would impact on employers as part of their HR strategy
- the implications of the recent Goodwin ruling are known. Legislation due in April 2021 is awaited before work on this can begin.

7.3 The Chairman invited comments and questions from the Board:

- Miranda Kidwell reported on a Scheme Advisory Board training event held in the previous week where, when questioned, the majority of pension scheme administrators present had considered the level of resource that would be required to administer the new regulations of the McCloud judgement to be 'major, but manageable'. There was also

a notable proportion who felt that this would be a significant amount of work with few administrators feeling that it would not be a problem.
- the Chairman anticipated a report for the next meeting that would include information on the impact for the administration team.

7.4 Resolved that the Board noted the current issues related to Scheme Regulations and Guidance.

8. Review of Pension Fund Policy Documents

8.1 The Board received a report by the Director of Finance and Support Services (copy appended to the signed minutes) which was introduced by Vickie Hampshire, Finance Manager – Pension Fund Governance. Members considered the list of policy documents. Vickie Hampshire drew attention to various points including:

- there were 3-4 Policy Documents listed in Appendix A due to be reviewed by the Board when they next met including the Governance Policy and Compliance Statement which was to be reviewed following information from the Good Governance work by the Scheme Advisory Board (SAB).
- Appendix B set out an addition to the Funding Strategy Statement concerning exit credits.
- paragraph 11 in Appendix C, compliance with the CIPFA guidance on preparing the annual report, the 'must' criteria score had increased from 81% last year to 95% this year. The remainder were not possible to achieve until the Fund invested in the ACCESS pool as the criteria pertained to pool related matters. The 'should' criteria had increased from 67% to 80%. Last year the guidance came out quite late so officers had not been able to react as quickly as they would have liked.

8.2 The Board made comments including the following:

- noted that the SAB Good Governance review had a draft proposal to revamp the 2008 guidance on the Statement of Compliance, so this currently stood deferred awaiting the outcome of that review.
- whether there was a significant difference between the estimates usually given by the Actuary on the IAS19 reports and the actuals, because of COVID-19. It was noted that only Private Equity valuations were estimated. Therefore, this was a small difference. The auditor had not requested any revisions.
- noted that the intention of the Pension Committee was to have almost half of the liquid portfolio invested in the pool by the end of the financial year. Work was on-going with the pool to set up the right structures for the illiquid investments to be made and to ensure Authorities get value for money.
- noted that the later agenda item on training would pick up plans for the transfer and ensure the Board was kept up to date
- noted that the updated Inter Authority Agreement had been agreed by all Councils and was due to go through the internal governance processes of each of the Councils and that would be included in a future training session. The Chairman felt it would be useful for the

Board to have training on how the ACCESS pooling investment process works. **ACTION:** Vickie Hampshire to note
- the Chairman congratulated the officer team for the work on compliance with the CIPFA guidance for preparing an Annual Report.

8.3 Resolved – That the Board noted the register of Policy Documents and feedback on the policy documents presented at the meeting in respect of compliance with regulations and guidance.

9. Administration procedures and performance

9.1 The Board received a report by the Director of Finance and Support Services (copy appended to the signed minutes). Tara Atkins, Principal Pensions Consultant, introduced the report and highlighted that:

- the quarterly performance of the administration team stood at 100% compliance with key performance indicators
- the number of outstanding cases as at 30 June stood at 30, well within the expected levels
- there had been one data breach since the report to Committee. All classes of data were considered low risk and would not need to be identified to the Information Commissioners Office
- for active Annual Benefit Statements, the administration team produced 96.87% by the statutory deadline and 99.94% of deferred ABS's were published by the same date. This was considered to be a massive improvement on last year and reflecting the substantial data improvement work that had taken place.

9.2 The Chairman extended congratulations to the administration team for such a marked improvement in performance against key indicators, as had been promised prior to the transition. The Board noted that the 100% performance against key performance indicators had continued through July and August.

9.3 Resolved – that the Board noted the update on Administration Performance.

10. Communication Strategy

10.1 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 highlighted that:

- the Communication Policy Strategy considered by the Board at its May 2019 meeting was currently being reviewed and updates would be reported to the next meeting
- communications deliverables since last year were set out at Appendix A and B and included the communications in relation to COVID-19
- the new format of the active and deferred annual benefit statements were set out at Appendix C. The document was subject to review next year and the Board's feedback was invited.

10.2 The Chairman questioned how the Board could best help in relation to the communications. It was noted that the Board's input would be sought on communication documents, such as the annual benefit statements, relating to format and layout rather than the technical detail, and this would happen following dispatch of the communications.

10.3 the Chairman invited comments and questions which included:

- that the Annual Benefit Statement was required to contain various statutory items which added to the challenge of making it easy to interpret. Noted that to date the feedback from scheme members had been positive but feedback from employers was welcome to support further consideration of how the document could be improved and that the timing was right for that feedback to be given
- a query on whether there might be an independent survey undertaken on Annual Benefit Statements. Noted that the administration team do invite feedback from scheme members but the detail of what could be requested through that would need to be considered or whether an independent survey would be better.

10.4 Resolved – that the Board noted the schedule of Communications drawn from the Communication Strategy and provided feedback at the meeting.

11. Pension Fund Covid-19

11.1 The Board received a report by the Director of Finance and Support Services (copy appended to the signed minutes) which was introduced by Vickie Hampshire, Finance Manager. The report focussed on the impact on COVID-19 on the fund, on investments, any experience in relation to death rates, the impact on cash flow and the response and experience of the administration team. It also referred to risk mitigation options. The were three surveys that the Scheme Advisory Board put out for funds in April and May, the results are on the Scheme Advisory Board's website and there was press reporting on those.

11.2 Comments and questions were invited from the Board and included a query on whether the re-risking strategy in place to deal with a deteriorating funding position. It was noted that there was not a trigger for automatically re-risking but there was a trigger for considering that action and that stood at 95% funded. At no point did the fund get below that point, the lowest point was 97% and it was now up to valuation levels again

11.3 Resolved – that the Board noted the report.

12. Training

12.1 The Board received a report by the Chairman outlining the training undertaken by Board members and the external training available (copy appended to the signed minutes). The Chairman explained that:

- the National Knowledge Assessment module had not been undertaken

- the usual training session following the Board meetings had not been scheduled as two long virtual sessions might be too much. This would be considered.
- consideration needed to be given to the PAB dynamic – the building on the programme of training items to share and tailor to the Board - and a Board member identified to lead on this. Miranda Kadwell kindly agreed to take on this role.

12.2 Resolved – that the Board noted the training report and that Miranda Kadwell would work with the Board on the PAB Dynamic.

13. Date of Next Meeting

13.1 The Board noted that its next meeting would take place from 9.30am on 13 November 2020.

14. 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.

15. Part II Minutes of the last meeting

The Board agreed the Part II minutes of the 26 February 2020 meeting and they were signed by the Chairman.

16. Additional Voluntary Contributions

The Board considered a report by Director of Finance and Support Services that went to the Pensions Committee on 22 July 2020.

The Board noted the report.

The meeting ended at 11.00 am

Chairman

Pension Advisory Board Progress Report – November 2020

Date Received & Minute Number	Subject	Matters Arising	Who	Update	Next Update
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. This will now be presented at the February meeting.	26/02/21
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. This is with TA to progress. It will be a joint session with Fire Board and Pensions Committee members invited.	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. Superseded by action for Minute 6.1	Closed
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. Superseded by action for Minute 6.1	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 (IAA) 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. Superseded by action for Minute 8.2	Closed
07/09/20 **Minute 6.1**	Internal Audit Item	Query raised whether an Internal Audit agenda item would be scheduled for November or February	VH	This will be included in the Business Plan item at the February meeting.	26/02/21
07/09/20 **Minute 8.2** **5th Bullet**	ACCESS pooling	Board members requested training on the ACCESS pooling investment process	VH	IAA is still going through the governance process and once this is completed training will be provided. It is anticipated that this be completed in Q4 of 2020/21. We are liaising with the ACCESS Support Unit to provide training at the February meeting.	26/02/21

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Pensions Committee

22 July 2020 – At a virtual meeting of the Pensions Committee held at 10.00 am.

Present: Cllr Hunt (Chairman)

Cllr Bradford, Cllr J Dennis, Cllr Elkins (left at 2.32pm), Cllr N Jupp, Cllr Urquhart (left at 2.30pm), Cllr Walsh (left at 1.53pm.) and Ms Taylor (left at 1.53pm.)

Apologies were received from Mr Donnelly

Part I

13. Declarations of Interests

13.1 Cllr Hunt welcomed everyone to the meeting and confirmed that following agreement at the Governance Committee on 20 May 2020 the name of the Panel has been changed from the Pensions Panel to the Pensions Committee.

13.2 Cllr Walsh confirmed that he is no longer a member of the Littlehampton Harbour Board; but was still a member of Arun District Council and Littlehampton Town Council.

13.3 Cllr Jupp declared an interest as a member of Horsham District Council.

13.4 Cllr Elkins declared an interest as a member of the Littlehampton Harbour Board and Arun District Council.

13.5 Cllr Hunt declared an interest as the Chairman of the Chichester Harbour Conservancy.

14. Part I Minutes of the last meeting

14.1 Resolved – That the Part I minutes of the Pensions Panel held on 4 May 2020 be approved as a correct record, and that they be signed by the Chairman.

15. Pension Fund Business Plan 2020/21

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

15.2 Katharine Eberhart, Director of Finance and support services, introduced the Business Plan which gave a summary of the previous year and outlined plans for the upcoming year. One of the Plan’s deliverables was to respond to Scheme changes which was pertinent in light of the McCloud Judgement and also the recent response from Government on the £95k Cap.

15.3 Steven Law, Hymans Robertson, explained that the McCloud impact for the Fund concerned members in the scheme prior to 31 March 2012 and were still in the scheme 31 March 2014 would now see the better of benefits of the previous Final Salary 1/60ths scheme and the new CARE scheme up to 2022. After this time the reformed Career Average Revalued Earnings (CARE) benefits would continue. This could be large data collection exercise for the administration team. Cost sharing has been un-paused and will including an offset due to the impact of McCloud.

15.4 £95k Cap legislation had been released which concerned exit packages for members. Hymans Robertson were awaiting secondary legislation to see the impact of this for the Local Government Pension Scheme (LGPS). The Chairman requested that a briefing paper on this be circulated to the Committee members. **ACTION –** Steven Law agreed to provide a briefing paper and confirmed that the upcoming Goodwin case may also have an impact on the fund, but at present the impact was unclear.

15.5 Katharine Eberhart outlined other key actions for the year; including the Investment Strategy review and developing responsible investment principles. It was also reported that the County Council was changing its core business system over the year which would increase workload for the pensions team.

15.6 The Committee made comments including those that follow.

- Noted the red risk regarding data quality and asked who held the responsibility for this. – *Katharine Eberhart confirmed that this responsibility was held by West Sussex County Council but explained that a work plan was in place for data cleansing with Hampshire Pension Services. There was confidence in the administration team to resolve the issues for data quality. The risk would be updated to reflect the progress made.*
- Queried the contracts for private equity and if there was any roll over options. – *Rachel Wood, Pension Strategist, explained that there were extension options.*
- Sought clarity on the amber risk for remote working. – *Rachel Wood explained that this related to an establishment of business as usual activities and that no issues had occurred. The amber alert was cautionary due to the transition of arrangements and to be mindful of potential pressures on remote working arrangements such as McCloud.*
- Asked if there was a revised target date for the ACCESS Pool asset transfer. – *Rachel Wood explained that this would be covered later on the agenda.*
- Queried the training arrangements. – *Rachel Wood explained that the inter-authority agreements were being completed and that training would then be organised.*
- Noted that the key contract dates were approaching and queried the tender arrangements. – *Rachel Wood reported that the approach would be considered for the contractual arrangements with Savills and Hymans Robertson.*
- Sought clarity on how Brexit may impact contract arrangements. – *Rachel Wood confirmed that the impact on appointments would need to be considered.*

15.7 Resolved – that the Committee notes the updates to the 2019/20 Business Plan and agrees the proposed activities for the 2020/21 financial year.

16. Pension Administration Performance

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

16.2 Katharine Eberhart introduced the report and highlighted that all case types completed in the quarter had been within the timescales set and that the administration team had adjusted well to remote working. It was reported that a breach had been reported for the publication of the 2019 Annual Benefit Statements (ABS), but no action would be taken by the Regulator. ABS work for 2020 was proceeding well with 81% of the work completed. Specific employers were being targeted to ensure all necessary data was received in order to complete the ABS.

16.3 The Committee made comments including those that follow.

- Queried the process for chasing employers for missing data. - *Katharine Eberhart explained that it was the employer's responsibility and interest to ensure data was submitted. Rachel Wood confirmed that the situation had improved since the publication of the report. Katherine Eberhart explained that the situation was not unusual, and that improved administration had led to effective detection and targeting of data issues.*
- Sought clarity over the position regarding email addresses for members. – *Rachel Wood explained that there were legacy issues linked to absent email addresses; but confirmed that acquiring an email address for a new active member was expected.*

16.4 Resolved – that the update on the Administration Performance is noted.

17. Annual Report

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

17.2 Rachel Wood introduced the report and explained that it was a regulatory requirement to issue an annual report, and that the format of the report focussed on key messages with some detailed information required for compliance with guidance outlined within the appendices. Forwards had been included from the Chairmen of the Pensions Committee and the Pension Advisory Board. A forward from the ACCESS committee would be included in the final version. The report outlined de-risking and responsible investment activities undertaken. Strong administration service and communication had continued, as reflected with the accreditation of Customer Service Excellence for Hampshire Pension Services. The financial statements of the fund would be considered by the Regulation, Audit and Accounts Committee in due course.

17.3 A correction was provided for the employer figures on page 42 of the report; the correct figures were 246 employers, of which 198 were active and 48 who were no longer active. Page 49 also showed an incorrect benchmark figure which should be -2%. Corrections would be made for the final version.

17.4 Resolved – that the draft annual report is approved.

18. Exit Credits - Funding Strategy Statement Update

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

18.2 Rachel Wood introduced the report and gave an update on exit credit regulations and the management of surplus funds. A new exit credit policy had been written for consideration by the committee.

18.3 The Committee raised concerns for future liabilities following an employer exit from the fund. – *Rachel Wood explained that work would be done with the actuary to consider a prudent view on future events. Once an exit payment had been made, there was no ability to charge an employer in the future for any deficits. The approach proposed in the policy should reduce the risks for the fund. Steven Law, Hymans Robertson, added that there were no guarantees on the future and so it was important to take an approach which would put in the fund in a good position to absorb risks.*

18.4 Resolved – that the Committee unanimously agrees to adopt the Exit Credit Policy for inclusion in the Funding Strategy Statement, subject to consultation with employers. The Committee acknowledges that the Director of Finance and Support Services will consider any feedback on the Exit Credit Policy from employers and, subject to material feedback being received which alters the policy’s intent, reflect any amendments to the policy and adopt without further referral to the Committee.

19. Pension Fund Covid-19

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

19.2 The Chairman reported that an appendix had been included for context which contained exempt information. The Committee were asked if they would like to discuss the appendix before making a resolution on the report; or if they were happy to discuss the appendix separately during the Part II section of the meeting. The Committee agreed that the discussion could be held during the Part II section of the meeting.

19.3 Katharine Eberhart introduced the report which outlined the approach to Covid-19 risks and the impacts on fund assets. A graph within the report showed what the impact on funding would have been had de-risking exercises not been undertaken. Work was being undertaken to consider the risks for individual employers during the pandemic. It was reported that one employer may be leaving the scheme due to insolvency.

