

Public Document Pack

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14 July 2020

Pensions Committee

A meeting of the committee will be held at **10.00 am** on **Wednesday, 22 July 2020** at **Virtual meeting with restricted public access**.

Tony Kershaw
Director of Law and Assurance

Agenda

Part I

10.00 am 1. **Declarations of Interests**

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

It is recorded in the register of interests that:

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

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

10.02 am 2. **Part I Minutes of the last meeting** (Pages 5 - 8)

The Committee is asked to agree the Part I minutes of the meeting of the Panel held on 4 May 2020 attached (cream paper).

- 10.04 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.
- 10.04 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.
- 10.05 am 5. **Pension Fund Business Plan 2020/21** (Pages 9 - 24)
- Report by the Director of Finance and Support Services.
- The Committee is asked to note the updates to the 2019/20 Business Plan and agree the proposed activities for the 2020/21 financial year.
- 10.15 am 6. **Pension Administration Performance** (Pages 25 - 34)
- Report by the Director of Finance and Support Services.
- The Committee is asked to note the update on the Administration Performance.
- 10.25 am 7. **Annual Report** (Pages 35 - 76)
- Report by the Director of Finance and Support Services.
- The Committee is asked to provide comments on and approve the draft annual report.
- 10.40 am 8. **Exit Credits - Funding Strategy Statement Update** (Pages 77 - 82)
- Report by the Director of Finance and Support Services.
- The Committee is asked to consider the Exit Credit Policy.
- 10.55 am 9. **Pension Fund Covid-19** (Pages 83 - 94)
- Report by the Director of Finance and Support Services.
- The Committee is asked to note the report and agree the short term risk management approach for employers as set out in paragraph 10.
- 11.10 am 10. **Date of the next meeting**
- The next meeting of the Pensions Committee is scheduled for 23 October 2020 at a time, location and format to be confirmed.

Part II

- 11.10 am 11. **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.
- 11.13 am 12. **Part II Minutes of the last meeting** (Pages 95 - 102)
- To confirm the Part II minutes of the meeting of the Panel held on 4 May 2020, for members of the Committee only (yellow paper).
- 11.15 am 13. **Additional Voluntary Contributions** (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.
- 11.30 am 14. **Asset Liability Modelling and Investment Strategy (including Output from the Investment Strategy Task and Finish Group)** (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.
- Break - 12.30pm to 1.00pm**
- 1.00 pm 15. **Review of Pension Investment Performance**
- The following reports are for the Committee to review Pension performance over the last quarter.
- (a) **Transaction and Performance** (To Follow)
- Paper by the Director of Finance and Support Services summarising transactions and performance during the quarter, for members of the Committee only (yellow paper).
- (b) **Independent Fund Advisor Comments** (To Follow)
- Paper from the independent fund advisor giving comments on

the quarter, for members of the Committee only (yellow paper).

1.15 pm 16. **Presentation by Baillie Gifford**

The Committee to receive a presentation on portfolio performance.

1.45 pm 17. **Presentation by UBS**

The Committee to receive a presentation on portfolio performance.

To all members of the Pensions Committee

Pensions Panel

4 May 2020 – At a meeting of the Pensions Panel held at 1.00 pm at Virtual meeting with restricted public access.

Present: Cllr Hunt (Chairman)

Cllr Bradford, Cllr J Dennis, Cllr Elkins, Cllr N Jupp, Cllr Urquhart, Cllr Walsh, Mr Donnelly and Ms Taylor

Part I

1. Declarations of Interests

1.1 There were no declarations of interest.

2. Part I Minutes of the last meeting

2.1 Resolved – That the Part I minutes of the Pensions Panel held on 27 January 2020 were approved as a correct record, and that they be signed by the Chairman.

2.2 With regard to matters arising, unless urgent, the Chairman asked Panel members to raise these with Adam Chisnall by email following the meeting. Any such query and response would be circulated to all members.

3. Part II Matters

3.1 The Panel did not ask to bring any Part II items on the agenda into Part I.

4. Administration

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

4.2 Andrew Lowe, Head of Pensions, Investments & Borrowing, Hampshire County Council introduced an end of year report on the pension administration performance. The report also set out the working practice of the administration team since late March in response to the Covid19 public health crisis.

4.3 Responses to comments and questions (including questions submitted in advance of the meeting) included:

- Explanation that for the West Sussex Local Government Pension Scheme, the number of member deaths totalled 67 in November, 40 in December, 74 in January, 74 in February, 59 in March, 77 in April. The majority of the deaths were in the pensioner category, and this would be monitored to see if those levels sustained.
- Explanation that the administration team was coping in the current public health crisis in terms of resources. As explained in the report,

service levels had been maintained and business was as usual. No significant change had been seen in any of the key performance indices, although there was starting to be some slowdown related to some casework being sent to the team as a result of employers not being in the office. There may therefore be some catch-up required on that later in the process.

- Confirmation that Hampshire County Council had taken over the administration on 04 March 2019.
- Explanation that the 'full year completed on time' figure for divorce of 68% reflected prioritisation of the benefit paying casework at the beginning of the contract, and performance had improved to 100% since January. It was noted that all members had received the necessary information in time for their own purposes.
- Comment that the work put in by the team was noted and much appreciated. That an Annual Review had been undertaken and as shown in the table, indicators for the quarter were at 100% and this was what had been anticipated a year ago.

Caroline Burton joined the meeting at this point.

- Comment that the level of queries and complaints was low in comparison with a year ago.
- Explanation that for the March payroll no notable delay or reduction in payment had been seen from employers by the Pension Fund team. Close monitoring would be undertaken by the team during April including liaison with employers in the theatre and leisure groups in the scheme.
- Explanation that production of benefit statements was proceeding as normal and it was not expected these would be delayed.
- Confirmation that proactive engagement would be undertaken by the Pension Fund team with employers and their guarantors in respect of their participation in the scheme where necessary.

4.4 The Chairman thanked the administration team for its work over the year and noted the huge task in sorting all the data and that the team had risen well to the challenge. Congratulations were given on the great results for quarter four.

4.5 Resolved – that Panel noted the update.

5. Date of the next meeting

5.1 The Panel noted that its next scheduled meeting would take place on 22 July at a time, location and format to be confirmed.

6. Exclusion of Press and Public

The Chairman noted that no Panel 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.

The Chairman thanked the public for their interest in the meeting. The audio webcast was discontinued at this point.

7. Part II Minutes of the last meeting

The Panel agreed the Part II minutes of the Pensions Panel held on 27 January 2020.

8. Funding and Employer Management

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

The Panel noted the report.

9. Investment Matters

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

The Panel noted the report.

10. Baillie Gifford

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

11. UBS

The Panel received an update from Jacqui Auger, Malcolm Gordon and Jonathan Davies from UBS on the portfolio performance for the quarter.

12. Aberdeen Standard

The Panel received an update from Matthew Cunliffe, Mark McKelvey and Jennifer Ball from Aberdeen Standard on the portfolio performance for the quarter.

The meeting ended at 3.30 pm

Chairman

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Pensions Committee

22 July 2020

Part I

Pension Fund Business Plan 2020/21

Report by Director of Finance Performance and Procurement

Summary

The Pensions Committee approved its Business Plan for 2019/20 in April 2019. The Panel has received an update on progress against the Business Plan objectives, details impact on risk (where applicable) and proposes actions each quarter. The outcome for 2019/20 has been provided in this report.

The proposed Business Plan for 2020/21 is attached for the Committee's consideration.

Recommendations

- (1) That the updates to the 2019/20 Business Plan are noted.
- (2) That the proposed activities for the 2020/21 financial year are agreed.

1. Introduction

- 1.1 The Business Plan sets out the aims and objectives of the fund over the coming year, its core work and how the objectives will be achieved. This has been included in Appendix A.
- 1.2 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.

Katharine Eberhart

Director of Finance and Support Services

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Appendices

Appendix A – Business Plan

Background Papers

None

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Business Plan

Background

This is the Business Plan for the West Sussex Local Government Pension Scheme. The County Council is responsible for administering the West Sussex County Council Pension Fund. It has delegated responsibility for this to the Pensions Committee.

The Business Plan is an important document which sets out the aims and objectives of the fund over the coming year, its core work and how the objectives will be achieved. Details of how the Pensions Panel's objectives and key priorities for 2019/20 and 2020/21 have been set out in the Business Plan.

A report on the management of key risks is also included as part of the Business Plan.

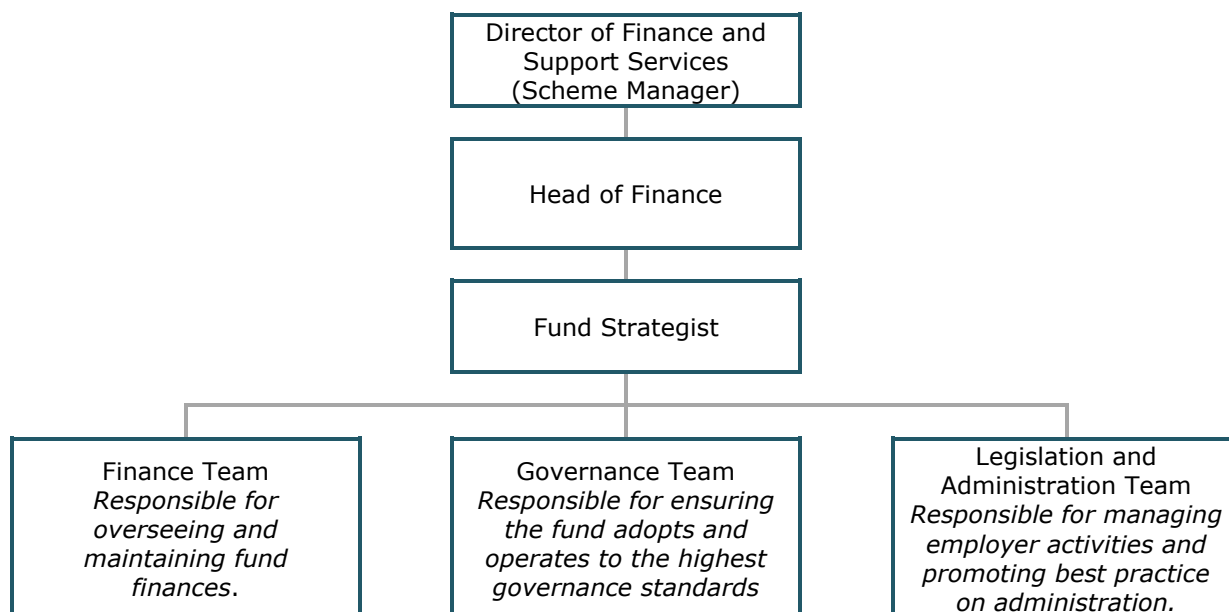
Objectives

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.

Resources and Budget

The organisation of the Pension Fund team is illustrated below:



The Fund also accesses other services within Finance, such as the expertise of the Treasury Manager who manages the cash the Fund holds, and other services across the County Council

The estimated costs paid by the Pension Fund to the administering authority are shown below:

	2017/18 Actual £'000	2018/19 Actual £'000	2019/20 Estimate £'000	2019/20 Actual £'000	2020/21 Estimate £'000
Corporate Finance	566	576	556	567	578
Legal Services	42	42	42	42	42
Procurement	0	5	5	0	5
Payments	3	3	3	3	3
Democratic Services	25	26	26	26	26
Total	636	652	632	638	654

Pension administration has been provided by Hampshire County Council since 4 March 2019. The charge for the service is charged in line with the Partnership Agreement. The budget is agreed each year by the Director.

Internal Audit has been provided through the Southern Internal Audit Partnership since 2018/29. The charge for the service is charged based on the scope of the Internal Audit work agreed in consultation with the Director.

The core budgeted figures do not reflect any external charges such as fund management fees, external audit fees, actuarial costs, specialist legal advice or project work for administration which may be required from time to time.

The Pension Fund's Financial Statements will provide more details on all costs incurred during the year.

Training

A Training Strategy has been established to aid the Pension Committee and Pension Advisory Board members in performing and developing personally in their individual roles and to equip them with the necessary skills and knowledge to act effectively in line with their responsibilities. This Strategy has been developed in the context of the Pension Regulator's Code of Practice, the Knowledge and Skills Framework developed by CIPFA and guidance covering knowledge and understanding of the Pension Advisory Board issued by the Scheme Advisory Board. The full Training Strategy will be published separately for 2020/21 once more information is known about how external providers will be delivering events.

Internal Audit and Controls

The County Council's Regulation, Audit and Accounts Committee (RAAC) have responsibility to provide independent assurance of the adequacy of risk management framework and the associated control environment, independent scrutiny of the County Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment, and to oversee the financial reporting process. The internal and external auditors' reports will be considered by RAAC when they meet in July 2020.

The Pensions Committee Consideration of the work of the Regulation, Audit and Accounts Committee with regards to the Pension Fund accounts, internal and external auditors' reports, development and operation of risk management and approval of changes to anti-fraud and corruption strategy.

Context	2019/20 Progress	2020/21 Actions
<p><u>Pension Administration</u> 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.</p> <p>From 4 March 2019 the Pension Fund administration transferred to Hampshire County Council.</p>	<p>Although initial performance was below the targets set, this was anticipated as part of the on-boarding process and reflective of the data quality issues transferred. However the administration team are now consistently meeting their performance targets on case work activities and the delivery of the Fund's data improvement plan is well progressed.</p>	<p>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 through:</p> <ul style="list-style-type: none"> • online retirement quote functionality being added to the member portal 30 June 2020. • greater use of the member Portal when members join the Scheme or retire by 30 June 2020. • the roll out of an Employer Hub to provide employers with immediate access to their employee records, submit joiner and leaver forms online and run their own retirement quotes 31 March 2021.
<p><u>GMP (Guaranteed Min Pension)</u> 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 to update HMRC as appropriate of any changes or mis-allocations.</p>	<p>The completion of the work has been delayed due to query resolution from HMRC and to ensure appropriate contractual terms are maintained.</p>	<p>Completion of the GMP reconciliation and rectification work by 31 March 2021.</p>
<p><u>Robust accounting</u> The Pension Fund is required to produce accounts in line with statutory deadlines. The accounts are subject to external audit review and assurance.</p>	<p>The Pension Fund Financial Statements were agreed as a true and fair view by the Fund's external auditors, Ernst & Young (EY), in July 2019. The 2019/20 Statements were completed in line with timescales and are currently subject to</p>	<p>Successful completion of external audit work by 30 September 2020.</p> <p>Complete full lessons learnt exercise to further improve the Fund's accounting and integration with the new</p>