19.4 The Committee made comments including those that follow.

- Sought clarity on the number of employer exits that were reported and asked if the figures were normal. – *Steven Law confirmed that the numbers were normal and a reflection of the contract situations for employers in the fund such as academies with cleaning contracts. This would be common for the fund as academisation and related outsourcing continues.*
- Queried of the contribution rates for these short term contractors were appropriate for the associated risks. – *Steven Law confirmed that the risks were managed via comparatively higher contribution rates or were secured under pass through arrangements.*

19.5 Resolved – that the Committee notes the report and agrees the short term risk management approach.

The Committee discussed the Part II appendix during the Part II section of the meeting and noted the approaches that had been taken for individual employers.

20. Date of the next meeting

20.1 The Committee noted that its next scheduled meeting would take place on 23 October 2020.

21. Exclusion of Press and Public

The Chairman noted that no Committee member disagreed with the meeting entering the Part II section of the meeting as set out on the agenda.

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.

22. Part II Minutes of the last meeting

The Committee agreed the Part II minutes of the Pensions Panel held on 4 May 2020.

23. Additional Voluntary Contributions

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

The Committee considered the report and agreed with the officer recommendations.

24. Asset Liability Modelling and Investment Strategy (including Output from the Investment Strategy Task and Finish Group)

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

The Committee considered the report and agreed with the officer recommendations subject to some amendments as agreed by the committee.

25. Review of Pension Investment Performance

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

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

The Committee welcomed the advice.

26. Presentation by Baillie Gifford

The Committee received an update from Lynn Dewar, Paul Roberts and Tim Gooding from Baillie Gifford on the portfolio performance for the quarter.

27. Presentation by UBS

The Committee received an update from Malcolm Gordon, Steve Magill, Kayvan Vahid and George Griffiths from UBS on the portfolio performance for the quarter.

The meeting ended at 2.45 pm

Chairman

Tony Kershaw
Director of Law and Assurance

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15 October 2020

Pensions Committee

A virtual meeting of the Committee will be held at **10.00 am** on **Friday, 23 October 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.

The meeting will be available to watch live via the Internet at this address:

http://www.westsussex.public-i.tv/core/portal/home

Tony Kershaw
Director of Law and Assurance

Agenda

Part I

10.00 am 1. **Declarations of Interests**

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

It is recorded in the register of interests that:

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

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

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

The Committee is asked to agree the Part I minutes of the meeting of the Committee held on 22 July 2020 attached (cream paper).

10.02 am 3. **Urgent Matters**

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

10.03 am 4. **Part II Matters**

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

10.04 am 5. **Pension Advisory Board Minutes - Part I**

The Committee is asked to note the confirmed Part I minutes from the meeting of the Pension Advisory Board on 26 February 2020 and the agenda from the meeting of the Pension Advisory Board on 7 September 2020.

(a) **26 February 2020 - Part I Pension Advisory Board Minutes** (Pages 11 - 16)

(b) **7 September 2020 - Pension Advisory Board Agenda** (Pages 17 - 20)

10.05 am 6. **Business Plan** (Pages 21 - 30)

Report by the Director of Finance and Support Services.

The Committee is asked to note the update on the Business Plan and note the risk matrix for the Fund.

10.20 am 7. **Administration Performance** (Pages 31 - 42)

Report by the Director of Finance and Support Services.

The Committee is asked to note the update.

10.35 am 8. **Scheme Changes** (Pages 43 - 64)

Report by the Director of Finance and Support Services.

The Committee is asked to note the update, including the impact on the pensions administration team and the actuary. The Committee is also asked to agree the amendments to the funding strategy statement as a result of employer flexibilities.

Agenda Item 6b

10.55 am 9. **Date of the next meeting**

The next meeting of the Pensions Committee will be at 11.00 a.m. on 17 November 2020.

Part II

10.55 am 10. **Exclusion of Press and Public**

The Committee 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.

11.05 am 11. **Part II Minutes of the last meeting** (Pages 65 - 72)

To confirm the Part II minutes of the meeting of the Committee held on 22 July 2020, for members of the Committee only (yellow paper).

11.07 am 12. **Pension Advisory Board Minutes - Part II** (Pages 73 - 74)

The Committee is asked to note the confirmed Part II minutes from the meeting of the Pension Advisory Board on 26 February 2020 (yellow paper).

11.10 am 13. **AVCs** (Pages 75 - 80)

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

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

11.20 am 14. **Investment Strategy Statement** (Pages 81 - 100)

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

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

11.40 am 15. **Private Debt and Infrastructure** (To Follow)

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

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

Agenda Item 6b

12.20 pm 16. **ACCESS** (Pages 101 - 106)

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

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

Break

1.00 pm 17. **Review of Pension Investment Performance** (To Follow)

Paper by the Director of Finance and Support Services and Independent Fund Adviser summarising transactions and performance during the quarter and giving comments on the quarter, for members of the Committee only (yellow paper).

1.15 pm 18. **Presentation by Baillie Gifford**

The Committee to receive a presentation on portfolio performance.

To all members of the Pensions Committee

West Sussex Pensions Committee
Virtual meeting on 23 October 2020 at 10:00

I read the public papers and listened to the live webcast, but I did not join the formal meeting.

The Chairman introduced the meeting and explained the procedures in place for a virtual meeting. Video was available which improved the process although the chairman could not always see who wanted to comment.

From my perspective, I found the video was better although quite small on the screen. The rolling transcript was of limited use as it disappeared quickly (could be my set up) but had some amusing translations of what was being said. It took me a while to realise I needed to watch in HD (my problem). Also, the audio link was lost half way through and I had to rejoin but that could have been at my end.

1. **Declarations of interest**
   Cllr Walsh confirmed that he was Leader of Arun District Council; other members confirmed their interests as recorded.

2. **Part I Minutes of the last meeting -** minutes agreed.

3. **Urgent matters –** None raised.

4. **Part II Matters –** None brought into Part I.

5. **Pension Advisory Board Minutes 26 February and Agenda for 7 September** – no questions raised.

6. **Business Plan**
   Key points to note from the discussion were:
   - Annual accounts to be presented to RAAC on 20 November
   - Some reduction in income but cash flow still net positive
   - Cyber crime risk rating up to amber due in part to WFH and pandemic
   - New risk – impact of uncertainty about scheme changes on administration service delivery. Risk 5 to be reworded to reflect this.
   - Need to note impact of COVID-19 pandemic on world economy
   - Concern about data quality impact with move to Oracle – different things

7. Administration Performance

Key points to note from the discussion were:

- Performance has remained strong
- ABS delivery improved but potential breach report under review
- Employer performance is a concern and is being managed proactively
- Decision to Move to Hampshire vindicated – team thanked.
- Contribution performance has improved with no significant impact from pandemic yet

8. Scheme Changes

Key points to note from the discussion were:

- Significant changes in progress, viz: McCloud; Goodwin; Exit payments; intra valuation changes.
- Stephen Law presented very informative slides
- McCloud factored into employer contributions but not into valuation assumptions
- SAB has no powers to change cost cap, only recommend changes to MHCLG, but on pause pending HMT advice due to McCloud. SL thinks low impact but backdated to April 2019 so big data exercise.
- Goodwin exercise involves backdating with low cost but high admin.
- £95k cap has different implications for different employers and still out for consultation. Major admin impact and uncertainty for employers and employees. Concern about perverse impact on low paid. Funds not able to advise members only refer to IFA. Inconsistency on implementation dates for new legislation (i.e. national rules 4 November – LGPS December or January) could mean potential breach of regulations.
- FSS update to reflect new regs on employer deficit contributions etc.
- If employer folds, order of recovery is (1) employer assets; (2) administrators of business; (3) covenant or insurance; and (4) spread to rest of fund employers.

9. Date of next meeting – 11:00 on 17 November but all Part II

Peter Scales
Chairman, Pension Advisory Board

Key decision: Not applicable

Unrestricted

Report to Pension Advisory Board

13 November 2020

Business Plan Update

Report by the Chairman of the Pension Advisory Board

Summary

This report provides details of progress in achieving the key tasks and activities for 2020/21 and the impact of the COVID-19 pandemic on normal working arrangements. The business plan update report considered by the Pensions Committee at its meeting on 23 October is included for the Board to review how their Plan is progressing and any variations in the risks.

Recommendations

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

Proposal

1. Background and context

1.1 The Board agreed its Business Plan for the two years 2020/21 and 2021/22 on 7 September. As part of its core business activity, the Board reviews progress on achieving the key tasks and activities at each meeting. Similarly, the Board considers updates on progress for the Pensions Committee's Business Plan at each meeting.

1.2 Progress in the current year must be viewed in the context of the COVID-19 pandemic and the impact that has had on working arrangements, on the availability of officers and other participants, and on national governance initiatives which are a significant driver to the Board's business.

2. Business Plan update

2.1 Due to the working restrictions imposed by the government in response to the pandemic, the Board's meeting scheduled for 12 June was cancelled and inevitably progress was delayed. However, it was possible to circulate briefing papers to Board members to keep them informed on core business activity.

2.2 The Board's business plan aims to be consistent with that of the Pensions Committee and it was therefore necessary to wait until the Committee had finalised their plan before the Board’s plan could be finalised. Nevertheless, it has been possible for the Board to maintain progress on core key tasks and activities.

2.3 The pandemic has also impacted the work of the Scheme Advisory Board and a number of projects, e.g. LPB surveys, good governance review, pooling guidance, have either been delayed or paused. The Board has monitored progress on these projects and on changes to the regulations as these have moved forward. A brief review of progress in delivering key tasks is set out in **Appendix A** and a copy of the Pensions Committee’s update report is attached as **Appendix B**.

2.4 The Pensions Committee has adopted new risks relating to the COVID-19 pandemic and the Board has sought to ensure that administration and governance arrangements are being kept on track, seeking assurances from the officers as appropriate.

3. Annual reviews

3.1 In past years, the Chairman has undertaken reviews with each Board member, with key officers, and with the chairman of the Pensions Committee. These have taken the form of written self-assessments combined with a face-to-face interview. These usually take place in January/February, and it will be necessary to consider how best to manage this process in current circumstances.

4. Training

4.1 Maintaining knowledge and skills has been possible by the circulation of briefing papers and Committee/Board reports. Special training sessions have not been held to date but are being re-instated in as practicable a way as possible.

4.2 External seminars have continued in video format but participation has not been simple. Internal training on the annual accounts was delayed but has now taken place in virtual format.

5. Other options considered (and reasons for not proposing)

N/A

6. Consultation, engagement and advice

N/A

7. Finance

7.1 The Board has a budget agreed as part of its business plan, but this has not been affected in any significant way by the pandemic.

8. Risk implications and mitigations

8.1 ***Failure to manage work efficiently and effectively*** – The circulation of information papers to replace the cancelled meeting and the use of virtual meeting arrangements has enabled the Board to continue to work as efficiently and effectively as possible.

8.2 ***Failure to account for activities and performance*** – updates to each meeting monitor performance and the end year position will be reviewed in the usual way.

9. Policy alignment and compliance

9.1 The Board's business plan is developed to be consistent with the Pensions Committee's plan.

Peter Scales
Chairman of the Pension Advisory Board

Contact Officer:
Adam Chisnall, Democratic Services Officer, 033022 28314

Appendices

Appendix A	-	Update on progress on Board's Business Plan
Appendix B	-	Pensions Committee's Business Plan Update - 23/10/20

Background papers
None

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Pension Advisory Board - Business Plan 2020/21
Achievement of key tasks and activities

Core on-going work	Achievement of core tasks	Special activities and reviews
Business Planning and Performance		
Agree programme of work, budget and resources for the coming year and monitor progress at each meeting Undertake a self-assessment of performance for the year to include one-to-one interviews in January/February Agree a report each year on activity for inclusion in the Fund Annual Report and for scheme employers	Plan agreed at 7 September meeting. Updates provided to each meeting.	Help maintain workflows in the light of new COVID19 secure working arrangements Work programme adapted to allow for officer time and delays on national developments

Key Risks

- Failure to manage work efficiently and effectively
- Failure to account for activities and performance

Compliance checks		
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.	Register maintained and interests checked at each meeting	Review of conflicts policy in line with West Sussex authority-wide arrangements.
Review the Pension Fund Annual Report and Accounts for content and compliance.	Reviewed at 7 September meeting	
Review statutory policy statements on a regular basis and on a three-year rolling basis	FSS, ISS, communications reviewed	
Monitor and review changes to regulations and guidance at each meeting	Reviewed at each meeting	

Key risks

- Failure to manage conflicts properly
- Non-compliance with regulations and guidance
- Changes being implemented at short notice due to delays caused by pandemic

Core on-going work	**Achievement of core tasks**	**Special activities and reviews**
Governance arrangements		
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	Reviewed in business plan update for Committee	Define role in risk management process
Monitor audit reports and assurances on internal controls		Review internal audit programme of work
Monitor work planned by the Pensions Regulator (tPR)		
Monitor reports and initiatives from the Scheme Advisory Board (SAB)	Reviewed at each meeting	Review SAB proposals on future governance arrangements when made available
Respond to surveys and requests for information from the tPR and the SAB	SAB survey deferred and results of tPR survey awaited	
Report to the Pensions Committee and Governance Committee on a regular basis and as required	Board minutes are reviewed at each Committee meeting	
Report to tPR, MHCLG and SAB in exceptional circumstances	None have arisen	

Key risks

- 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

Core on-going work	Achievement of core tasks	Special activities and reviews
Administration procedures and performance		
Consider a report on the administration of the scheme at each meeting		
Monitor notifiable events and the recording and reporting of breaches		Review management of breaches register Reviewed
Monitor key performance indicators and recovery action		
Monitor recording of compliments and complaints, and progress on IDRP cases	Report received at each meeting with Hampshire in attendance	
Monitor movements in membership numbers		
Monitor data quality and integrity, and progress on improvement plans		Review progress on Data Improvement Plan - Monitored
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 Sept/Nov Review internal controls for areas of weakness particularly in relation to COVID19 pandemic

Key risks

- Failure in the efficient and effective administration of the scheme
- Non-compliance with reporting requirements
- Failure to detect potential problems, including fraud at an early stage
- Impact of COVID19 pandemic

Core on-going work	**Achievement of core tasks**	**Special activities and reviews**
Investment and funding		
Review the investment strategy statement to assess compliance with regulations and guidance issued by MHCLG and CIPFA		
Review the funding strategy statement to assess compliance with regulations and guidance	Reviewed in Set and Nov	
Review the process of consultation with appropriate persons, particularly scheme employers		Review outcomes from valuation process, particularly in relation to consultation with employers - Done
Review the valuation process for compliance and good practice		
Review developments on the pooling arrangements, particularly in relation to governance and investment management	Progress reports on implementation received at each meeting	
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 – in progress

Key risks

- Non-compliance with investment regulations and Government guidance
- Failure of proper governance arrangements in the pooling of Fund assets
- Failure to comply with or respond to developments in good practice or regulatory compliance
- Net asset values are insufficient to meet future liabilities
- Lack of clarity on role of PAB in relation to ACCESS and on responsible investing

Core on-going work	**Achievement of core tasks**	**Special activities and reviews**
Communications		
Monitor disclosure of information in line with statutory requirements, including annual benefit statements	ABSs reviewed in September AVCs reviewed in Sept/Nov	Review effectiveness of communications in ABSs and AVCs
Review newsletters for content and clarity		
Review communications with employing authorities		
Monitor developments in the website and pensions portal		
Consider more effective links to scheme members		

Key risks

- Failure to keep employers and scheme members properly informed
- Non-compliance with Administration Strategy
- Scheme members fail to understand scheme benefits and opt-out

Training		
Maintain training log and review activity regularly	Reviewed at each meeting	
Monitor implementation of training strategy	Reviewed at each meeting	Develop a more effective and structured approach to Board training
Identify opportunities for in-house training after each meeting and for external training courses or events	Board strategy reviewed in September	Establish collaborative approach to sharing learning experiences

Key risks

- Failure of Board members to maintain a suitable level of knowledge and understanding
- New training requirements imposed on PAB in relation to compliance testing

Key decision: Not applicable
Unrestricted

Report to Pensions Committee

23 October 2020

Business Plan Update

Report by Director of Finance and Support Services

Summary

The Pensions Committee approved its Business Plan for 2020/21 in July 2020. The Business Plan sets out the aims and objectives of the fund over the coming year, its core work and how the objectives will be achieved.