Context	2019/20 Progress	2020/21 Actions
	audit.	administration provider by 30 September 2020. Develop project and engagement plan for the 2020/21 Audit by 31 December 2020.
<u>Annual Reporting</u> The Pension Fund is required to produce an Annual Report in line with statutory deadlines, and with regard to statutory guidance.	<p>The Pension Fund's Annual Report was agreed by the Committee in July 2020 and subject to audit. At their meeting in September 2019 the Chairman of the Pension Advisory Board praised the Annual Report and acknowledged officers and Panel had clearly had regard to the guidance in the context of the regulatory requirement.</p>	<p>The 2019/20 Report will be considered by the Committee at their meeting on 22 July and the Pension Advisory Board in September.</p>
<u>Accounting system</u> The County Council is changing its core accounting system to Oracle. As part of this the Pension Fund will need to ensure it continues to have processes and procedures to ensure that it accounts for all income received and payments made appropriately and the system is able to support its reporting requirements.		<p>Work with colleagues across the County Council to ensure processes, procedures and reporting are in place within the core accounting system implemented to replace the current SAP system by no later than 31 December 2021.</p>
<u>GDPR</u> GDPR preparations ensure we are compliant with expected standards on data control and privacy on 25 May 2018	<p>Notifications and guidance about how the Fund uses member data have been published on the website.</p> <p>There are 37 employers who have not completed a data sharing agreement with the Fund.</p>	<p>Continued compliance with GDPR is now considered a business as usual activity.</p>
<u>AVC Provider</u> The Fund has 244 AVC members with a value of £2.4 million. The AVC		<p>Complete review AVC provision and implement recommendations by 31</p>

Context	2019/20 Progress	2020/21 Actions
members cover a wide age range typical of LGPS. Standard Life is the main AVC provider, but there are also ex-Equitable AVCs which passed to Utmost Life on 1 January 2020.		December 2020.
<u>Respond to Scheme Changes</u> The Fund must ensure it complies with all legislative requirements, statutory guidance and requirements of the Pensions Regulator and communicates matters appropriately.		Consider, respond to and communicate changes to the Regulations which are anticipated in response to the McCloud judgement on age discrimination and the £95k Cap. Dates for both developments are unknown.
<u>Ensure appropriate contractual terms</u> The Fund must ensure it has appropriate terms are in place with all service providers		Review agreements with service providers in line with contract end dates (Annexe 2).
<u>ACCESS Pool</u> The ACCESS Pool has been set up to meet the Government's investment reform criteria. Key priorities relate to governance and resourcing arrangements and the need for appropriate policies, practices and investment sub-funds are established to meet the participating Authorities requirements.	<p>The West Sussex Pension Fund continues to actively participate as within the ACCESS governance and oversight arrangements.</p> <p>The Fund has not yet transferred any assets into the ACCESS Authorised Contractual Scheme.</p>	The revised Inter Authority Agreement between participating ACCESS Authorities will be completed by the Authority once ratified by the appropriate officers at the participating authorities. Training on ACCESS Governance will be provided to the Pensions Committee and Pension Advisory Board following the completion of the IAA.
<u>Investment Strategy</u> It is important to ensure that the investment strategy remains aligned to meet the Pension Committee's long term objectives.	The Committee have agreed to make a strategic commitment to asset classes which have 'income' characteristics. The further consideration of the due diligence on potential asset classes/fund options was deferred until after July 2020.	The Fund's Actuary and Investment Consultant will make recommendations following the completion of the Asset Liability Modelling work to the Pensions Committee in July 2020. This will inform the review of the Fund's Investment Strategy Statement document by 30 September 2020 and whether the

Context	2019/20 Progress	2020/21 Actions
		<p>strategic allocation remains appropriate for implementation decisions (in relation to equities, bonds, income) by the Committee prior to 31 December 2020.</p> <p>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.</p>
<p><u>Responsible Investment</u> 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.</p>	<p>The Pension Panel has held facilitated sessions to consider its approach to Responsible Investment matters.</p>	<p>Agree and publish the Fund's Responsible Investment Policy by 30 September 2020 and implement the strategy, taking advice as appropriate.</p>
<p><u>Custodian Transition</u> The County Council was given notice of termination from its current custodian BNP Paribas.</p> <p>In response Officers undertook a procurement exercise in March 2019 completing with an appointment on 5 April 2019.</p>	<p>Work completed to ensure full transfer of asset safekeeping and additional services.</p>	<p>N/A</p>
<p><u>Competition & Markets Authority</u> Under the CMA Order the Fund was required to set objectives for providers of investment consultancy services. It is necessary</p>	<p>The CMA objectives were approved by the Committee in January 2020.</p>	<p>Review to be completed by 31 December 2020.</p>

Context	2019/20 Progress	2020/21 Actions
<p>to review these each year.</p>		
<p><u>2019 valuation</u> The Fund completes a full valuation every three years (latest at 31 March 2019).</p>	<p>The Funding Strategy Statement and Actuarial Valuation Report were both published by the 31 March 2020 statutory deadline. In general employers saw their contribution rates remain stable, or decrease, although some shorter term employers saw rate increases.</p>	<p>Additional to the Funding Strategy Statement in relation to exit credits to be considered by the Pensions Committee in July 2020 prior to consultation with employers.</p> <p>Complete full lessons learnt exercise to further improve future valuation exercises by 30 September 2020.</p>
<p><u>Employer risk framework</u> The Pension Fund has a growing employer population from a variety of sectors. It is important to ensure that appropriate processes and controls are in place to manage employer liabilities and Fund risks.</p>		<p>Development of 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.</p>
<p><u>Work by the Scheme Advisory Board</u> The SAB have three key projects for the year.</p> <ul style="list-style-type: none"> The Good Governance project - identify both the issues deriving from the current scheme administrative arrangements and the potential benefits of further guidance. Regulations which may be better sited within statutory guidance - propose the necessary amendments and assist with the 	<p>Officers have provided initial feedback on the Good Governance project.</p> <p>The Fund responded to the SAB's consultation on Responsible Investment along with ACCESS colleagues.</p> <p>Fund managers have complied with Cost Transparency Report templates provided via the SAB.</p>	<p>Responsible Investment and the Good Governance project are key work items for the SAB during the year. The Fund will engage as appropriate.</p>

Context	2019/20 Progress	2020/21 Actions
<p>drafting of guidance.</p> <ul style="list-style-type: none"> • Assist administering authorities in meeting the Pension Regulators requirements for monitoring and improving data - identification of scheme specific conditional data and the production of guidance for authorities and employers. 		
<p><u>Priorities of the Pensions Regulator</u></p> <ul style="list-style-type: none"> • Monthly data collection • Cyber Security • Data Quality 	<p>Employers are currently required to complete an annual return. Exceptions to this are only when an employer changes payroll provider midyear.</p> <p>Cyber security of membership data is monitored by the Fund and there are data sharing agreements in place with most employers.</p> <p>There is a data improvement plan in place with Hampshire Pension Services to increase the quality of administration data held.</p>	<p>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.</p>

Annex 1 – Key Contract Dates

Name of contract organisation	Service Provided	Start date	Current End Date
Hymans Robertson	Actuarial, Benefits and Governance Consultancy Services	01-Nov-17	31-Oct-20
Savills	Independent valuer of Property	01-Jan-18	31-Dec-20
Aberdeen Standard	Fund management	01-Apr-14	31-Mar-21
UBS	Fund management	01-Jul-13	01-Jul-21
Northern Trust	Custodian	01-Jul-19	30-Jul-22
Link Fund Solutions	Operator Agreement for ACCESS pool	05-Mar-18	04-Mar-23
MJ Hudson	Independent Chair of the Pension Advisory Board	01-Jun-20	31-May-24
Pantheon	Fund management	01-Oct-14	Until liquidated
Partners Group	Fund management	30-Sep-14	Until liquidated
Amaces	Custodian management service	04-Jul-12	
Caroline Burton	Investment adviser to the Panel	01-Aug-13	
AON	ESG	May-20	