The Pensions Committee's approach, historically, has been to review its business plan annually at the start of the year and consider the risks faced by the Fund. A report based on any emerging key business issues, any issue with the highest levels of risk identified, or any other matter the Director of Finance, Performance and Procurement wishes to bring to the attention of the Committee is then provided each quarter.

Recommendations

(1) The update on the Business Plan is noted.

(2) The risk matrix for the Fund is noted.

Proposal

1 Background and context

1.1 The Fund's overarching objectives are set out below:

Governance: Act with integrity and be accountable to stakeholders for decisions, ensuring that they are robust, and well based, ensuring sound governance, risk management and compliance and that the management of the Fund is undertaken by people who have the appropriate knowledge and expertise.

Investments and Funding: To minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return.

Administration and Communication: Deliver a high quality administration service to all stakeholders with processes and procedures to ensure that the Fund receives all income due and payments are made to the right people at the right time, clear communication and robust accounting and reports.

2 Update

2.1 The following provides an update on progress against the Business Plan deliverables:

<table>
<tr><th></th><th>Context and 2020/21 Actions</th><th>Update</th></tr>
<tr><td></td><td colspan="2">Pension Administration</td></tr>
<tr><td rowspan="9">Governance and Administration</td><td>A good performing administration function is key to our stakeholders and for ensuring the quality of information held by the Fund for calculating benefits and liabilities.

In addition to compliance with statutory deadlines (including Annual Benefit Statements by 31 August) and completion of the data improvement plan by 31 March 2021, the roadmap for the administration team over the year reflects the greater use of technology to assist delivery of the service.</td><td>The table below shows the % of Annual Benefit Statements produced in line with the statutory deadline:
<table><tr><th></th><th>% Produced</th></tr><tr><td>Active</td><td>95.1%</td></tr><tr><td>Deferred</td><td>99.9%</td></tr></table>
Online retirement quote functionality and the use of the member Portal when a member joins or retires from the Scheme have now been implemented. The timetable of the roll out of the Employer Hub is to be confirmed following engagement with employers.</td></tr>
<tr><td colspan="2">GMP (Guaranteed Min Pension)</td></tr>
<tr><td>Following the end of contracting out each Administering Authority is required to review its records for who it pay as Guaranteed Minimum Pension to against HMRC records and update on changes. The Fund intends to complete the GMP reconciliation and rectification work by 31 March 2021.</td><td>Work is progressing in relation to HMRC query responses. This will inform further timescales.</td></tr>
<tr><td colspan="2">Robust accounting</td></tr>
<tr><td>The Pension Fund is required to produce accounts in line with statutory deadlines. The accounts are subject to external audit review and assurance. The successful completion of external audit work by 30 September 2020 is a key priority. To ensure continuous improvements, officers will also complete full lessons learnt by 30 September 2020 and develop project and engagement plan for the 2020/21 Audit by 31 December 2020.</td><td>The statutory deadline for the completion of the audit was moved to 30th November for 2020/21. The accounts will be presented to the Regulation. Audit and Accounts Committee on the 20 November 2020. Lessons learnt will be completed by the 30 November.

Full lessons learnt actions will inform 2021/22planning and engagement with EY.</td></tr>
<tr><td colspan="2">Annual Reporting</td></tr>
<tr><td>The Pension Fund is required to produce an Annual Report in line with statutory deadlines, and with regard to statutory guidance. The 2019/20 Report will be considered by the Committee at their meeting on 22 July and the Pension Advisory Board in September.</td><td>The Report has been approved by the Committee in July and reviewed, for compliance, by the Pension Advisory Board in September. The Board noted the exceptions to the CIPFA requirements on preparing the Annual Report and congratulated Officers on the work carried out to comply with the guidance.</td></tr>
<tr><td colspan="2">Accounting system</td></tr>
<tr><td>The County Council is changing its core accounting system to Oracle. Officers will work with colleagues across the County Council to ensure processes, procedures</td><td>Project work is ongoing.</td></tr>
</table>

Context and 2020/21 Actions	Update
and reporting are in place within the core accounting system implemented to replace the current SAP system by no later than 31 December 2021.	
AVC Provider	
The Fund has 244 AVC members with a value of £2.4 million (invested through Standard Life and Utmost Life). The Fund intends to complete a review AVC provision and implement recommendations by 31 December 2020.	Update covered in Agenda Item 13.
Respond to Scheme Changes	
The Fund must ensure it complies with all legislative requirements, statutory guidance and requirements of the Pensions Regulator and communicates matters appropriately. There are a number of relevant Scheme changes being implemented which officers and the Committee will cconsider, respond to and communicate with stakeholders on changes.	The Exit Credit Policy has been adopted for inclusion in the Funding Strategy Statement following a period of consultation with employers. Other aspects are covered under Agenda Item 8.
Ensure appropriate contractual terms	
The Fund must ensure it has appropriate terms are in place with all service providers. Officers will review agreements with service providers in line with contract end dates.	Actuarial - the Actuarial agreement with Hymans is due to expire at the end of October. Director of Finance and Support Services has agreed a three year extension after which the contract will be retendered. External Valuer – proposal for future arrangements being considered by relevant officers. Property: Update covered in Agenda Item 17. Balanced Mandate: Update covered in Agenda Item 16.
ACCESS Pool	
The ACCESS Pool has been set up to meet the Government's investment reform criteria. A revised Inter Authority Agreement between participating ACCESS Authorities will be completed by the Authority and training on ACCESS Governance will be provided to the Pensions Committee and Pension Advisory Board.	Update covered in Agenda Item 16.
Investment Strategy	
It is important to ensure that the investment strategy remains aligned to meet the Pension Committee's long term objectives. The Committee will consider recommendations following the completion of the Asset Liability Modelling work and review the Fund's Investment Strategy Statement document by 30	Update covered in Agenda Item 14.

	Context and 2020/21 Actions	Update
	September 2020. It is also anticipated the Fund will make its first investment in the ACCESS Authorised Contractual Scheme by 30 September 2020 following the completion of appropriate due diligence. Further investment will be taken following consideration of the sub-funds available to meet West Sussex's requirements.	
	Responsible Investment	
	There is continued focus on LGPS stakeholders on as to how they can best address and manage Responsible Investment (RI) issues such as Environmental, Social and Governance matters. The Committee will agree and publish the Fund's Responsible Investment Policy by 30 September 2020 and implement the strategy, taking advice as appropriate.	Update covered in Agenda Item 14.
	Competition & Markets Authority	
	Under the CMA Order the Fund was required to set objectives for providers of investment consultancy services. It is necessary to review these each year. The Fund will undertake a review to be completed by 31 December 2020.	
Funding	**2019 valuation**	
	The Fund completes a full valuation every three years (latest at 31 March 2019). Amendments will be made to the Funding Strategy Statement as required and a full lessons learnt exercise to further improve future valuation exercises will complete by 30 September 2020.	Work has been carried out to improve the process going forward. This includes improved co-ordination with the administration team to provide member data to the Actuary and clear ownership over the process and individual tasks. Additional steps will also be taken as part of future valuation exercises to provide appropriate training and engagement with employers, particularly around admission bodies.
	Employer risk framework	
	The Pension Fund has a growing employer population from a variety of sectors. The Fund will development a framework to monitor and take steps to mitigate risk presented to the Fund in respect of participating employer liabilities to be developed and implemented by 31 December 2020.	The Committee considered Employers and risks posed to the Fund due to changes in financial covenant as part of its July meeting. External advice has been commissioned to complete due diligence on some employers financial position and business plans. The Director of Finance and Support Services will consider the review and recommendations and take steps (where appropriate) to manage risk. Employer exits continue to be managed in discussions with the admission bodies and its related employer.
	Work by the Scheme Advisory Board	

	Context and 2020/21 Actions	Update
Other	Responsible Investment and the Good Governance project are key work items for the SAB during the year. The Fund will engage as appropriate.	
	Priorities of the Pensions Regulator	
	The 2019 Governance and Administration survey results are due to be published shortly and will inform tPR priorities for the coming year. Cyber security and data quality are expected to main high profile areas of interest.	

3 Risk

3.1 The Committee received a full report when they met in July about the impact of Covid-19 on the Pension Fund. The key risks from the report have been noted below with updated comments.

Impact on investments and funding level: The Funding level has returned to the 2019 valuation position (113.6% estimated at 9 October 2020 v 111.6% at 31 March 2019).

Employers and risks posed to the Fund due to changes in financial covenant: In addition to the items referred to within the main business plan commentary, there have not been any further approaches from employers to consider a deferment to their contribution payments but one employer has entered into insolvency. The Fund is working to complete its exit position. The Fund is aware of some re-structuring activity by employers which could result in a reduction in active membership and / or additional retirements (either voluntary or as a result of redundancy). Currently this relates to relatively small employers.

Impact of death rates emerging: The increased death rates due to COVID-19 that is currently unfolding in the UK and globally will inevitably affect all pension schemes. Data is still being collected and analysed but there are no particular spikes or notable impacts for the Fund currently.

Impact on cashflow: There is a potential for reduction in employer contributions and investment income, alongside a potential increase in benefit payment. The analysis below compares 2019/20 figures to the first six months of 2020/21.

	6 month comparison based on 2019/20 Outturn	**6 month as at 30 September 2020**	**Difference**	**Difference**
	£'000	£'000	£'000	%
Income				
Contributions	-69,042	-67,211	1,831	-3%
Property	-8,269	-8,618	-349	4%
Total	**-77,311**	**-75,829**	1,482	-2%
Expenditure				
Pension benefits	49,050	50,889	1,840	4%
Death benefits	1,294.00	1,316	22	2%
Lump sums	6,944	7,405	461	7%
Total	**57,288**	**59,610**	2,323	4%
Net Position	**-20,023**	**-16,219**		

Impact on the administration team: The administration team continue to fully support business as usual activity and project work.

3.2 The latest risk register for the Pension Fund is summarised below with the status previously reported to the Committee included for comparison:

	Risk Theme	**Action**	**RAG Jul-20**	**RAG Oct-20**
1	Increased likelihood of employer insolvency/restructuring impacting on the Fund cashflows in via contributions and out via benefits paid/early retirement lump sums and death benefits, resulting in the Fund becoming cash flow negative earlier than expected. Also, risk of employers not being able to meet liabilities at exit.	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. *Communication with ceding employers to understand the impact and support being provided to pass through employers.* Implement cashflow monitor and projections and review on a monthly basis. Review employer covenant and take appropriate action. *Liaising with legal advisers to understand actions following insolvency*	Amber	Amber
2	Remote working results in increased pressure on the Fund, Council and partner organisations.	Continue to discuss resourcing and business continuity arrangements with partner organisations to ensure they meet expectations and requirements. Business priorities to be kept under review.	Amber	Amber

	Risk Theme	**Action**	**RAG Jul-20**	**RAG Oct-20**
3	Political and/or employer pressure results in change to investment strategy due to ESG factors resulting in the Fund being required to restrict Fund Manager investments and/or the Fund being challenged on fiduciary duty.	Ensure active engagement by Fund Managers with companies in all areas. Regular dialogue with Fund Managers regarding reasoning behind the stock being held. Keep up to date with Scheme Advisory Board and Government guidance. *Engagement with employers to inform them of the Fund approach to ESG and RI and to enable them to respond to any queries.*	Amber	Amber
4	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. *Monitor and review the cash flow of the Fund.*	Green	Green
5	Insufficient resources to comply with the Administering Authority's Regulatory responsibilities, particularly in the context of scheme changes.	Develop and monitor Business Plan on a regular basis. Ensure service contracts are clearly specified and obligations met. Scope the potential impact of scheme changes. Implement appropriate remote working to ensure business continuity and review third party business continuity plans.	Amber	Amber
6	Poor quality data resulting in error and misstatement.	Implement and monitor the Data Improvement Plan to completion. Work proactively with administration team and employers as part of the end of year process. Maintain robust accounting records. *Good progress made against data improvement plan.*	Red	Amber
7	Officer, Committee and Board knowledge and understanding resulting in poor decision making and disengagement on key issues.	Training strategy under review to ensure fit for purpose. Work with external organisations to understand how training is going to be delivered in current circumstances and communicate with Committee and Board members. Papers for Committee and Board drafted to provide training on key issues including scheme changes.	Amber	Green
8	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	Continued strong involvement in the work of the ACCESS Group at officer and at Fund Chairman level. Working closely with the Access Support Unit and Operator in	Amber	Amber

	Risk Theme	Action	RAG Jul-20	RAG Oct-20
	comply with the relevant statutory guidance.	respect of future requirements.		
9	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.	Green	Green
10	Political environment (locally or nationally) impact on investment markets and legislative requirements.	Investment manager and adviser framework in place to assist in considering the potential impact. Work closely with investment managers, other suppliers and advisers to understand potential impacts and responses.	Amber	Green
11	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.	Green	Green
12	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. Development of employer risk framework to monitor and take steps to mitigate risk presented to the Fund in respect of participating employer liabilities.	Amber	Amber
13	Cyber crime resulting in personal data for members being accessed fraudulently.	Strong IT environment for administration system and web-based Portals but remote working and experience at other Authorities means that this needs to be kept under close review.	Green	Amber

4 Consultation, engagement and advice

N/A

5 Finance

N/A

6 Risk implications and mitigations

N/A

7 Policy alignment and compliance

N/A

Katharine Eberhart
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Appendices
None

Background papers
None

Key decision: Not applicable
Unrestricted

Report to Pension Advisory Board

13 November 2020

Regulations and Guidance Update

Report by the Chairman of the Pension Advisory Board

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.

Proposal

1. Background and context

1.1 The Board has decided that access to the websites for the LGPS, the Scheme Advisory Board (SAB), and the Pensions Regulator (tPR) remains the primary source of information on the LGPS regulations and guidance, and to changes under consideration or consultation.

1.2 Reviewing currents developments not only improves knowledge and understanding but also enables the Board to keep pace with these developments as they are considered by the officers and reported to the Pensions Committee.

2. LGPS Bulletins and regulations

2.1 The most recent Bulletin that the LGPC have issued is:

September Bulletin 202 covering GAD guidance and the consultation on exit payments.

2.2 The LGP Amendment No.2 Regulations came into force on 23 September 2020. These cover the scope for intra-valuation amendments to contribution rates and deferring exit payments.

2.3 Full details of these are available on the LGPC website (www.lgpsregs.org) under "LGPC Bulletins".

2.4 Other changes or potential changes to the regulations are addressed in the Administration report – Item 10 on the agenda. Recent reports in the media allude to potential legal action by local authorities against the Government on the timing of the introduction of the £95k exit cap.

3. Scheme Advisory Board (SAB) meetings

3.1 A meeting of the SAB is due to be held (virtually) on 2 November 2020 but the reported outcome of their discussions will not be available in time for this meeting. The papers for the meetings and recent committee meetings are available on their website (www.lgpsboard.org) and include references to these key issues:

McCloud and **£95k cost cap** updates – see Agenda Item 10

Good Governance Project update – Examples of draft implementation advice and documentation on key performance indicators, senior officer role, new Governance Compliance Statement, and the proposed independent governance review/audit process are set out in the papers. These are due to be finalised by 2 November for issue to working group members. Feedback period is to close by 8 January and all deliverables finalised by 22 January for the SAB meeting on 8 February. Subject to review by the Pensions Committee, these will be considered at the next Board meeting.