Annex 2 – Key Risks

Risk Theme	Action	RAG Jan 20	RAG July 20
NEW <i>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.</i>	<i>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.</i> <i>Implement cashflow monitor and projections and review on a monthly basis.</i> <i>Review employer covenant and take appropriate action.</i>		Amber
NEW <i>Remote working results in increased governance pressure within the Fund, Council and partner organisations.</i>	<i>Discuss governance arrangements with partner organisations to ensure they meet expectations and requirements.</i>		Amber
Political pressure results in change to investment strategy due to ESG factors resulting in the Fund being required to restrict Fund Manager investments and/or the Fund being challenged on fiduciary duty.	Ensure active engagement by Fund Managers with companies in all areas. Regular dialogue with Fund Managers regarding reasoning behind the stock being held. Keep up to date with Scheme Advisory Board and Government guidance.	Amber	Amber
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.	Green	Green
Insufficient resources to comply with the Administering Authority's Regulatory responsibilities.	Develop and monitor Business Plan on a regular basis. Ensure service contracts are clearly specified and obligations met. <i>Implement appropriate remote working to ensure business continuity and review third party business continuity plans.</i>	Amber	Amber

Risk Theme	Action	RAG Jan 20	RAG July 20
Poor quality data resulting in error and misstatement.	Implement <i>and monitor</i> the Data Improvement Plan <i>to completion</i> . <i>Work proactively with administration team and employers as part of the end of year process.</i> Maintain robust accounting records.	Red	Red
Officer, Committee and Board knowledge and understanding resulting in poor decision making and disengagement on key issues.	Develop, implement and monitor a Training Strategy. <i>Work with external organisations to understand how training is going to be delivered in current circumstances and communicate with Committee and Board members.</i>	Amber	Amber
The introduction of asset pooling impacts on the Fund's ability to implement its investment strategy successfully or the Administering Authority is considered to not comply with the relevant statutory guidance.	Continued strong involvement in the work of the ACCESS Group at officer and at Fund Chairman level. <i>Working closely with the Access Support Unit and Operator in respect of future requirements.</i>	Amber	Amber
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
Political environment (locally or nationally) impact on investment markets and legislative requirements.	Work closely with investment managers, other suppliers and advisers to understand potential impacts and responses. Implement and monitor the Training Strategy.	Amber	Amber
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
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. <i>Development of employer risk framework to monitor and take steps to mitigate risk presented to the Fund in respect of participating employer liabilities.</i>	Amber	Amber

Risk Theme	Action	RAG Jan 20	RAG July 20
Cyber crime resulting in personal data for members being accessed fraudulently.	Strong IT environment for administration system and web-based Portals.	Green	Green

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Pensions Committee

22 July 2020

Part I

Pension Administration Performance

Report by Director of Finance and Support Services

Summary

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

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

Recommendation

That the update on the Administration Performance is noted.

Background

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

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

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

Performance

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

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

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

Breach Reporting

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

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

Contribution Receipt

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

Scheme Changes

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

Annual Benefit Statement and Annual Return

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

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

Member Portal Access

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

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

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

Key milestones for the Next Quarter

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

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

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

Risks and Mitigations

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

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

Katharine Eberhart
Director of Finance and Support Services

Appendix A – Administration Performance
Appendix B - Contribution Monitor

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

The table below shows performance against the relevant targets. The casework reported does not include:

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

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

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

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

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

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

It should be noted:

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

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

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Pensions Committee

22 July 2020

Part I

Annual Report

Report by Director of Finance and Support Services

Summary

Under the LGPS Regulations (Regulation 57) the authority must prepare the pension fund annual report. The Regulations require that this is published on or before 1st December following the Scheme year end.

In preparing and publishing the pension fund annual report, the authority must have regard to guidance given by the Secretary of State.

The Pension Fund has therefore prepared an annual report for the period 1 April 2019 to 31 March 2020.

Recommendation

1. Comments are provided on the annual report
2. The draft annual report is approved.

Background

1. The LGPS Regulations (Regulation 57) require the authority to prepare the pension fund annual report in compliance with Statutory Guidance covering:
 - the management and financial performance of the pension fund
 - the administration arrangements in place
 - the net asset statement and supporting notes and disclosures
2. The Regulations also require that the annual report includes various policy documents. These have been referred to with appropriate hyperlinks provided within the documents.
3. The draft annual report is attached (Appendix A).
4. The net asset statement and supporting notes and disclosures are currently subject to external audit and have not yet been considered by the County Council's Regulation, Audit and Accounts Committee.

Katharine Eberhart

Director of Finance and Support Services

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

Appendices

Appendix A – Draft Annual Report

Background Papers

None

West Sussex Local Government Pension Scheme

Annual Report

1 April 2019 to 31 March 2020

DRAFT

Forward by the Chairman of Pension Committee

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

In May 2018, I took the decision to transfer the pension administration service with the intention of improving the customer service experience and strengthen resilience.

I am pleased to report that after a year with our new administration partners – Hampshire County Council – the team are meeting all their key performance indicators. Feedback from both employers and members has been positive and I would like to thank the administration team for their work over the year.

In respect of our £4.179bn investment portfolio, the West Sussex Pension Fund retains its approach as a long term, active investor with a high degree of commitment to managing the Pension Scheme in the best interests of its stakeholders. We have appointed managers to invest in a mix of assets based on market opportunities and their best ideas to deliver strong relative returns.

As a result of this active approach, the Fund has outperformed the market by 0.9% and 0.5% per annum, net of fees, over the last three and ten years respectively. This fulfils our objective of maximising the returns from investments within an appropriate risk framework.

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

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

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

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

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

[Signature to be added]

Jeremy Hunt
Chairman of the Pension Committee

Forward by the Chairman of the Pension Advisory Board

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

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

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

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

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

The Board is satisfied that the West Sussex Pension Fund is operated in compliance with statutory regulations and other legislation, and with guidance issued by Ministry of Housing, Communities and Local Government (MHCLG) and Chartered Institute of Public Finance and Accountancy (CIPFA). The requirements imposed by tPR are being met and the Board is monitoring the effectiveness and efficiency of the governance and administration arrangements, particularly in relation to pooling and following the transition to a new administration service provider.



Peter Scales
Chairman of the Pension Advisory Board

Forward by the Chairman of the ACCESS Joint Committee

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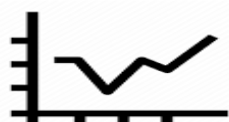
Mark Kemp-Gee
Chairman of the ACCESS Joint Committee