Responsible Investment Guidance – SAB has agreed to procure a web design team to build the online A to Z guidance and to establish a Responsible Investment Advisory Group (RIAG) to act as both an editorial board for future editions and as advisers to SAB on responsible investment.

Local pension board indemnity cover – to request information from LPBs in the next survey on any claims made under their indemnity cover.

Climate-related financial disclosure – In response to the recent Pensions Schemes Bill as enacted, the implications for LGPS funds are being monitored.

4. The Pensions Regulator

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. Other options considered (and reasons for not proposing

N/A

6. Consultation, engagement and advice

N/A

7. Finance

N/A

8. Risk implications and mitigations

8.1 ***Failure of Board members to maintain a suitable level of knowledge and understanding*** – By having this report as a standing item for each Board meeting, members are kept abreast of developments.

8.2 ***New training requirements imposed on the Board in relation to compliance testing*** – monitoring new developments in this way should identify potential new requirements at an early stage.

9. Policy alignment and compliance

9.1 Integral part of agreed training strategy.

Peter Scales
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Appendices
Appendix A - Pensions Committee report on Scheme Changes – 23/10/20

Background papers
None

Key decision: Not applicable
Unrestricted

Report to Pensions Committee

23 October 2020

Scheme Changes

Report by Director of Finance and Support Services

Summary

The report includes a summary of significant developments that impact the Fund. The McCloud judgement was determined in summer 2019 and the Government published a consultation on the remedy in July 2020. The Fund now needs to put in place procedures to ensure it complies with the amended Regulations introduced to comply with the judgement. The potential workload on the pensions administration team is summarised below. As a result of the McCloud judgement, the previously paused cost mechanism is now commenced with a proposed completion date in 2021.

The report also sets out the issues arising from:

- the Goodwin case whereby an Employment Tribunal has determined aspects of the Teachers Pension Scheme (and therefore potentially aspect of the LGPS) are discriminatory on the grounds of sexual orientation.
- Exit Payments in Local Government which, through primary and secondary legislation, put in place an overall cap on the value of public sector exit payments at £95k and amends LGPS regulations which will impact on redundancy packages for all LGPS members, whether the £95k exit cap is breached or not.
- Further changes to the LGPS Regulations in relation to the ability for employer contributions to be reviewed between formal valuations, to agree payment plans when employers have ab exit debt and the introduction of a deferred employer status – whereby an employer continues to contribute to the Scheme even after their last active leaves, rather than being considered an exiting employer.

Recommendations

(1) The update, including the impact on the pensions administration team and the actuary is noted.

(2) The amendments to the funding strategy statement as a result of employer flexibilities are agreed.

Proposal

1 Background and context

1.1 The benefit structure of the LGPS is set nationally. In April 2014, a series of changes were made to the Scheme to reform the benefits structure. These changes were implemented as part of a wider project across Government to reform public service pensions and put them on a more sustainable, affordable and fairer footing for the longer term. Some protections introduced as part of the reformed benefit structure have since been challenged on the grounds of discrimination, and a resultant pause was place on mechanism introduced to protect the taxpayer from increased costs (cost mechanism).

1.2 Separately the Government has faced further challenge about discriminatory provisions with public sector Schemes (Goodwin), introduced changes to limit exit packages from the public sector to £95,000 and provided a further partial response on its May 2019 consultation on changes to the local valuation cycle and management of employer risk.

2 Rectification as a result of the McCloud judgement

2.1 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.

2.2 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).

2.3 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.

2.4 The changes will be retrospective and will apply to anyone who has left, retired or died and who meets the eligibility criteria. In some cases, this will mean retrospectively recalculating benefits for pensioners, and paying arrears and interest.

2.5 The Consultation closed on 8 October 2020 and the County Council's response has been included (Appendix A). In summary the County Council:

- Agreed that the proposal from Government is consistent with the Court of Appeal's ruling (backdated to 1 April 2014), that the changes remove the discrimination highlighted in the McCloud case, that the changes should apply to members of all ages and that the underpin should be until 31 March 2022 (per the previous protections).
- Highlighted in a number of places the work required in relation to data collection and to assess the impact on member benefits (our estimate indicates that over 16,000 member records need to be reviewed), the lead in time required for software providers to develop their programmes to support the changes and the need for consistency and guidance where gaps are present in the data. In respect of the latter we ask for clarification about what is considered to be 'reasonable efforts' and welcome the data collection templates introduced by the LGA which assists with consistency.
- Highlighted some areas where it would be beneficial to have clarity (whether specific members are considered to qualify for the underpin and how the changes interact with the Exit Payment Regulations) and refer to potential further legal challenge from younger members as a result of the proposed remedy not extending the underpin protection to those who joined the Scheme after 31 March 2012.
- Referred to the importance of clear, consistent communication across the LGPS and across all Public Sector Schemes and the impact that the changes will have on the clarity of the Annual Benefit Statements
- Advised that from a funding point of view the 2019 valuation included additional prudence and therefore we do not anticipate revisiting employer contribution rates until the 2022 valuation.

Potential scope of the administrative work required

2.6 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. In addition, for the period from 2014 to 2022, changes in part time hours and service breaks will need to be collected and allowed for.

2.7 As well as collecting the required data the Fund will need to make changes to ongoing administrative systems, update its processes and communications to account for the changes, recalculate and compensate leavers since 2014 if they are impacted by the change and revise how the Fund recalculates leavers' benefits. This represents a significant task.

2.8 Current estimates indicate that over 16,000 member records would require review as a result of the revised underpin.

2.9 The additional resource required to review and rectify member records will be chargeable to the Pension Fund.

Quantifying the funding cost for each employer

2.10 The Fund Actuary does not expect the McCloud remedy to have a significant impact on liabilities or contributions rates for most employers.

2.11 The following actions have been taken by the team:

- The administration team have regular project calls with Civica who provide pension administration software, to develop their response to the changes required and the team are working to scope the likely resource requirement based on members in scope.
- A member news article was provided on the website, which navigates members to the Local Government Association (LGA) Questions and Answers document and regular communications have been provided to employers, via stop presses, updating them of the latest position from LGA and Ministry of Housing, Communities and Local Government (MHCLG). These communications have included the data collection requirements and a data collection spreadsheet.

3 Unpausing of the Cost Mechanism

3.1 The Independent Public Service Pensions Commission recommended in 2011 that the new public service pension schemes should include an employer cost control mechanism to protect the taxpayer from unforeseen increases in scheme costs. The government accepted this recommendation and made provisions for the establishment of such a mechanism in the Public Service Pensions Act 2013 (the Act).

3.2 Two mechanisms were introduced for the LGPS to assess the costs of the reformed scheme: the employer cost cap (ECC) process as operated by HM Treasury, and the future service cost (FSC) process as operated by the LGPS Scheme Advisory Board. It was intended that the Scheme would be assessed every three years against the cost control mechanisms using the data provided to individual actuaries for funding valuations. Both processes could lead to changes to the scheme design or to the level of members' contributions if the mechanisms demonstrate that the cost of the LGPS has moved sufficiently from the target.

3.3 Whilst the government worked to address the unlawful discrimination identified by the courts (McCloud) work on the cost control mechanism was paused. Uncertainties about benefit entitlements have receded and therefore the employer cost cap process will now be restarted. The objective would be to complete the process by next year, taking into account the cost of the proposals to remedy age discrimination as set out in the McCloud consultations.

3.4 At present this is being kept under review but there is no immediate action.

4 Discrimination on the grounds of sexual orientation (Goodwin)

4.1 The Goodwin case relates to a recent tribunal ruling around discrimination on the grounds of sexual orientation, whereby the survivor benefit payable to a male spouse of a female member is less than the equivalent benefit payable to a female spouse of a female member.

4.2 This only impacts the survivor pensions of female members with pre-1988 service who die after 2005. Therefore

4.3 At this stage it is unclear if the Government intend to challenge this ruling and to date, there are no draft regulations or consultation on how to rectify impacted members. However for the reason set out above it is anticipated that there will be a very small overall impact on liabilities, particularly given prudent assumptions made by the Fund Actuary in relation to spouses' pensions for the West Sussex Scheme.

4.4 At present this is being kept under review but there is no immediate action.

5 Exit Payments in Local Government (£95k Cap)

5.1 In 2015 the Government first announced its proposals to prohibit six-figure exit packages from the public sector, by imposing a £95,000 cap on such packages.

5.2 The overall legislation applies to exit packages for local government employers (mainly, but not exclusively, councils and academy trusts

5.3 Primary legislation (Restriction of Public Sector Exit Payment Regulations 2020) has been brought in to put in place an overall cap on the value of public sector exit payments at £95k. This applies to all public sector employees in the LGPS (and the unfunded public sector schemes).

5.4 Secondary legislation for the LGPS, currently out for consultation by MHCLG, puts in place flexibilities for members to manage the £95k cap, but also includes amendments to the compensation regulations which will impact on all LGPS members, whether the £95k exit cap is breached or not. The consultation will close on 9 November 2020.

5.5 The timing differences between the primary and secondary legislation coming into force creates a period of uncertainty for employees at risk of redundancy and for employers in understanding the costs.

5.6 The following aspects are highlighted:

- Total exit packages including strain cost cannot exceed the overall cap contained in the Exit Payment Regulations (£95k). Without the secondary legislation, if the £95k cap applies, the member would be required to pay the difference between the value of their exit package and £95k in order to receive their pension unreduced. However guidance is expected on how the timing difference between primary and secondary legislation should be dealt with by Administering Authorities.

- The combination of the primary and secondary legislation means any member retiring on redundancy grounds, regardless of the value of the redundancy package, whose LGPS benefits go into immediate payment (unless fully reduced) will receive no discretionary redundancy payment. In addition, they will effectively lose their statutory redundancy payment as the member will have to pay the Fund a sum equal to their statutory redundancy payment or their pension will be reduced to recoup this amount. Those on low pay will be impacted. It is expected that (through secondary legislation) members will have the right to choose which elements they want to give up (currently all provided in full):

Option	A	B	C	D
Statutory Redundancy	None	Full	Full	Full
Discretionary Redundancy	None	None	Full	Full
Pension Payment	Full	Partially reduced	Fully reduced	Deferred

5.7 There is considerable uncertainty for members, employers and funds on how to deal with the new legislation and the sector, particularly the actuaries are working with government to gain clarity

5.8 If the changes proposed go ahead the administration involved will be significantly increased to ensure that the correct payments are made given exceptions and some options for the member. Delays in the GAD factors and software updates will also impact.

5.9 The following steps have currently been taken:

- The administration team have made employers aware of the approval by the House of Lords of The Restriction of Public Sector Exit Payments Regulations 202, provided a summary of the impact on members and notified employers of the MHCLG consultation to amend the Local Government Pension Scheme (LGPS) regulations to allow for the Exit payment regulations coming into force.

- Employers have been advised that the administration team will continue to provide redundancy estimates, however these will be caveated that they are calculated on current regulations and strain cost factors which are due to change. The communication also advises that employers will need to have regards for the pending changes and ensure they communicate accordingly with their employees who may be impacted.

5.10 It is assumed there will be a further consultation in due course when draft regulations, although time is now tight to get this in place by the end of 2020.

6 Further changes to the LGPS Regulations - Employer Flexibilities

6.1 MHCLG has published new Regulations on employer flexibilities which will come into force from 23 September 2020. This follows their consultation in May 2019 on changes to the local valuation cycle and management of employer risk.

6.2 The newly introduced flexibilities relate to:

- The ability to review contribution rates between formal valuations due to significant changes to the liabilities (already allowed), significant changes in covenant (this is new) and if an employer requests it (this is new).

- The power to agree payment plans when employers have exit debts.

- The introduction of deferred employer status, which allows an employer to stay in the Fund even if their last active leaves with contributions set at triennial valuations (for deficit recovery).

6.3 The update to the Funding Strategy Statement has been prepared by Officers to ensure that this opportunity is not increasing risk to the Fund by limiting the circumstances which this option might apply (i.e. where there is a guarantee from a secure scheduled body still active in the fund, or those that have a sufficiently strong covenant (in which case they will need to consider how this might be assessed)). As a result the Funding Strategy now includes:

- A definition of a "Deferred Employers" as "a Scheme employer which enters into a deferred debt agreement with the Administering Authority to defer their obligation to make an exit payment and continue to make contributions at the secondary rate ("a deferred debt agreement"). Further information about Deferred Employer status has been included under "Exiting employers"".
- The basis for setting employer contribution rates for a "deferred Employer" using the same discount rate as prior to their deferral, with a probability of meeting their funding target of 75% (which is the most prudent basis for employers participating in the Scheme) using a maximum time horizon of 50% of the duration of the liabilities or a period set by the Administering Authority.
- To reflect that the Administering Authority will consider a request from the Scheme employer to review contributions where the Scheme employer has undertaken to meet the costs of that review and sets out the reasoning for the review (which would be expected to fall into one of the above categories, such as a belief that their covenant has changed materially or significant restructuring impacting their membership).
- To advise that "Except in exceptional circumstances such as an employer nearing cessation, market volatility, and changes to asset values will not be considered as a basis for a change in contributions outside a formal valuation".
- To set out the basis for a Deferred Debt Agreement.

The section from the Funding Strategy Statement in relation to Exiting employers which covers this fifth aspect has been appended as this reflects the most substantial amendments.

7 Other options considered (and reasons for not proposing)

7.1 N/A

8 Consultation, engagement and advice

The County Council receives advice from its actuarial advisers, Hymans Robertson, the Local Government Association and Scheme Advisory Board in relation to Scheme matters. Legal advice is sought as appropriate.

9 Finance

The Pension Fund will be required to cover additional resourcing costs associated with the McCloud rectification work. The impact will be discussed with the administration team.

10 Risk implications and mitigations

The following risks from the Pension Fund's risk register are considered relevant in the context of this report:

Risk	**Mitigating Action (in place or planned)**
Insufficient resources to comply with the Administering Authority's Regulatory responsibilities.	Work closely with the administration team on the response to the Scheme changes and the resource impact.

11 Policy alignment and compliance

The Business Plan includes the objective to implement Scheme changes and consider, respond to and communicate with stakeholders on relevant matters.

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Appendices

Appendix A - Amendments to the statutory underpin – Response by West Sussex County Council

Appendix B – Extract from Funding Strategy Statement (Exiting Employers)

Background papers

N/A

Key decision: Not applicable
Unrestricted

Report to Pensions Committee

23 October 2020

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 for a substantial number of items identified following the transfer of administration services 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.

Recommendations

(1) The update is noted.

Proposal

1 Background and context

1.1 Hampshire County Council provides the Pension Administration Service for West Sussex County Council. The administration team are based in Winchester and the County Council work closely with Hampshire County Council as our Pension Administration Partner.

1.2 The 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.

1.3 At 30 September 2020 the Scheme had 79,875 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.

	30/06	30/09	Movement
Active	28,595	27,492	-3.86% (1,103)
Deferred	29,529	30,419	+2.93% (890)
Pensioners	21,800	21,964	+0.75% (164)
Total	**79,924**	**79,875**	**-0.06% (49)**

2 Administration Performance

Business as Usual Activity

2.1 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 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	73	100%	380	100%
Deferred Retirement	160	100%	654	98.85%
Estimates	279	100%	1,138	100%
Deferred Benefits	920	100%	3,136	100%
Transfers In/Out	31	100%	220	98.93%
Divorce	41	100%	194	95.21%
Refunds	135	100%	651	100%
Rejoiners	62	100%	331	100%
Interfunds	56	100%	369	95.95%
Death Benefits	143	100%	543	100%
Total	1,900		7,616	

2.2 For the last nine months, the Pensions Team have been performing at 100% in all areas.

Annual Benefit Statement

2.3 As at the 31 August statutory deadline, 99.9% of deferred statements and 95.1% of active statements had been published, as summarised below.:

	Deferred No.	Active No.
2020		
Statements Required	29,093	28,595
Statements Produced	29,075	27,191
Statements Missing	18	1,404
Percentage of Statements Produced	99.9%	95.1%
2019 Comparison		
Statements Missing	1,697	6,750
Percentage of Statements Produced	93.9%	77.0%

2.4 The 18 deferred members which remain without a statement are complex cases which require reworking. The Pensions Team continue to work on these. For active members, the reasons for the statements not being produced are shown below. Work has continued with chasing employers for the missing information. Cases, where appropriate have been escalate to the Pension Fund.

Cause	**Impact No.**
Missing Current/Previous Earnings	1,267
CARE pension missing/incomplete	114
Service/Other data error	23
Total	**1,404**

Pension Savings Statements

2.5 As at the statutory deadline of 6 October 2020 100.0% of Pension Saving Statements were produced. The Statement is sent to members who are close to or have exceeded the annual allowance and shows the growth in a members pension benefits in the Scheme and tests them against the annual allowance. the position is summarised below:

	No.
Statements Required	85
Statements Produced	85
Statements Missing	-
Percentage of Statements Produced	100.0%

3 Employer Performance

3.1 To ensure the Administering Authority can ensure compliance of the statutory regulations, timely and accurate information is necessary from Scheme Employers, this includes a timely Annual return being needed by Employers. As part of the efforts to drive good data improvements, the administration team now review Employer Performance for timeliness, financial control and data quality as part of the Annual Return process. As a result of their activities, Hampshire Pension Fund have seen improvements in both the quality and timeliness of data provided by their employers.

3.2 The definition of the performance categories are shown below along with the number of employers in each section:

	Timeliness	Financial control	Data quality
No issue	The team received **162 (82%)** of returns before the deadline of 30 April	**161 (81%)** returns had no reconciliation issues	There were no or very minor data quality issues (below 2% of active membership) for **99 (50%)** of employer returns
Minor concern	The team received a further **32 (16%)** of returns between 1 May and 31 May	**32 (16%)** of returns had minor reconciliation issues and quickly resolved	There were some data quality issues (between 2 and 5% of active membership for **34 (17%)** of employer returns
Significant Concern	The remaining **4 (2%)** of returns were received more than a month late	The remaining **5 (3%)** had major reconciliation issues and/or slow/failed to respond	The remaining **65 (33%)** of employers had major data quality issues (more than 5 queries or 5% of membership, whichever is higher) and/or slow/failed to respond

3.3 The following points are highlighted:

- The total amount of data queries (across all employers) was 2,381 (against a total active membership of 29,002). This is 8% of total membership. This compares with 7,254 in 2018/19 (26% of total membership).
- No employer was red across all criteria and 67 employers were green across all criteria (33%).
- 69 employers are rated as red in one or more areas.

3.4 As this is the first year of adoption by the West Sussex fund the Director of Finance and Support Services will write to all employers rated 'red' on data quality to request that they reconcile the data held by the administration team with their own records to highlight any potential issues prior to the 2020/21 End of Year work being undertaken.

4 Breach Reporting

4.1 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.

4.2 Since the Committee met in July there has been two low risk data breaches reported, which has been logged through the County Council's IT Security Incident Report. The breaches were caused by a member's retirement letter being sent to the wrong email address and a member's P60 being double enveloped with the P60 for another member.

4.3 There has been a breach with regards to the production of annual benefit statements that is currently being investigated as to whether this is constituted as a material breach. In line with the Pension Fund's Breaches Policy a recommendation, taking into account the cause, effect, response and wider implications of the breach will be considered by the Director of Finance and Support Services. If the breach is considered to be of material significance the Pensions Regulator will be informed and the Committee will be updated.

5 Contribution Receipt

5.1 All LGPS Contributions are expected to be received by the Fund on the 22nd of each month. 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. The contribution monitor is available at Appendix B.

6 Scheme Changes

6.1 A report on wider Scheme Changes has been included elsewhere on this agenda.

6.2 In addition, revised Government Actuary's Department (GAD) factors have been produced for Divorce, Transfers in and out of the Scheme and Trivial Commutation. Officers are liaising with the Pensions Team to ensure compliance to the changes from 1 November 2020.

7 Member Portal Access

7.1 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.

7.2 It is now mandatory for an employer to provide an email address for all new joiners as part of the new starter notification process. Employers are engaging with this new requirement, however some do not have staff email addresses available and will require a change to their internal processes. 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 and was promoted as part of the Annual Benefit Statement process.

7.3 Since the Committee met in July there has been a 3.66% increase in registrations. Current registrations have been tabulated below:

	Number	% of population
Active	10,880	39.58%
Deferred	5,289	17.39%
Pensioner	1,850	8.42%
Total	18,019	22.56%

8 Other options considered (and reasons for not proposing)

N/A

9 Consultation, engagement and advice

N/A

10 Finance

The Pension Fund has financed the data improvement plan being completed by the administration team and has funded additional work in relation to specific employer work to bring the records up to date.

11 Risk implications and mitigations

The following risks from the Pension Fund's risk register are considered relevant in the context of this report:

Risk	**Mitigating Action (in place or planned)**
Poor quality data resulting in error and misstatement.	Implement and monitor the Data Improvement Plan to completion. Work proactively with administration team and employers as part of the end of year process.
Increase in variety and number of employers participating in the Scheme resulting in risk of non-compliance with obligations.	Proactive engagement with employers.
Cyber crime resulting in personal data for members being accessed fraudulently.	Strong IT environment for administration system and web-based Portals.

12 Policy alignment and compliance

The Pensions Committee has an overarching objective 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, clear communication and robust accounting and reports.

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Director of Finance and Support Services

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Appendices

Appendix A - Administration Performance Previous 12 Months (1 October 2019 to 30 September 2020)

Appendix B – Contribution Receipts Previous 12 Months (1 September 2019 to 31 August 2020)

Background papers

None

Administration Performance Previous 12 Months (1 October 2019 to 30 September 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) and work in progress

	Q3 2019/20	Q3 2019/20	Q4 2019/20	Q4 2019/20	Q1 2020/21	Q1 2020/21	Q2 2020/21	Q2 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	99	100.0%	95	100.0%	85	100.0%	73	100%	**380**	**100%**
Deferred Retirement	153	99.4%	144	100.0%	198	100.0%	160	100%	**654**	**99%**
Estimates	324	100.0%	326	100.0%	209	100.0%	279	100%	**1,138**	**100%**
Deferred Benefits	824	100.0%	798	100.0%	594	100.0%	920	100%	**3,136**	**100%**
Transfers in / out	92	95.7%	73	100.0%	24	100.0%	31	100%	**220**	**99%**
Divorce	81	71.6%	40	100.0%	32	100.0%	41	100%	**194**	**95%**
Refunds	179	100.0%	199	100.0%	138	100.0%	135	100%	**651**	**100%**
Rejoiners	99	100.0%	63	100.0%	107	100.0%	62	100%	**331**	**100%**
Interfunds	101	91.1%	131	100.0%	81	100.0%	56	100%	**369**	**96%**
Death Benefits	126	100.0%	129	100.0%	145	100.0%	143	100%	**543**	**100%**
Total	**2,078**		**1,997**		**1,613**		**1,900**		**7,616**	

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**

Contribution Receipts Previous 12 Months (1 September 2019 to 31 August 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, May, June, July and August 2020 the late payments relate to different employers.
- All late contribution payments have now been received as at 30 September 2020, other than for two, one of which is a new employer and the other has been chased. Officers will monitor receipt closely, and will escalate accordingly.

	Sept	Oct	Nov	Dec	Jan	Feb	Mar	April	May	Jun	Jul	Aug	12 Mth
Late	1	0	0	0	1	0	2	4	1	1	1	3	1
On time	194	195	197	199	199	198	196	193	196	196	190	192	195
% Late of Active Employers	0.5%	0.0%	0.0%	0.0%	0.5%	0.0%	1.0%	2.0%	0.5%	0.5%	0.5%	1.5%	0.59%
Average Days Late	15	0	0	0	2	0	170	19.25	8	79	12	17	27
Total Amount Overdue (£)	644	0	0	0	5165	0	15,277	35,927	650	5,195	2,024	11,230	6,343
% Late of total contributions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.33%	0%	0.05%	0.02%	0.10%	0.6%

Agenda Item 9
Appendix B

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Key decision: Not applicable
Unrestricted

Report to Pension Advisory Board

13 November 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.

Recommendations

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

(2) That the Board provide feedback on the draft Communication Policy Statement

(3) That the Board feedback on the Communications presented at the meeting

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Proposal

1 Background and context

1.1 The Pension Fund maintains a Communication Policy 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.

1.2 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.

2 Communication Strategy

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

2.2 The Communication Policy Statement has been reviewed. Changes have been made to provide clarity on the Fund's objectives and how these will be delivered. A copy is available at Appendix 1 for the Board's feedback.

2.3 Appendix B describes how the communications referred to within the Communications Policy Statement have been delivered in practice. The relevant communication for the period has been included in Appendix 3.

Katharine Eberhart
Director of Finance and Support Services

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

Appendices

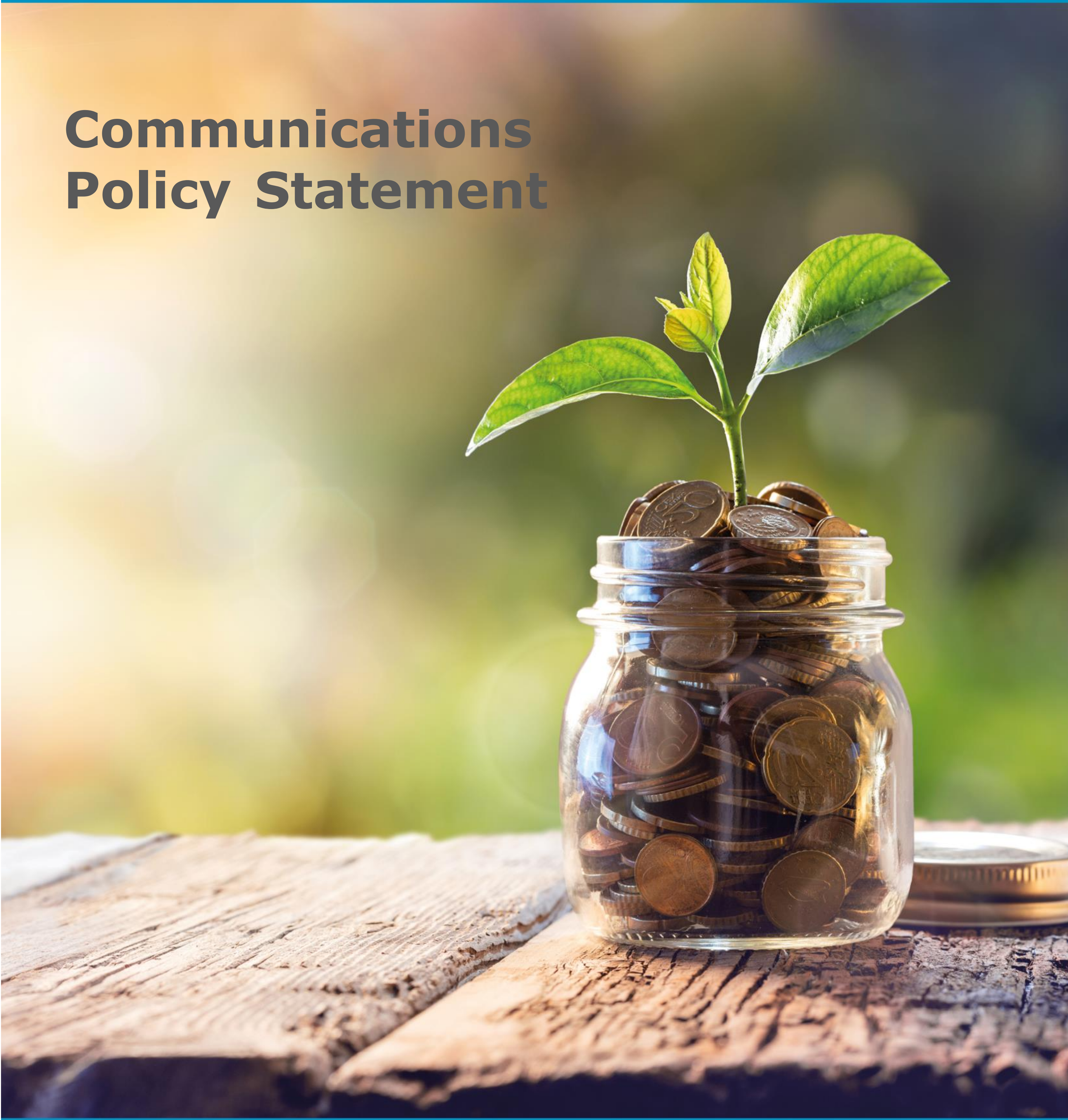
Appendix A – Communication Policy Strategy
Appendix B - Description and Calendar of Communication Deliverables
Appendix C – Communications for the relevant period including Pension Saving Statement template

Background papers

None

www.westsussex.gov.uk/pensions

Communications Policy Statement



west sussex county council

lgps

Introduction & Purpose

West Sussex County Council is the Administering Authority for the Local Government Pension Scheme (LGPS) on behalf of the employers participating in the LGPS through the West Sussex Pension Fund (WSPF). The LGPS is governed by statutory regulations.

The responsibility for communication material for the Scheme rests with the Administering Authority working in partnership with its Pension Administration provider, Hampshire Pension Services.

This document reflects the LGPS Regulatory requirement for the administering authority to maintain a Statement concerning communications with members, representatives of members, prospective members; and Scheme employers and sets out how the Fund complies with Disclosure of Information Regulations, the Public Sector Pensions Act, the Local Government Pension Scheme Regulations and the Pension Regulators Code of Practice.

The Communication Policy Statement should be read in conjunction with the Administration Strategy and the Fund's Business Plan

This Statement will be published on the Pension Fund's website. It will be reviewed every three years and updated sooner if the communications arrangements or other matters included within it merit reconsideration. Stakeholders may submit suggestions to improve any aspect of this Policy at any time.

Key Stakeholders

We have varied audience groups with whom we communicate, including:

- Scheme members (active, deferred, pensioner and dependant members) and their representatives;
- Prospective members and members who have opted out;
- Employers and prospective employers;
- West Sussex Pension Fund Committee and West Sussex Pension Advisory Board
- Pension Fund Staff; and
- Other interested groups including, HM Revenue & Customs (HMRC), the Ministry for Housing, Communities and Local Government (MHCLG), the Pensions Regulator (tPR), the Scheme Advisory Board (SAB) and the Local Government Association (LGA).

Communication Objectives

Through the Fund's Communication it aims to:

- To ensure that information is provided which highlight the benefits of the Scheme, improve the understanding of how the Schemes works, the costs / funding relating to benefits and inform scheme members of their pension rights.
- Comply with our statutory obligations and relevant guidance.
- Keep stakeholders update on latest developments
- Support informed decision making about investment, administration and governance of the Scheme
- Maintain the provision of timely and accurate data and associated reporting
- Reduce the number of queries and complaints received by the Fund.

Specifically, the table below shows some of the key messages the Fund wishes to deliver.