DRAFT

The West Sussex Local Government Pension Scheme

Scheme Benefits

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



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

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

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

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

Contributions

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

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

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

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

Scheme Management

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

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

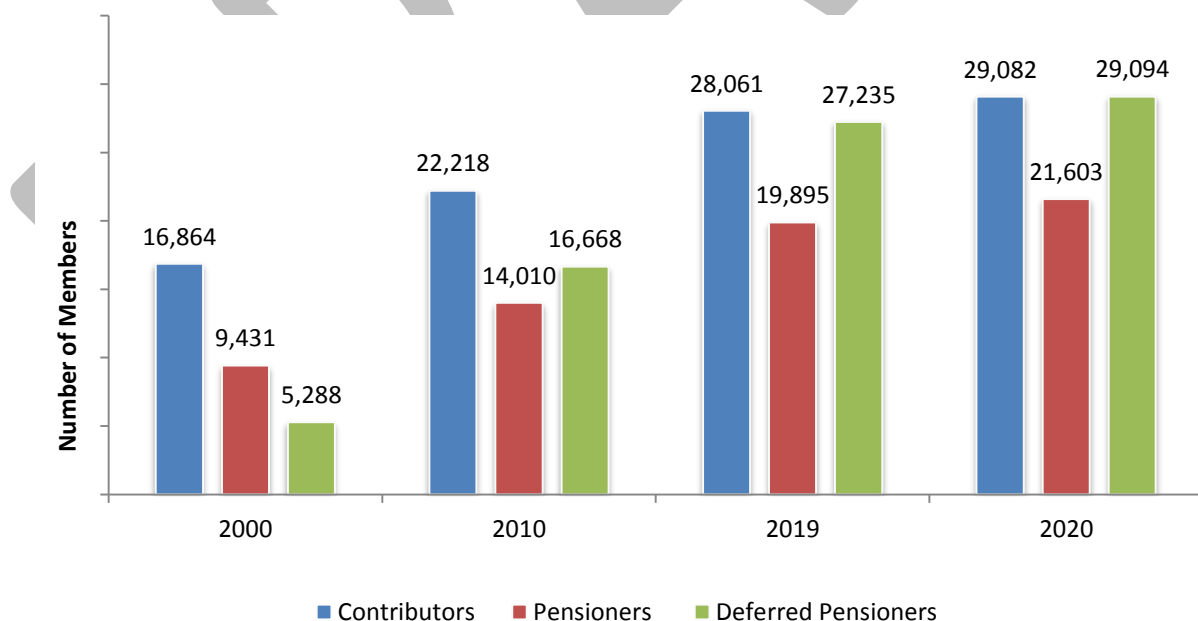
- The Scheme Manager (the Director of Finance and Support Services and the Director of Law and Assurance) has responsibility for managing and administering the Scheme.
- The Pension Committee has responsibility for the Pension Fund's investment policy and its performance, appointment of advisers and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

Information about the managers and advisers to the Fund and Pension Committee and Pension Advisory Board members can be found in Appendix 1.

Scheme Participation

The West Sussex Scheme comprises:

- 198 employers (151 active and 47 who are no longer actively contributing) which, includes the County Council, local district and borough councils, academies, the Police and Crime Commissioner and Office of the Chief Constable and private sector bodies where a local authority has outsourced a service or a community interest company has been created (e.g. a staff mutual).
- 79,815 members split between active members (contributors), deferred members (former active members who have a right to be paid a pension at a point in the future) and pensioners (those currently receiving pension benefits). The membership mix is illustrated below:



The Pension Fund

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

Net Assets

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

		Year ending 31/03/2019	Year ending 31/03/2020
		£'000	£'000
Net assets of the Scheme at the start of the year		4,104,276	4,374,121
Income	Member Contributions	27,454	29,142
	Employer Contributions	102,858	108,941
	Transfers in	4,317	17,562
	Other	5	2
Investments	Investment Income	60,164	72,276
	Net increase/decrease in investments	218,068	-153,532
Payments	Benefits Paid	-113,811	-114,575
	Management Expenses	-17,835	-14,363
	Payment to and on account of leavers	-11,375	-15,861
Net assets of the Scheme at the end of the year		4,374,121	4,303,713

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

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

Investment Assets

Whilst member contributions, benefit payments and transfer terms are set nationally, West Sussex County Council has responsibility for determining and implementing the investment strategy of the Fund and for setting employer contribution rates (with the Actuary). Investment strategy and employer contributions are linked. Assets, determined by the investment policy, are held to pay benefits and to reduce the cost of the Scheme. Therefore it is important to have a policy which maximises the returns from investments, diversifies to keep risk within acceptable levels and has the right mix of investments (such as bonds and property) to provide stability. The table on the following page summarises the Pension Fund's investments at 31 March.³

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

	31/03/2019	31/03/2019	31/03/2020	31/03/2020	Strategy
	£m	%	£'m	%	
Listed equities	2,164.7	50%	1,984.5	47%	40%
Private equity	110.7	3%	90.7	2%	0%
Property	377.0	9%	366.1	9%	10%
Other Income ⁴	-	0%	-	0%	10%
Bonds	1,556.9	36%	1,656.1	40%	40%
Cash	99.3	2%	87.4	2%	0%
Net investment assets/liabilities	4.9	-	-5.9	-	-
Total	4,313.3	100%	4,178.8	100%	100%

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

Investment Performance

Market Context and Fund Returns

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

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

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

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

Bonds

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

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

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

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

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

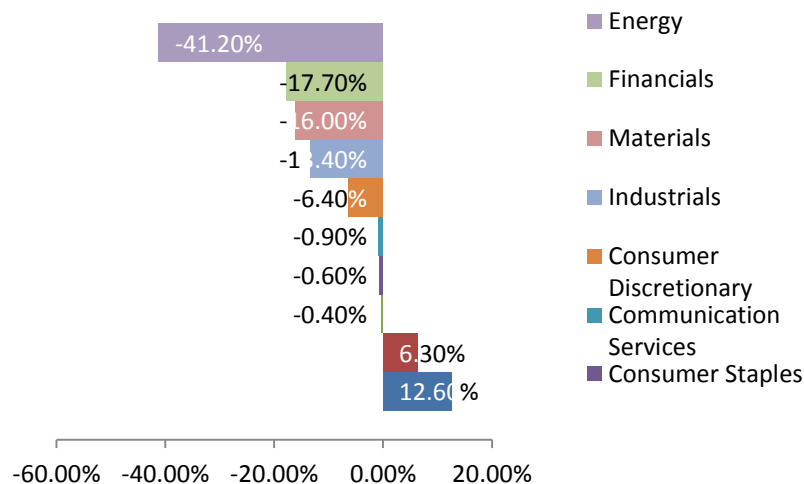
Agenda Item 7

Appendix A

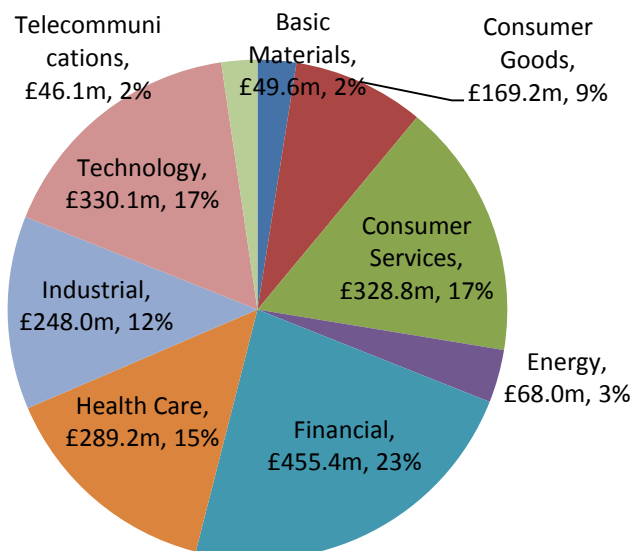
Equities

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

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



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



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

Property

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

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

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

Private Equity

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

Private equity returns were flat over the year reflecting the volatility in the equity market and their lag. However it is important to consider illiquid asset classes, such as private equity over longer term time horizons.

Responsible Investment

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

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

Company	Comment
Facebook	Our managers met with Facebook's Chief Financial Officer and Head of Global Policy Management. The cultural shift from 'move fast and break things' to 'move slower and balance responsibilities' has been led from the top in recognition of the need for a more inclusive approach given that the platform has almost ubiquitous reach. Working with regulators and government, the company is also making progress on setting and enforcing the rules on what content can be shared on the platform.
CRH	Our managers met the new chairman of the international building materials and products business, focusing on long-term strategy, board composition, remuneration and the company's approach to carbon. The company has worked to

Agenda Item 7

Appendix A

		reduce emissions at every stage of production and is now looking at carbon capture technology to help improve efficiencies and reduce carbon emissions further. This represents a proactive approach which is evidenced through industry leading transparent reporting.
BGCO Corporation		Our managers have been invited by the company to provide feedback on their ESG performance and disclosure. In addition to recommending that the company look at the Task Force on Climate-related Financial Disclosures (TCFD) and CDP disclosure frameworks to enhance future reporting, our managers encouraged the company to review and address board independence, alignment of executive pay with company performance, disclosure on emissions, toxic releases and setting up of reduction targets, and employee engagement. They also commended the company for its Research and Development investments in new farming solutions.
Blanco Animal Health		Our managers engaged with the company to provide guidance on investor expectations with regard to their ESG key performance indicators and issuance of their first Corporate Social Responsibility (CSR) report in 2021. In addition, our managers discussed the company's remuneration plan and encouraged the company to make enhancements by linking at least 50% of the awards in the long term incentive plan to specific and disclosed performance conditions.