Stakeholder	Key Message
Active Members	• Your pension is a valuable benefit and your employer pays in to help you save for your retirement. • It is important that you are saving enough for retirement. • It is important that you understand how the LGPS works, other benefits that come with your pension and the impact of any changes in legislation. • It is important that you keep your details up to date.
Potential Scheme Members including Opt Outs	• The LGPS is a good way to save for your retirement and your employer pays in to help you save for your retirement. • It is important that you understand the impact of any changes in legislation including auto enrolment. • Other benefits come with the pension.
Deferred Scheme Members	• Your pension is a valuable benefit. • It is important that you are saving enough for retirement. • It is important to understand how the LGPS works now, and the impact of any changes in legislation. • You need to understand how your pension worked when you left and the implications of transferring out of the Scheme. • It is important that you keep your details up to date.
Pensioner Members	• You will continue to get your pension. • You have other benefits with your pension. • It is important that you keep your details up to date.
Dependant Members	• It is important that you keep your details up to date.
Employers	• The LGPS is a valuable benefit for members and you need to help educate them to understand the changes and the impact. • You need to understand how the Scheme works and the effect of any changes that happen. • You have a responsibility to provide the Fund with information about any changes to scheme member circumstances and data in respect of your employees and to comply with your LGPS employer responsibilities.

Stakeholder	Key Message
Pensions Committee and Pension Advisory Board members	• To be fully informed on pensions matters and to have sufficient knowledge to fulfil members duties and responsibilities.
Pension Fund staff	• It is important to be kept informed about the Fund's aims, achievements and the progression of the Business Plan. • To be knowledgeable about the LGPS and the impact of changes within the Scheme and overall pensions industry.

General Communication

When considering how to communicate with our stakeholders we consider the intended audience to ensure that our messages are delivered in a useful and easy to follow manner. This may involve using more than one method of communication based on the intended audience, albeit the Fund will aim to use digital communications where appropriate to do so given the efficiencies and ease of access it provides, as well as it being more environmentally friendly.

We will continue to develop our digital platforms to encourage greater accessibility to our service for all stakeholders. Scheme members will be able to elect not to receive electronic communications.[1] In such cases, if the Fund is required to provide information, this will be provided in paper form.

The Fund actively seeks feedback from each of our audiences to continually review, enhance and improve our communication methods.

The Fund also adheres to other legislative requirements, including the General Data Protection Regulations, Freedom of Information Act and pension disclosure legislation

Accessibility

The Administering Authority is committed to using technology to enhance services, improve accessibility and broaden inclusion.

All public sector websites are required to meet regulatory accessibility standards. West Sussex County Council and Hampshire County Council each have accessibility statements setting out how documents held on their websites on behalf of the Fund meet those standards.

The Administering Authority recognises that individuals may have specific needs in relation to the format or language of our communication. Alternative material will be provided on request.

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[1] If a member is interested in opting out of the pension scheme, further details can be found at the following link: https://www.hants.gov.uk/hampshire-services/pensions/local-government/about-the-scheme/opting-out

Types of Communication

The table below sets out how the Fund will communicate with its stakeholders.

Communication	Audience
Key **policy documents** including: • Administration Strategy (which set out levels of performance expected). • Governance Policy (which provides details pension fund governance arrangements) • Funding Strategy Statement (which sets out how employer liabilities will be calculated and the strategy for setting contributions) and • Investment Strategy Statement (which outlines the types of investment held, risk and corporate governance).	All Stakeholders
Annual Report & Accounts which sets out details of the value of the Pension Fund during the financial year, income and expenditure and how the fund is managed.	All Stakeholders
Business Plan which deals with the functions carried out by the Pension Fund as administering authority on the investment side	All Stakeholders
Details of the **Pensions Committee** (including meeting dates, membership details and meeting papers) and convening meetings in public.	All Stakeholders
Details of the **Pension Advisory Board** including meeting dates, membership details and meeting papers and convening meetings in public.	All Stakeholders
Website which provides detailed information about the Schemes, including who can join, how much it costs, the benefits of the Schemes (including 50/50) and how to increase the value of benefits.	All Stakeholders
Member's Guide which is the main reference point for active members. This alongside other scheme literature and forms available on pension webpages. This is regularly updated, usually as changes to the Scheme occurs.	All members
Member and Employer Portal to provide access to information about membership and current and projected benefits	All members Employers
Annual newsletter for pensioners which provides updates in relation to changes to the Schemes as well as other related news, such as national changes to pensions, forthcoming seminars, a summary of the accounts for the year, contact details, etc.	Pensioner members
Annual Benefit Statements which includes details about the current value of benefits, the associated death benefits and projected retirement benefits. Annual Benefit Statements will be made available to all members through the Member Portal by 31 August each year (and as hard copy on request).	Active members Deferred members
Pensions Savings Statements provide members with a summary of their pension savings and must be provided by 6 October each year to those members who have breached the limit or are close to breaching it.	Active members
Payslips are provided where a member's pension varies by at least £5. Members payslips are also available monthly on the member portal.	Pensioner members

Communication	Audience
Latest news updates covering specific topics, changes to the regulations or guidance.	All members Employers
Providing and advertising the **Pre-Retirement course**	Active members
Employer workshop sessions to discuss issues and regulation changes as are required or requested.	Employers
Providing calculations and costings of **early retirement scenarios** as requested following receipt of an authorised Employer Initiated Retirement Form (EIRA).	Active members Deferred members
Employer newsletters (Employer Matters) to provide an update to employers of pension matters, which require noting or action to be taken.	Employers
Stop Press publications to update employers of urgent pension matters which require noting or action to be taken.	Employers
Annual General Meeting	Employers
Training for small groups to employers to improve understanding of pension administration, legislation, the principles of the Scheme, or Scheme changes	Employers
Focus group meetings with all employers to discuss key issues as necessary.	Employers
Actuarial Valuation meetings to provide employers with opportunity to feedback on the Funding Strategy Statement and its application at the formal valuation and to understand their individual funding position.	Employers
Training on provision of end of year member data, including the completion of the appropriate data capture spreadsheet.	Employers
Requesting feedback from customers (via inclusion in email signatures, training surveys and complaints / compliments reporting) as part of the Customer Services Excellence accreditation.	All Stakeholders
Responding to enquiries within reasonable timescales, in the format requested by the member. Timescales are included within the Administration Strategy.	All members

	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	11/2020	11/2021
Payslips (where their pension varies by £5).	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 £5, 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	11/2020	02/2021
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	02/2021
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	11/2020	02/2021
Annual General Meeting	Lead	HCC provide an update on performance (HCC and Employer)	Development of agenda	Annual	24/07/2019	07/2021
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

	WSCC's Role	HCC's Role	Future Activity	How often it should be reviewed	Previous PAB review date	Next date for PAB review
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		02/2021

Personal & Confidential

west sussex county council

**West Sussex Pension Fund
administered by
Hampshire Pension Services**
*The Castle, Winchester,
Hampshire SO23 8UB*

Telephone 01962 845588
www.westsussex.gov.uk/pensions

Enquiries to	Pensions Customer Support Team	*My Reference*	Pensions/Pension Savings Statement 2020
Direct Line	01962 845588	*Your Reference*	
Date		*Email*	pensions@hants.gov.uk

Dear

Local Government Pension Scheme (LGPS)
Pension Savings Statement 2019/20

Please find enclosed your Pensions Savings Statement for 2019/20. This statement sets out the increase in your pension savings from the West Sussex Local Government Pension Scheme over 2019/20 for comparison against the HM Revenue & Customs (HMRC) Annual Allowance threshold.

We have sent you this statement for one of the following reasons:

- Our records show that the increase in your pension savings in the West Sussex Local Government Pension Scheme exceeds the standard Annual Allowance (based on the information we hold on your pension record at the time of the calculation),
- You have requested a statement,
- A third party has requested a statement on your behalf (you will need to forward this to them),
- We have revised a previous statement due to a notification of a data change.

Please refer to our website which gives you more information on how the Annual Allowance works

https://www.hants.gov.uk/hampshire-services/pensions/local-government/current-members/pensions-and-tax

What should I do with this information?

You will need this statement to work out whether you have to pay a tax charge. If you find that you do need to pay a tax charge, then there are different ways in which you can meet the charge as set out later in this document.

It is your personal responsibility to pay the correct amount of tax and therefore please take your time to read and understand this information. You may need to take independent financial advice in order to ensure you understand your tax position.
You can use the HMRC online calculator to work out if you need to pay a charge
https://www.tax.service.gov.uk/paac

Members must report any annual allowance excess to HMRC as part of the self reporting process, even if a self assessment return is not ordinarily required by HMRC. The **scheme is not responsible** for informing HMRC on your behalf. You may wish to refer to HMRC guidance;https://www.gov.uk/tax-on-your-private-pension/annual-allowance

Your pension savings

There is a limit to the amount of pension you can build up in a year without paying any tax. This limit is called the Annual Allowance.

HMRC measures your pension savings in a specific way, and over a specific time period:

- The increase in your pensions savings is called the Pension Input Amount (PIA).
- The increase in pensions savings is measured over a period which is called the Pension Input Period (PIP for short).

You may be subject to an Annual Allowance tax charge if your PIA for an input period is more than the Annual Allowance in that period. The tax charge only applies to the amount above the allowance.

However, you are allowed to carry forward unused Annual Allowance from the last three PIPs to fully or partially offset a tax charge.

The calculation of your pension savings for 2019/20 is shown on the attached information sheet. **If you believe that any of the data is incorrect, please contact Pensions Services as this may affect your Pension Input Amount calculation.**

The values only take account of this pension scheme. You will also need to consider any other pension savings you have made during this period, and the last three years, to work out any tax charge. You may wish to seek independent financial advice before you make any decisions.

Members who submit a paper return should use form SA101. Nil tax returns are not required.
Where members do not ordinarily complete a tax return they should now request one from HMRC to report the excess.

Tax Charges

If you breach the annual allowance in relation to any input period, and there is no available unused allowances from previous years to offset against the pension growth, you may face a tax charge on the excess amount.

If you face a tax charge then you will need to complete a self assessment tax return to establish how much tax is due. The scheme PSTR number needed to complete the return is PSTR00329946RE.

Mandatory Scheme Pays

Under certain conditions, you may elect that the pension scheme pays any tax due to HMRC on your behalf.

A ‘scheme pays’ facility works by having the pension scheme pay the tax charge initially from the pension fund, with the debt repaid by you in the form of a permanent debit applied to your pension once it comes into payment.

You may request Mandatory Scheme Pays under certain circumstances:

Pension growth must exceed the standard Annual Allowance (£40,000), and

ii. Your total Annual Allowance charge must be more than £2,000, and

iii. Your election must be received by 31 July 2021

Voluntary Scheme Pays

If you have a tax charge of at least £1,000 and less than £2,000, you can request to use Voluntary Scheme Pays in respect of Annual Allowance charges due for the 2019-20 tax year. The pension scheme pay the tax charge initially from the pension fund, with the debt repaid by you in the form of a permanent debit applied to your pension once it comes into payment.

Tax charges using voluntary scheme pays must be paid by 31 January 2021 to avoid interest charges. If you wish to use this facility then you should return your completed scheme pays notice by 30 November 2020. If we receive your completed form after this date we may not be able to pay your charge to HMRC by the 31 January 2021 deadline and interest charges will then apply.

If you require any more information about how we have calculated the figures, please contact us.

Yours sincerely

Pension Services

Pensions Savings Statement 2019/20

A summary of your pension savings position for 2019/20 is shown below.
A breakdown of the calculation is shown on pages 2 and 3 and the underlying data is shown on page 4.

Pension Input Amount for 2019/20	£0.00	
Standard annual allowance for 2019/20	£0.00	
Your Pension Input Amount for 2019/20 exceeds the standard Annual Allowance. You have a taxable excess over your standard annual allowance.	£0.00	**Taxable Excess in 2019/20**
Taxable excess after unused allowances from previous three years	£0.00	**You have no Taxable Excess after using previous years allowance**

Based on the information we hold, you do not have a taxable excess after using previous years unused allowances.

Remaining unused allowances to carry forward for 2020/21:

Year	Unused Allowance
2019/20	**£0.00**
2018/19	**£0.00**
2017/18	**£0.00**

Calculating you Pension Input Amount for 2019/20

1. Calculate your Penson Input Amount (PIA) for 2019/20

£0.00	X 16	£0.00	+	£0.00	=	£0.00
Annual Pension at 05/04/20				Lump sum at 05/04/20		BOX A

2. Calculate the HMRC value of your pension savings as at 5 April 2019

£0.00	X 16	£0.00	+	£0.00	=	£0.00	X 1.024	=	£0.00
Annual Pension at 05/04/19				Lump sum at 05/04/19			Increase for inflation (CPI in Sept 18)		BOX B

3. Take the 2019 value of your pension savings from the 2020 value and add any AVC contributions made

£0.00	-	£0.00	+	£0.00	=	**£0.00**
BOX A		BOX B		AVC contributions		**Pension Input Amount (PIA) for 2019/20**

Calculating your taxable excess over the Annual Allowance

1. Take the current year’s annual allowance from your Pension Input Amount (PIA) for 2019/20

£0.00	-	£0.00	=	£0.00
2019/20 annual allowance		PIA 2019/20		BOX C

If Box C is a positive figure, you have not exceeded the current annual allowance and Box C is your 2019/20 unused allowance to carry forward into 2020/21 (restricted to a maximum of £40,000).

2. If Box C is a negative figure, you have exceeded the current annual allowance. You can reduce this by using up any previous years unused allowances (oldest year first – 2016/17)

£0.00	-	£0.00	=	£0.00
BOX C		2016/17 unused allowance		BOX D

3. If Box D is still more than £0 then repeat with 2017/18 unused allowance

£0.00	-	£0.00	=	£0.00
BOX D		2017/18 unused allowance		BOX E

As Box E is less than zero, your unused allowances for 2016/17 and 2017/18 have been used to cover your excess PIA for 2019/20, and you have a remaining unused allowance which can be carried forward to 2020/21.

If BOX E is still more than £0 then repeat with 2018/19 unused allowance

£0.00	-	£0.00	=	£0.00
BOX E		2018/19 unused allowance		BOX F

Underlying data for annual allowance calculation

Personal Information

Name	
Folder Reference	
National Insurance Number	
Payroll Number	
Date of Birth	

Pension data for current and previous years

Pension Input Period (PIP	**2019/20**	**2018/19**	**2017/18**	**2016/17**	**2015/16**
Pay figures:					
Final Salary pay at end of PIP	£0.00	£0.00	£0.00	£0.00	£0.00
Career Average pay at end of PIP	£0.00	£0.00	£0.00	£0.00	£0.00
Pension Figures:					
LGPS pension at end of PIP	£0.00	£0.00	£0.00	£0.00	£0.00
Final Salary lump sum at end of PIP	£0.00	£0.00	£0.00	£0.00	£0.00
Additional Voluntary contributions paid over PIP (including Shared Cost AVC's)	£0.00	£0.00	£0.00	£0.00	£0.00

Previous year's pension inputs and unused allowances

Pension Input Period (PIP)	**Pension Input Amount (PIA)**	**Annual Allowance**	**Unused allowance available for 2019/20**
2018/19:			
(6 April 2018 to 5 April 2019)	£0.00	£0.00	£0.00
2017/18			
(6 April 2017 to 5 April 2018)	£0.00	£0.00	£0.00
2016/17			
(6 April 2016 to 5 April 2017)	£0.00	£0.00	£0.00

a) A lower Annual Allowance may apply to the amount of Money Purchase pension savings you can make if you have accessed any pension savings using the new pension freedoms introduced in April 2015.

b) The unused allowance is the amount available to offset the 2019/20 pension input amount carried forward from the previous year's i.e. after previous year adjustments.

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

Stop Press publications

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

- PUBLISHED Stop Press October 2020 – HM Treasury Exit Cap regulations and the LGPS and update on McCloud LGPS data collection and template.

- PUBLISHED Stop Press September 2020 – Information on required LGPS data collection in respect of McCloud and Data collection exercise.

Member news

Two news articles have been published in October.

- Bank account information for members living in the EU
- Change of Regulations – Exit Payment Cost Cap

Key decision: Not applicable
Unrestricted report
Restricted Appendix C

Pension Advisory Board

13 November 2020

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.