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

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

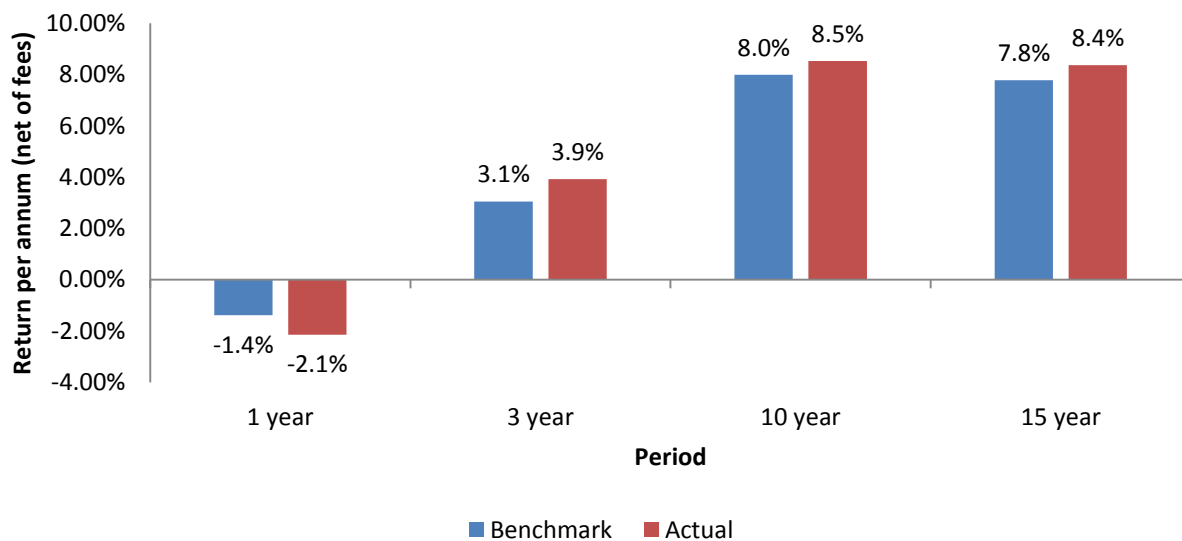
Stock Lending

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

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

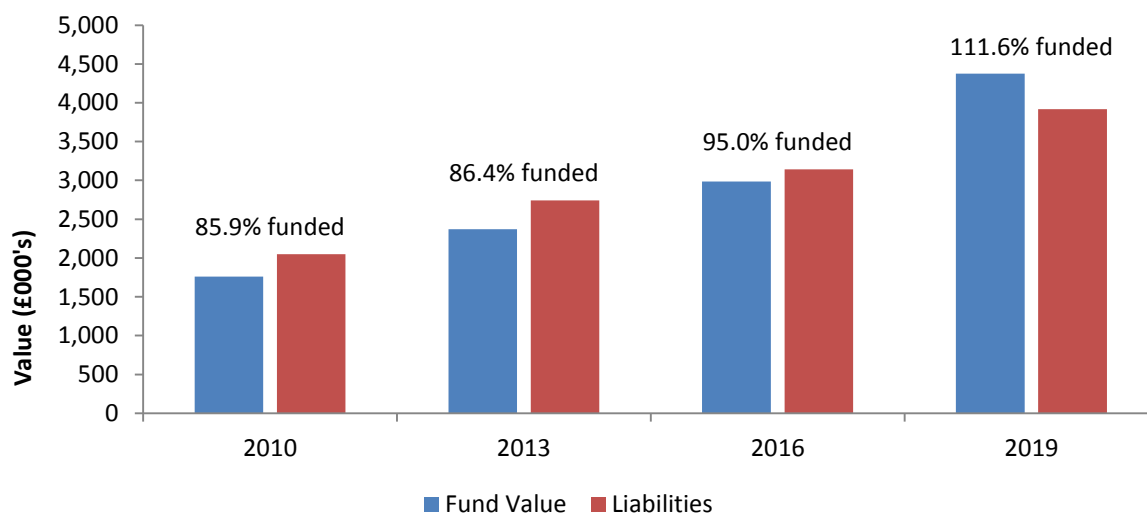
Pension Fund Performance

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



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

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



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

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

Administration Performance

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

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

Value for Money Statement

Value for Money is demonstrated in our administration service through:

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

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

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

Performance against Administration Strategy

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

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

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

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

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

Staff & Casework

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

Data Quality

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

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

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

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

Risk and Control

Risk Register

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

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

A full risk register can be found in Appendix 6.

Audit










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

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

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

Appendix 1A – Committee and Board Membership and Attendance








Pension Committee

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

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

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

Agenda Item 7
Appendix A
Pension Advisory Board

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

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

External events were hosted by CIPFA.

Appendix 1B – Officers and Advisers

Officers of the Fund

Scheme Manager (and s151 officer) - Katharine Eberhart

Fund Accountant - Nadine Muschamp



Pension Administration

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



Investment Managers

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

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



LGPS Asset Pool

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



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



Fund Actuary

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



Independent Adviser

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



Internal Auditor

Southern Internal Audit Partnership (SIAP) provides our internal audit service to assist WSCC in ensuring it has appropriate risk management processes, control systems,



Agenda Item 7

Appendix A

accounting records and governance arrangements in place.

External Auditor

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



Custodian

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



Northern Trust

Legal Adviser

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

AVC Provider

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



Appendix 2A – Net Asset Statement

[To follow]

DRAFT

Cashflow Estimate v Actual

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

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

Transaction Costs

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

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

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

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

Recovery of Overpayments

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

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

Administration and Management Costs

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

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

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

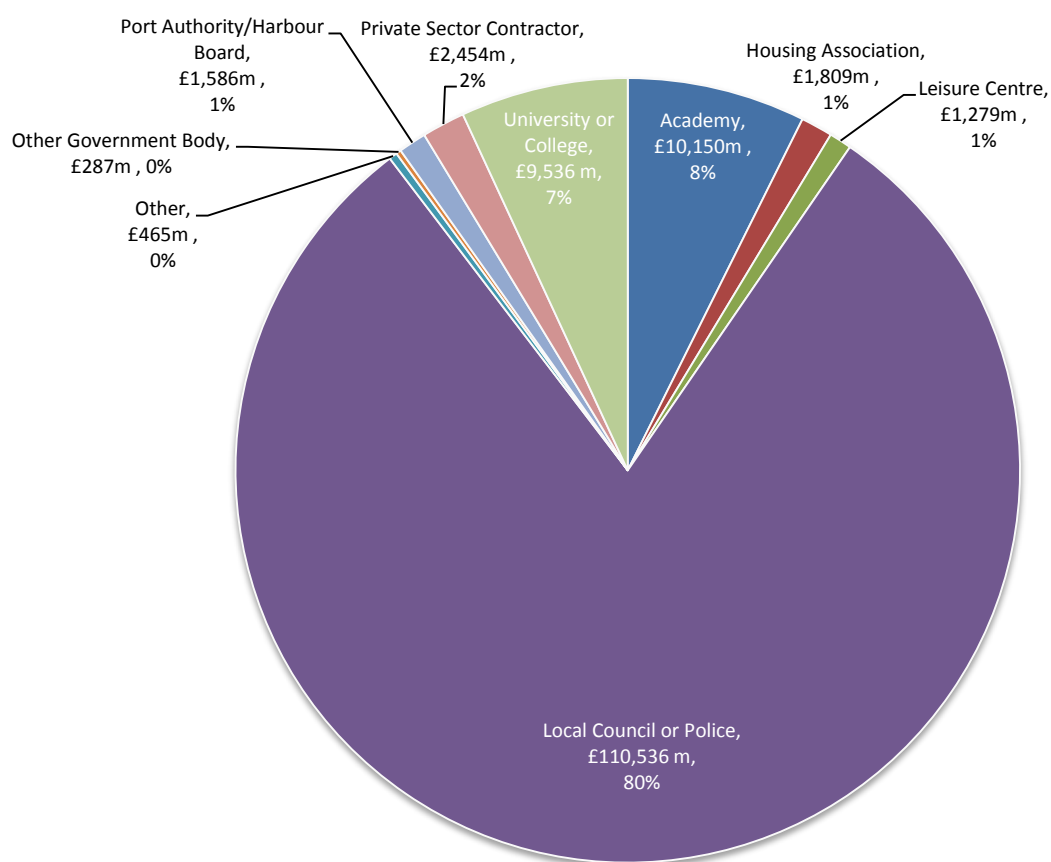
¹⁰ The 2018/19 information can be found on the [Gov.uk website](https://www.gov.uk).

Contribution Receipts

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

	2018/19	2019/20
No. Contribution Payments Received	2,271	2,308
Payments received on time	99.7%	99.96%
Interest Charged	£0	£0

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



Of the Fund's total 151 active employers, the Fund received contributions from 16 employers in excess of £1m during the year – this equates to 87% of the total contributions received. The employers paying in excess of £1m per annum in contributions are listed below.

Employer	Total Contributions	% of Total Contributions to the Pension Fund
WEST SUSSEX COUNTY COUNCIL	59,943	43.4%
SUSSEX POLICE & CRIME COMMISSIONER	20,132	14.6%
ADUR/WORTHING JOINT COMMITTEE	4,767	3.5%
CRAWLEY BOROUGH COUNCIL	4,587	3.3%
ARUN DISTRICT COUNCIL	4,074	3.0%
CHICHESTER COLLEGE	3,912	2.8%
CHICHESTER DISTRICT COUNCIL	3,875	2.8%
MID-SUSSEX DISTRICT COUCNIL	3,372	2.4%
HORSHAM DISTRICT COUNCIL	3,313	2.4%
GREATER BRIGHTON METROPOLITAN COLLEGE	2,693	2.0%
UNIVERSITY OF CHICHESTER	2,503	1.8%
WORTHING BOROUGH COUNCIL	2,031	1.5%
ADUR DISTRICT COUNCIL	1,588	1.2%
SHOREHAM PORT AUTHORITY	1,339	1.0%
SAXON WEALD HOMES	1,302	0.9%
SOUTH DOWNS NATIONAL PARK	1,200	0.9%
All other active employers	17,452	12.6%
	138,083	

The total employer contribution receipts are shown below:

Employer	Employer Contributions £'000	Employee Contributions £'000	Total £'000
ADUR DISTRICT COUNCIL	1,473.37	114.15	1,587.52
ADUR/WORTHING JOINT COMMITTEE	3,598.06	1,169.43	4,767.49
ANGMERING PARISH COUNCIL	28.22	8.14	36.36
ANSTY/STAPLEFIELD PARISH COUNCIL	4.01	1.07	5.08
ARDINGLY PARISH COUNCIL	3.57	0.94	4.52
ARUN DISTRICT COUNCIL	3,372.85	701.57	4,074.42
ASHINGTON PARISH COUNCIL	4.08	1.09	5.17
ASHURSTWOOD PARISH COUNCIL	5.21	1.34	6.55
ASPIRE SUSSEX LTD	116.84	28.48	145.32
BALCOMBE PARISH COUNCIL	3.35	0.86	4.21
BALDWINS HILL SCHOOL	39.90	9.29	49.20
BALFOUR BEATTY LTD	138.86	34.48	173.34
BAM UK LTD	3.57	4.07	7.63
BARNHAM & EASTERGATE PARISH COUNCIL	7.56	2.02	9.59
BARNHAM PRIMARY ACADEMY	67.96	16.47	84.43
BERSTED PARISH COUNCIL	12.54	3.74	16.28
BEWBUSH ACADEMY	140.06	34.81	174.87
BILLINGSHURST PARISH COUNCIL	34.34	9.46	43.80
BISHOP LUFFA SCHOOL	220.90	58.75	279.65
BLACKTHORNS PRIMARY ACADEMY	50.39	11.36	61.74
BOGNOR REGIS TOWN COUNCIL	71.02	21.20	92.22

Agenda Item 7
Appendix A

Employer	Employer Contributions £'000	Employee Contributions £'000	Total £'000
BOHUNT SCHOOL HORSHAM	11.14	3.09	14.23
BOHUNT SCHOOL WORTHING	90.10	25.66	115.76
BOLNEY PARISH COUNCIL	2.40	0.61	3.01
BROADBRIDGE HEATH PARISH COUNCIL	5.31	1.39	6.71
BROADFIELD PRIMARY ACADEMY	137.18	32.50	169.68
BURGESS HILL ACADEMY	178.50	41.84	220.34
BURGESS HILL TOWN COUNCIL	93.40	33.34	126.74
CAPITA	431.61	141.19	572.80
CAPITA (SSO)	715.11	179.36	894.47
CARE QUALITY COMMISSION	0.00	2.93	2.93
CARERS SUPPORT 2017	6.20	1.66	7.86
CATERLINK BOURNE COMMUNITY COLLEGE	18.00	4.15	22.15
CATERLINK SHOREHAM ACADEMY	3.82	0.93	4.76
CENTRAL C of E ACADEMY	29.92	8.24	38.16
CHANGE GROW LIVE	19.85	4.43	24.28
CHICHESTER CITY COUNCIL	51.12	17.93	69.05
CHICHESTER COLLEGE	2,975.10	936.65	3,911.75
CHICHESTER DISTRICT COUNCIL	2,950.39	924.90	3,875.30
CHICHESTER FREE SCHOOL	154.10	46.93	201.02
CHICHESTER HARBOUR CONSERVANCY	149.85	46.32	196.17
CHICHESTER HIGH SCHOOL	196.61	51.66	248.27
CHIEF CONSTABLE SUSSEX POLICE	240.48	84.66	325.15
CHURCHILL BISHOP TUFNELL	4.00	0.89	4.89
CHURCHILL BERSTED	4.86	1.08	5.94
CHURCHILL BOGNOR NURSERY SHCOOL	1.70	0.38	2.08
CHURCHILL COASTAL	0.90	0.23	1.13
CHURCHILL NORTHOLMES	1.07	0.24	1.30
CHURCHILL NYEWOOD JUNIOR SCHOOL	1.13	0.23	1.36
CHURCHILL THE FOREST	3.67	1.23	4.90
CHURCHILL WEST CHILTINGTON	1.31	0.33	1.64
COLGATE PARISH COUNCIL	1.55	0.39	1.94
COLLYERS COLLEGE	338.44	89.38	427.82
CRAWLEY BOROUGH COUNCIL	3,510.59	1,076.59	4,587.18
CUCKFIELD PARISH COUNCIL	21.65	5.93	27.58
DESMOND ANDERSON PRIMARY ACADEMY	143.76	32.90	176.67
DONNINGTON PARISH COUNCIL	1.39	0.35	1.75
DOWNSBROOK PRIMARY SCHOOL	48.05	11.64	59.70
DOWNVIEW PRIMARY SCHOOL	83.76	20.95	104.71
DURRINGTON HIGH SCHOOL	304.08	75.72	379.80
EARNLEY PARISH COUNCIL	1.57	0.43	2.00
EASEBOURNE PARISH COUNCIL	2.37	0.60	2.96
EAST GRINSTEAD TOWN COUNCIL	99.54	35.00	134.54
EAST PRESTON JUNIOR SCHOOL	41.43	10.10	51.53
EAST PRESTON PARISH COUNCIL	12.15	3.57	15.72