Recommendations

(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.

Proposal

1 Background and context

1.1 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.*

1.2 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.

2 Pension Fund policy documents

2.1 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.

3 Funding Strategy Statement

3.1 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.

3.2 The Funding Strategy Statement was considered by the Pension Advisory Board at their meeting on 22 May 2019, 26 February 2020 and 7 September 2020 and the relevant Regulations and Guidance were provided to the Board.

3.3 MHCLG has published new Regulations on employer flexibilities which will come into force from 23 September 2020. This follows their consultation in May 2019 on changes to the local valuation cycle and management of employer risk.

3.4 The newly introduced flexibilities relate to:

a. The ability to review contribution rates between formal valuations due to significant changes to the liabilities (already allowed), significant changes in covenant (this is new) and if an employer requests it (this is new).

b. The power to agree payment plans when employers have exit debts.

c. The introduction of deferred employer status, which allows an employer to stay in the Fund even if their last active leaves with contributions set at triennial valuations (for deficit recovery).

3.5 The update to the Funding Strategy Statement has been prepared by Officers to ensure that this opportunity is not increasing risk to the Fund by limiting the circumstances which this option might apply (ie. where there is a guarantee from a secure scheduled body still active in the fund, or those that have a sufficiently strong covenant (in which case they will need to consider how this might be assessed)). As a result the Funding Strategy now includes:

a. A definition of a "Deferred Employers" as "a Scheme employer which enters into a deferred debt agreement with the Administering Authority to defer their obligation to make an exit payment and continue to make contributions at the secondary rate ("a deferred debt agreement"). Further information about Deferred Employer status has been included under "Exiting employers"".

b. The basis for setting employer contribution rates for a "deferred Employer" using the same discount rate as prior to their deferral, with a probability of meeting their funding target of 75% (which is the most prudent basis for employers participating in the Scheme) using a maximum time horizon of 50% of the duration of the liabilities or a period set by the Administering Authority.

c. To reflect that the Administering Authority will consider a request from the Scheme employer to review contributions where the Scheme employer has undertaken to meet the costs of that review and sets out the reasoning for the review (which would be expected to fall into one of the above categories, such as a belief that their covenant has changed materially or significant restructuring impacting their membership).

d. To advise that "Except in exceptional circumstances such as an employer nearing cessation, market volatility, and changes to asset values will not be considered as a basis for a change in contributions outside a formal valuation".

e. To set out the basis for a Deferred Debt Agreement.

3.6 The Policy was shared with employers on 26 October 2020 with the consultation due to close on 7 December 2020.

4 Investment Strategy Statement

4.1 Under the LGPS Investment regulations the Fund is required to formulate an Investment Strategy Statement.

4.2 The Investment Strategy Statement has been updated following the completion of the Fund's Asset Liability Modelling work and the considerations made by the Committee and its Task and Finish Group in relation to Responsible Investment.

4.3 Under the Regulations the authority must consult "such persons as it considers appropriate as to the proposed contents of its investment strategy". It is therefore proposed that stakeholders are consulted.

5 Other options considered (and reasons for not proposing)

N/A

6 Consultation, engagement and advice

N/A

7 Finance

N/A

8 Risk implications and mitigations

N/A

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Director of Finance and Support Services

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Appendices
Appendix A – List of Policy Documents
Appendix B – Funding Strategy Statement
Appendix C – Investment Strategy Statement - Restricted for members of the Pension Advisory Board only

Background papers
None

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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
Actuarial valuation	LGPS Regulations 2013 Regulation 62	Statutory required (must have)	Every 3 years		Feb 2021
LGPS Administering Authority Discretions	LGPS Regulations 2013 Regulation 60	Statutory required (must have)	Every 4 years	Apr 2019	Apr 2023
Pension Administration Strategy	LGPS Regulations 2013 Regulation 59	Highly recommended	Annually	Mar 2019	Feb 2021
Annual Report	LGPS Regulations 2013 Regulation 57	Statutory required (must have)	Annually	Sept 2019	Sept 2020
Breaches policy	Pensions Act 2004 Regulation 70	Highly recommended	Every 2 years	Nov 2019	Nov 2021
Communications Policy Strategy	LGPS Regulations 2013 Regulation 61	Statutory required (must have)	Annually	May 2019	Feb 2021
Conflict of Interest	Public Service Pension Act 2013 Regulation 5(4) and 5(5)	Highly recommended	Every 3 years		tbc
Funding Strategy Statement	LGPS Regulations 2013 Regulation 58	Statutory required (must have)	Every 3 years	May 2019	May 2022
Governance Policy and Compliance Statement	LGPS Regulations 2013 Regulation 55	Statutory required (must have)	Annually	Nov 2018	Feb 2021
IDRP (Internal Dispute Resolution Procedure)	The Pension Regulator & Occupational Pension Schemes (Internal Dispute Resolution Procedures Consequential and Miscellaneous Amendments) Regulations 2008	Highly recommended	Every 3 years		tbc
Investment Strategy Statement	LGPS Regulations (Management and Investment of Funds) 2016	Statutory required (must have)	Every 3 years		Sept 2021
LGPS Privacy Notice	Data Protection Act 2018 and General	Statutory required	Every 3 years		Apr 2021

Policy	Regulation	Importance	How often it should be reviewed	Previous PAB review date	Next date for PAB to review
	Data Protection Regulation (EU) 2016/679	(must have)			
Risk Register	The Pensions Regulator Code of Practice no.14	Highly recommended	Annually		Nov 2020

Extract from The Local Government Pension Scheme Regulations 2013 // Regulation 61

1. An administering authority must, after consultation with such persons as it considers appropriate, prepare, maintain and publish a written statement setting out its funding strategy.
2. The statement must be published no later than 31st March 2015.
3. The authority must keep the statement under review and, after consultation with such persons as it considers appropriate, make such revisions as are appropriate following a material change in its policy set out in the statement, and if revisions are made, publish the statement as revised.
4. In preparing, maintaining and reviewing the statement, the administering authority must have regard to—
    a. the guidance set out in the document published in March 2004 by CIPFA, the Chartered Institute of Public Finance and Accountancy and called "CIPFA Pensions Panel Guidance on Preparing and Maintaining a Funding Strategy Statement (Guidance note issue No. 6)"; and
    b. the statement of investment principles published by the administering authority under regulation 12 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

www.westsussex.gov.uk/pensions

Funding Strategy Statement

west sussex county council

lgps

Introduction and Purpose

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

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

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

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

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

Important Note

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

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

~~At~~Whilst the underpin is subject to consultation following the McCloud case at present there are no confirmed timescales for the changes to the Schemes to be agreed or the resulting benefit changes which will largely depend on the outcome.

In line with advice from the Ministry of Housing, Communities and Local Government (MHCLG) and the Scheme Advisory Board (SAB) the Administering Authority ~~has~~ valued liabilities at 31 March 2019 based on the Scheme presently in place. As a result:

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

However, MHCLG and the SAB have also indicated that the Fund should consider the risk of the benefits being changed as a result of McCloud when setting employer contribution rates. The Actuary has reserved additional prudence within the discount rate to reflect this uncertainty.

Since the 31 March 2019 valuation was completed, MHCLG have provided a partial response to the consultation on the exit credit regime and employer management and the resulting Regulatory amendments (which came into force on 20 March 2020, retrospective to 18 May 2018, and 23 September 2020). The changes required as a result of these Regulations have been reflected in this version of the FSS. A further response to the other areas covered by the same consultation (e.g. around changes to the valuation cycle) will be issued at a later date.

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

- The outcome of the Government's Fair Deal II Consultation, which may introduce new classes of employer into the LGPS.

  ~~MHCLG have provided a partial response to the consultation on the exit credit regime and the resulting Regulatory amendments (which came into force on 20 March 2020, retrospective to 18 May 2018) have been reflected in this version of the FSS.~~

  - ~~Partial government response: reform of exit credits~~

~~A further response to the other areas covered by the same consultation (e.g. around changes to the valuation cycle) will be issued at a later date.~~

- Rectification of issues associated with Guaranteed Minimum Pension Indexation and Equalisation.

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

The Aims and Purpose of the Pension Fund

The Administering Authority runs the Fund, ensuring it:

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

The FSS focuses on how the Administering Authority measures employer liabilities (the value of the benefits to be paid to members), the pace at which these liabilities are funded (the balance between investment risk and the level of contributions required) and how employers or pools of employers pay for their own liabilities in order to achieve the Administering Authority's funding aims of affordability, prudence and transparency. These aims are described in more detail below:

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

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

Setting Employer Contribution Rates

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

Employer contributions are normally made up of two elements:

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

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

Employers may wish to review a video prepared by the Fund Actuary which provides a brief guide to setting employer contribution rate.

Funding Target Basis, Time Horizon and Probability

General Principles

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

- Scheduled Bodies, Designated Employers and Academies (for the period that they have a guarantee from the Department for Education) are generally open to new entrants, are considered to be long term and have reliable funding sources.
- Admission Bodies on pass through arrangements where the assets and liabilities remain with the Local Authority, Police, other Scheduled Body or a Designated Employer.
- Admission Bodies with a guarantee from a Local Authority, Police, other Scheduled Body or a Designated Employer or appropriate security are generally closed to new entrants, are considered to be shorter term and the Administering Authority has less insight into their funding sources.
- Admission Body with no guarantee from a Local Authority, Police, other Scheduled Body or a 'Designated Employer' or appropriate security are generally closed to new entrants, are considered to be shorter term and the Administering Authority may have no insight into their funding sources.
- Deferred Employers are Scheme employer which enters into a deferred debt agreement with the Administering Authority to defer their obligation to make an exit payment and continue to make contributions at the secondary rate ("a deferred debt agreement"). Further information about Deferred Employer status has been included under "Exiting employers".

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

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

Funding Target

The Administering Authority seeks to ensure the long-term solvency of the Fund through ensuring that it holds sufficient assets to be able to pay all its members benefits. It therefore needs to ensure that the assets held on behalf of each employer meet (as closely as possible) the value of benefits built up to date for the employer's employees and ex-employees (the liabilities) i.e. a funding position of 100%.

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

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

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

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

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

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

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

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

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

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

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

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

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

Application

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

Type of employer	Funding Basis	Probability	Maximum Time Horizon [1]
Local Authorities and Police	Ongoing	66%	20 years
Designating Employers	Ongoing	66%	20 years
Academies	Ongoing	70%	20 years
Other Scheduled Bodies	Ongoing	70%	Future Working Lifetime
Admission Body with no Guarantor	Gilts cessation basis[2]	75% [3]	Minimum of Future Working Lifetime and remaining contract period
Admission Body with Guarantor	Ongoing	75%	Minimum of Future Working Lifetime and remaining contract period.
Admission Body on pass through or other risk sharing arrangements [4] ~~*~~	Contractual	Same as ceding employer	Same as ceding employer
Deferred employer	As above by "Type of employer"	75%	50% of the duration of the liabilities or a period set by the Administering Authority

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

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

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

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

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

Achieving Stability

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

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

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

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

Payment and Review of Contribution Rates

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

- The Rates and Adjustment Certificate shows employer contributions expressed as minimum contributions, with employers able to pay contributions at a higher rate. Account of any higher rate will be taken into account by the actuary at subsequent valuations.
- Where employers are in surplus, the secondary rate will be set as a percentage of pay. Where an employer is in deficit, the secondary rate is set as monetary amounts or a percentage of pay.[5] Exceptions to these guidelines may apply where an employer anticipates large increases in membership (e.g. as a result of auto-enrolment), in which case the Administering Authority reserves the right to require deficits to be repaid as a percentage of pay with a monetary underpin. Alternative arrangements can be agreed at the ultimate discretion of the Administering Authority.
- The Administering Authority, taking advice from its actuary, may permit some employers to elect to make an advance / lump sum payment at the start of a financial year, or valuation period. In these circumstances a contribution rate adjustment reflecting appropriate actuarial discounts may apply. However, employers adopting this approach should acknowledge the risks involved, particularly in respect of the impact of investment return during the inter-valuation period. The relevant discount for the valuation is included as part of the Rates and Adjustment Certificate. A timetable for the agreement to any lump sum payment is shown below. The process must be agreed by the Administering Authority, the Employer and their auditors in advance of any prepayment.

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

~~Review of~~

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

- Under the Regulations the Fund may amend contribution rates between valuations for ~~all employers may be triggered by~~ "significant ~~events~~ change" to the liabilities or covenant of an employer. The Fund would consider the following circumstances could trigger a review:
    - In the opinion of an administering authority there are circumstances which make it likely that a Scheme employer (including ~~but not limited to:~~an admission body) will become an exiting employer;
    - A Scheme employer agrees to pay increased contributions to meet the cost of an award of additional pension, under regulation 31(3) of the LGPS regulations 2013;
    - there are changes to ~~LGPS Regulations~~
    - ~~significant reductions~~the benefit structure set out in ~~payroll~~
    - ~~altered employer circumstances~~ the LGPS Regulations including ~~where an employer is approaching cessation or closes their membership to new entrants~~
    - ~~Government restructuring affecting the employer's business~~
    - ~~failure to pay contributions or arrange appropriate security as required by the Administering Authority~~
    - ~~The~~the outcomes of the McCloud case and cost sharing mechanisms (if permitted in Regulation at that time~~).~~);
    - it appears likely to the administering authority that the amount of the liabilities arising or likely to arise for a Scheme employer or employers has changed significantly since the last valuation;
    - it appears likely to the administering authority that there has been a significant change in the ability of the Scheme employer or employers to meet the obligations of employers in the Scheme (ie a material change in employer covenant);
    - it appears to the administering authority that the membership of the Scheme employer has changed materially, reductions in payroll or restructuring; and
    - where a Scheme employer has failed to pay contributions or have not arranged appropriate security as required by the Administering Authority.

The administering authority will also consider a request from the Scheme employer to review contributions where the Scheme employer has undertaken to meet the costs of that review and sets out the reasoning for the review (which would be expected to fall into one of the above categories, such as a belief that their covenant has changed materially or significant restructuring impacting their membership).

Except in exceptional circumstances, such as an employer nearing cessation, market volatility and changes to asset values will not be considered as a basis for a change in contributions outside a formal valuation.

It should be noted that any review may require increased contributions.

Additional Employer Costs

Non ill-health early retirement costs

When the actuary calculates an employers liabilities he will assume that members' benefits are payable from the earliest age that the employee could retire without incurring a reduction to their benefit (and without requiring their employer's consent to retire).[6]

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

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

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

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

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

Ill-health early retirement costs

When the actuary calculates an employers liabilities he will make an allowance of ill-health early retirements where a member is entitled to receive early payment of their benefits.[7]

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

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

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

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

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

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

New Employers

General Principles

Scheduled Bodies

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

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

Designating Employers

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

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

Academies & Free Schools

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

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

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

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

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

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

Admission Bodies

– Contractors

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

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

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

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

Admission Bodies – Other

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

Application

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

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

Exiting employers~~: cessation valuations~~

General Principles

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

- Last active member ceasing participation in the Fund;
- The insolvency, winding up or liquidation of the Admission Body;
- Any breach by the Admission Body of any of its obligations under the Agreement that they have failed to remedy to the satisfaction of the Administering Authority; or
- A failure by the Admission Body to pay any sums due to the Fund within the period required by the Fund; or

  The failure by the Admission Body to renew or adjust the level of the bond or indemnity, or to confirm an appropriate alternative guarantor, as required by the Administering Authority.

Under these circumstances, the Administering Authority may put in place a Deferred Debt Agreement or instruct the actuary to carry out a cessation valuation to determine whether there is any deficit or surplus.

Assessment

Deferred Debt Agreement

The Administering Authority may enter into a written agreement with an exiting Scheme employer for that employer to defer their obligations to make an exit payment and continue to make secondary contributions (a 'deferred debt agreement').

The employer must meet all requirements on Scheme employers and pay the secondary rate of contributions as determined by the Fund Actuary until the termination of the deferred debt agreement.

The Administering Authority will consider deferred debt agreements in the following circumstances:

- The Scheme employer requests the Fund consider a deferred debt agreement;
- The Scheme employer is expected to have a deficit if a cessation valuation was carried out;
- The Scheme employer is expected to be a going concern; and
- The covenant of the Scheme employer is considered sufficient by the Administering Authority to support.

The Administering Authority may require:

- Security be put in place covering the Scheme employer's deficit on their cessation basis plus market risks (further details are set out in 'Other Actuary Matters' below;
- All costs of the arrangement are met by the Scheme employer, such as the cost of ongoing monitoring the funding level and security requirements.

A deferred debt agreement terminates on the first date on which one of the following events occurs:

- the deferred employer enrols new active members;
- the period specified, or as varied, under the Agreement elapses;

- the take-over, amalgamation, insolvency, winding up or liquidation of the deferred employer;
- the administering authority serves a notice on the deferred employer that the administering authority is reasonably satisfied that the deferred employer’s ability to meet the contributions payable under the deferred debt arrangement has weakened materially or is likely to weaken materially in the next 12 months; or
- the Fund actuary assesses that the deferred employer has paid sufficient secondary contributions to cover the exit payment due if the employer becomes an exiting employer on the calculation date (i.e. the Scheme employer is now fully funded on their cessation basis).
- The employer requests early termination of the agreement and settles the exit payment in full as calculated by the Fund actuary on the calculation date (i.e. the Scheme employer pays their outstanding cessation debt on their cessation basis).

On the termination of a deferred debt agreement a deferred employer becomes an exiting employer and a cessation valuation will be completed.

Cessation Valuation

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

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

Where there is a deficit:

- The normal approach is for payment of this amount in full by the Admission Body as a single lump sum payment.
- ~~In some instances, the Administering Authority has the discretion to defer charging a cessation liability for up to three years if the employer is expected to acquire one or more active members in the Scheme over the period by issuing a written notice (“a suspension notice”).~~
- If it is not possible for the deficit to be paid as a single lump sum the Administering Authority may permit the employer to make regular contributions to fund the remainder of the employer obligations over an appropriate period alongside provision of suitable security (bond, indemnity or guarantee). The Administering Authority would take account of the interests of all employers and LGPS funds when determining the payment terms and would reserve the right to invoke the cessation requirements in the future. Where the administering authority has agreed to spread an exit payments, the administering authority may obtain a revision of the rates and adjustments certificate to show the proportion of the exit payment to be paid by the exiting Scheme employer in each year after the exit date over such period as the administering authority considers reasonable.
- In some instances, the Administering Authority has the discretion to defer charging a cessation liability for up to three years if the employer is expected to acquire one or more active members in the Scheme over the period by issuing a written notice (“a suspension notice”).

- In the event that the Administering Authority is not able to recover the required payment in full and there is no guarantor, then the unpaid amounts fall to be shared amongst all of the other employers in the Scheme. This may require an immediate revision to the Rates and Adjustments Certificate affecting other employers in the Fund or instead be reflected in the contribution rates set at the next formal valuation following the cessation date.

Where there is a surplus:

- The Administering Authority will determine the amount of exit credit to be paid in accordance with the Regulations and in line with the Exit Credit Policy (included later in this document). In making this determination, the Administering Authority will consider the extent of any surplus, the proportion of surplus arising as a result of the Admission Body's employer contributions, any representations (such as risk sharing agreements or guarantees) made by the employer and any employer providing a guarantee to the Admission Body.
- Where the Administering Authority determines an exit credit is payable, it must be paid within six months of the date on which the employer ceased to participate in the Fund, six months from the date their deferred employer arrangement ended, or such longer time as the Administering Authority and exiting employer agree.

Employers with no remaining active members

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

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

Application

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

Type of employer	Basis	Exit Liability Payment Terms	Exit Credit Payment Terms[8]
Local Authorities and Police	Gilts cessation basis	Immediate, Payment Plan or Suspension Notice	Within six months of the date on which the employer ceased or their deferred employer status ends
Designating Employers	Gilts cessation basis	Immediate, Payment Plan or Suspension Notice	Within six months of the date on which the employer ceased or their deferred employer status ends
Academies	Gilts cessation basis	Immediate, Payment Plan or Suspension Notice	Within six months of the date on which the employer ceased or their deferred employer status ends
Other Scheduled Bodies	Gilts cessation basis	Immediate, Payment Plan or Suspension Notice	Within six months of the date on which the employer ceased or their deferred employer status ends
Admission Body with no Guarantor	Gilts cessation basis	Immediate or Payment Plan but note Administering Authority Discretions.	Within six months of the date on which the employer ceased or their deferred employer status ends
Admission Body with Guarantor	Ongoing basis	Immediate or Payment Plan but note Administering Authority Discretions.	Within six months of the date on which the employer ceased or their deferred employer status ends
Admission Body on pass through / other risk sharing arrangements	Ongoing basis [9]	Immediate or Payment Plan but note Administering Authority Discretions.	Within six months of the date on which the employer ceased. or their deferred employer status ends

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[8] Subject to the determination of the Administering Authority as required under the Regulations. More information can be found in Appendix 1.

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

Other Actuarial Matters

~~Review of Employer Contributions~~

~~Under the LGPS Regulations the Fund may review employer contribution rates where:~~

- ~~In the opinion of an administering authority there are circumstances which make it likely that a Scheme employer (including an admission body) will become an exiting employer,~~
- ~~A Scheme employer agrees to pay increased contributions to meet the cost of an award of additional pension, under regulation 31(3) of the LGPS regulations 2013.~~
- ~~It appears likely to an administering authority that the amount of the liabilities arising with a Scheme employer exceeds the amount calculated previously, under regulation 62(8) of the LGPS Regulations 2013.~~

Security as a requirement for participation

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

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

In addition it should be noted:

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

Security in the context of setting employer contribution rates

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

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

- the extent of the employer’s deficit;
- the amount and quality of the security offered;
- the employer’s financial security and business plan; and/or

- whether the Admission Agreement is likely to be open or closed to new entrants

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

Policies on bulk transfers

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

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

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

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

Appendix 1 – Stabilisation

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

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

Type of employer	Councils near full funding	Other Councils
Min contribution level	18% of pay	18% of pay
Max contribution level	2018/19 Rate	N/A
Max contribution increase	1%	3%
Max contribution decrease	1%	3%

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

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

Appendix 2 – Funding strategy and links to investment strategy

General Principle

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

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

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

The same investment strategy is currently followed for all employers.

Link between funding strategy and investment strategy

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

Therefore, the funding and investment strategies are inextricably linked.

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

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

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

How does this differ for a large stable employer?

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

- **Prudence** - the Fund should have a reasonable expectation of being fully funded in the long-term;
- **Affordability** – how much can employers afford;
- **Stewardship** – the assumptions used should be sustainable in the long-term, without having to resort to overly optimistic assumptions about the future to maintain an apparently healthy funding position;
- **Stability** – employers should not see significant moves in their contribution rates from one year to the next, and this will help to provide a more stable budgeting environment.

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

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

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

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

Does the Administering Authority monitor its overall funding position?

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

Appendix 3 - Statutory reporting and comparison to other LGPS funds

Background

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

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

Solvency

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

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

Long term cost efficiency

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

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

Relative considerations include:

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

Absolute considerations include:

- if there is a deficit, the extent to which the contributions payable are sufficient to cover the cost of current benefit accrual and the interest cost on the deficit over the current inter-valuation period;
- if there is no deficit, the extent to which contributions payable are likely to lead to a deficit arising in the future;

- the extent to which the required investment return under “relative considerations” above is less than the estimated future return being targeted by the Administering Authority’s investment strategy;
- the extent to which contributions actually paid have been in line with the expected contributions based on the extant rates and adjustment certificate; and
- the extent to which any new deficit recovery plan can be directly reconciled with, and can be demonstrated to be a continuation of, any previous deficit recovery plan, after allowing for actual experience of the Fund.

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

Appendix 4 – Regulatory framework

Background

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

The MHCLG has stated that the purpose of the FSS is:

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

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

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

The FSS applies to all employers participating in the Fund.

Consultation

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

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

- The Administering Authority hosted employer events in May 2019, July 2019 and November 2019 at which questions regarding the funding strategy could be raised and answered.
- A draft version of the FSS was issued to all participating employers and the Pension Advisory Board in May and June 2019 for comment;
- The FSS was updated where required and then published, in March 2020.

Publication

The FSS is made available through the following routes:

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

Review

The FSS is reviewed in detail at each valuation.

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

- trivial amendments would be simply notified at the next round of employer communications;

- amendments affecting only one class of employer would be consulted with those employers; and/or
- other more significant amendments would be subject to full consultation.

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

Related policy documents

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

These documents can be found on the Pension Fund webpage.

Appendix 5 – Responsibilities of key parties

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

The Administering Authority should:-

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

The Individual Employer should:-

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

The actuary should:-

- prepare valuations, including the setting of employer contribution rates. This will involve agreeing assumptions with the Administering Authority having regard to the FSS and LGPS Regulations and targeting each employer's solvency appropriately;

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

Other parties:-

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

Appendix 6 – Key risks and controls

Types of risk

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

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

Financial risks

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

Cat	Risk	Summary of Control Mechanisms
F	Pay and price inflation significantly more than anticipated.	Focus the actuarial valuation process on real returns on assets, net of price and pay increases. Inter-valuation monitoring, as above, gives early warning. Some investment in bonds also helps to mitigate this risk. Employers pay for their own salary awards and should be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.
F	Effect of possible increase in employer contribution rate on service delivery and admission/scheduled bodies	An explicit stabilisation mechanism has been agreed as part of the funding strategy. Other measures are also in place to limit sudden increases in contributions.
F	Orphaned employers give rise to added costs for the Fund	The Fund seeks a cessation debt (or security/guarantor) to minimise the risk of this happening in the future. If it occurs, the actuary calculates the added cost spread pro-rata among all employers.
F	Effect of possible asset underperformance as a result of climate change	Explicitly consider ESG issues when setting the overall funding and investment strategies. Carry out scenario testing on potential Government policy changes when evaluating funding and investment strategies.
D	Pensioners living longer, thus increasing cost to Fund.	Set mortality assumptions with some allowance for future increases in life expectancy. The Fund actuary has direct access to the experience of over 50 LGPS funds which allows early identification of changes in life expectancy that might in turn affect the assumptions underpinning the valuation.
D	Maturing Fund – i.e. proportion of actively contributing employees declines relative to retired employees.	Continue to monitor at each valuation, consider seeking monetary amounts rather than % of pay and consider alternative investment strategies.
D	Deteriorating patterns of early retirements	Employers are charged the extra cost of non ill-health retirements following each individual decision. Employer ill-health retirement experience is monitored, and insurance is an option.
D	Effects of Auto enrolment	Mechanism for reviewing and addressing the factors in the Regulations to ensure that systems (Payroll, Pensions and HR) can support auto-enrolment, e.g. correct processing and timely payment of contributions

Cat	**Risk**	**Summary of Control Mechanisms**
R	Changes to national pension requirements and/or HMRC rules e.g. changes arising from public sector pensions reform.	The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. Any changes to member contribution rates or benefit levels will be carefully communicated with members to minimise possible opt-outs or adverse actions.
R	Time, cost and/or reputational risks associated with any MHCLG intervention triggered by the Section 13 analysis (see Section 5).	Take advice from Fund Actuary on position of Fund as at prior valuation, and consideration of proposed valuation approach relative to anticipated Section 13 analysis
R	Changes by Government to particular employer participation in LGPS funds, leading to impacts on funding and/or investment strategies.	The Administering Authority considers all consolation papers issued by the Government and comments where appropriate. Take advice from Fund Actuary on impact of changes on the Fund and amend strategies as appropriate.
G	Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements) or not advised of an employer closing to new entrants.	The Administering Authority has a close relationship with employing bodies and communicates required standards e.g. for submission of data. The actuary may revise the rates and Adjustments certificate to increase an employer's contributions (under Regulation 64) between triennial valuations Deficit contributions expressed as monetary amounts, except where value is less than £20,000 p.a.
G	Actuarial or investment advice is not sought, or is not heeded or proves to be insufficient in some way	The Administering Authority maintains close contact with its specialist advisers. Advice is delivered via formal meetings involving Elected Members, and recorded appropriately. Actuarial advice is subject to professional requirements such as peer review.
G	Administering Authority failing to commission the Fund actuary to carry out a termination valuation for a departing Admission Body.	The Administering Authority requires employers with Best Value contractors to inform it of forthcoming changes. Admission Bodies' memberships are monitored and, if active membership decreases, steps will be taken.

Cat	**Risk**	**Summary of Control Mechanisms**
G	An employer ceasing to exist with insufficient funding or adequacy of a bond.	The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure. The risk is mitigated by: Seeking a funding guarantee from another scheme employer, or external body, wherever possible. Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice. Vetting prospective employers before admission. Where permitted under the Regulations, requiring a bond to protect the Fund from various risks. Requiring new Admission Bodies to have a guarantor. Reviewing bond or guarantor arrangements at regular intervals. Reviewing contributions well ahead of cessation if thought appropriate.

Appendix 7 – Actuarial assumptions

Background

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

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

2019 valuation assumptions

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

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

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

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

Basis Used

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

However, in certain circumstances a more prudent basis applies.

What assumptions are made in the ongoing basis?

Investment return / discount rate

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

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

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

Pension Increase and Salary growth

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

Assumption	31 March 2019	31 March 2016
Benefit Increases and CARE revaluation (CPI) (% pa)	2.3%	2.1%
Salary Increases (% pa)	2.8% [10]	2.9% [11]

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

The same salary assumptions are applied to all employers.

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[10] CPI plus 0.5%

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

Life expectancy

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

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

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

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

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

General

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

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

Other Actuarial Bases

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

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

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

Appendix 8 – Glossary

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

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

Expression	**Explanation**
Profile	The profile of an employer's membership or liability reflects various measurements of that employer's **members**, i.e. current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc. A membership (or liability) profile might be measured for its **maturity** also.
Rates and Adjustments Certificate	A formal document required by the LGPS Regulations, which must be updated at least every three years at the conclusion of the formal **valuation**. This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the three-year period until the next valuation is completed.
Scheduled Bodies	Types of employer explicitly defined in the LGPS Regulations, whose employees must be offered membership of their local LGPS Fund. These include councils, colleges, universities, academies, police and fire authorities etc., other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).
Secondary contribution rate	The difference between the employer's actual and Primary rates. In broad terms, this relates to the shortfall of its asset share to its funding target.
Stabilisation	Any method used to smooth out changes in employer contributions from one year to the next. This is very broadly required by the LGPS Regulations, but in practice is particularly employed for large stable employers in the Fund. Different methods may involve: probability-based modelling of future market movements; longer deficit recovery periods; higher discount rates; or some combination of these.
Valuation	An actuarial investigation to calculate the **funding targets** as well as the **Primary rates** and **Secondary rates** for employers**.** This is normally carried out in full every three years (last done as at 31 March 20132016), but can be approximately updated at other times. The assets value is based on market values at the valuation date, and the funding targets and contribution rates are based on long-term bond market yields at that date also.

Appendix 9 – Previous Valuation Results

Summary of Past Valuation Results

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

Valuation Results

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

Assumptions

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

Appendix 10 - Rates and adjustments certificate

The Rates and Adjustment Certificate is within the 2019 Actuarial Valuation Report which is on the Pension Fund website.

Appendix 11 – Exit Credit Policy

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)[12]
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.[13] 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.

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[12] 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.

[13] Part 3, Section 2v, No. 257

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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