Employer	Employer Contributions £'000	Employee Contributions £'000	Total £'000
EAST WITTERING & BRACKLESHAM PARISH COUNCIL	6.81	2.04	8.85
EASTBROOK PRIMARY ACADEMY	101.63	24.85	126.48
EDWARD BRYANT	113.56	27.53	141.09
ESSEX CARES LTD 2017	122.44	18.07	140.51
FERNHURST PRIMARY	42.92	10.18	53.10
FERRING PARISH COUNCIL	12.25	3.35	15.60
FIREFIGHTERS CHARITY	21.01	1.72	22.74
FISHBOURNE PARISH COUNCIL	2.53	0.64	3.18
FITTLEWORTH PARISH COUNCIL	2.26	1.57	3.83
FORGE WOOD PRIMARY SCHOOL	32.55	10.30	42.85
FREEDOM LEISURE 6 VILLAGES	0.94	0.26	1.19
FREEDOM LEISURE ARUN	112.23	24.79	137.02
GOSSOPS GREEN COMMUNITY PRIMARY SCHOOL	95.38	27.15	122.53
GRACE EYRE NORTHERN	18.30	4.91	23.21
GRACE EYRE WESTERN	18.35	4.97	23.32
GREENWAY ACADEMY	45.19	12.94	58.14
GREATER BRIGHTON METROPOLITAN COLLEGE	2,192.95	500.49	2,693.44
HALSFORD PARK SCHOOL	93.22	23.18	116.40
HARLANDS PRIMARY SCHOOL	59.24	13.59	72.82
HASSOCKS PARISH COUNCIL	21.55	6.29	27.84
HAYWARDS HEATH TOWN COUNCIL	46.53	13.32	59.85
HAZELWICK ACADEMY	263.81	75.65	339.46
HOMES AND COMMUNITIES AGENCYCA	240.45	43.79	284.24
HENFIELD PARISH COUNCIL	7.80	2.34	10.14
HILLTOP PRIMARY SCHOOL	113.39	30.59	143.97
HOLMBUSH PRIMARY ACADEMY	56.36	12.97	69.34
HORSHAM DISTRICT COUNCIL	2,484.75	827.94	3,312.68
HUNSTON PARISH COUNCIL	3.04	0.81	3.85
HURSTPIERPOINT PARISH COUNCIL	19.12	5.34	24.46
IMPACT INITIATIVES	1.46	0.39	1.85
IMPULSE LEISURE	49.60	19.26	68.86
INNOVATE SERVICES	17.87	3.71	21.58
KINGSHAM PRIMARY SCHOOL	74.74	17.38	92.12
LANCING PARISH COUNCIL	31.11	9.25	40.36
LAURELS PRIMARY SCHOOL	39.33	8.83	48.16
LINDFIELD PARISH COUNCIL	11.52	3.23	14.76
LINDFIELD PRIMARY ACADEMY	87.76	19.74	107.51
LINDFIELD RURAL PARISH COUNCIL	3.50	0.94	4.44
LITTLEHAMPTON ACADEMY	248.94	73.20	322.13
LITTLEGREEN ACADEMY	78.47	18.21	96.68
LITTLEHAMPTON HARBOUR	36.82	13.38	50.20
LITTLEHAMPTON TOWN COUNCIL	91.73	26.97	118.69
MARTLET HOMES	389.80	117.31	507.11
MEARS LTD	26.68	7.64	34.32

Agenda Item 7
Appendix A

Employer	Employer Contributions £'000	Employee Contributions £'000	Total £'000
MEDIASORT	3.64	0.99	4.62
MEDMERRY PRIMARY SCHOOL	43.56	10.47	54.03
MIDHURST ROTHER COLLEGE	179.74	51.25	230.99
MIDHURST TOWN COUNCIL	12.21	3.20	15.42
MID-SUSSEX DISTRICT COUNCIL	2,756.32	615.54	3,371.86
THE MILL PRIMARY ACADEMY	83.57	23.77	107.35
MITIE LTD	32.02	9.10	41.12
MUNTHAM HOUSE SCHOOL	329.62	102.14	431.76
NEW HORIZONS ACADEMY	4.42	1.04	5.45
NORTH HORSHAM PARISH COUNCIL	45.66	14.28	59.95
NORTH MUNDHAM PARISH COUNCIL	2.51	0.69	3.20
NORTHLANDS WOOD PRIMARY SCHOOL	75.41	17.94	93.35
NSL LTD 2018	8.58	3.13	11.71
OAKS PRIMARY SCHOOL	104.09	22.95	127.03
ORCHARDS JUNIOR SCHOOL	91.01	23.88	114.88
ORMISTON SIX VILLAGES ACADEMY	110.97	33.19	144.15
PAGHAM PARISH COUNCIL	3.17	0.83	4.00
PETWORTH PARISH COUNCIL	0.81	0.24	1.05
PFP LEISURE	165.85	40.20	206.05
PLAISTOW & IFOLD PARISH COUNCIL	4.67	1.18	5.86
PORTFIELD PRIMARY ACADEMY	75.90	17.49	93.39
POUND HILL INFANTS ACADEMY	57.16	12.94	70.10
PPP TAKING CARE	99.40	28.71	128.12
PULBOROUGH PARISH COUNCIL	15.03	4.48	19.51
PYECOMBE PARISH COUNCIL	0.77	0.20	0.97
RCC – LITTLEHAMPTON ACADEMY	6.53	1.00	7.54
RCC - SIR ROBERT WOODARD	4.76	0.73	5.49
RELIANCE SECURE TASK MANAGEMENT	0.00	1.56	1.56
RIVER BEACH PRIMARY SCHOOL	165.01	40.85	205.86
ROSE GREEN JUNIOR SCHOOL	64.84	15.95	80.79
RSPB	7.02	1.83	8.85
RUDGWICK PARISH COUNCIL	6.77	1.81	8.58
RUSTINGTON COMMUNITY PRIMARY	85.05	20.69	105.74
RUSTINGTON PARISH COUNCIL	29.83	9.15	38.98
SAXON WEALD HOMES	970.42	331.70	1,302.11
SCHOOLPLUS LTD	5.31	1.20	6.52
SCHOOLSWORK MULTI ACADEMY TRUST	76.04	26.50	102.54
SEAL PRIMARY ACADEMY	80.16	18.55	98.72
SEASIDE PRIMARY SCHOOL	107.98	24.87	132.85
SELSEY TOWN COUNCIL	41.86	11.83	53.69
SEYMOUR PRIMARY SCHOOL	88.03	22.91	110.94
SHAW HEALTHCARE LTD	128.52	29.41	157.92
SHERMANBURY PARISH COUNCIL	1.70	0.43	2.13
SHIPLEY PARISH COUNCIL	2.37	0.60	2.97

Employer	Employer Contributions £'000	Employee Contributions £'000	Total £'000
SHOREHAM ACADEMY	290.24	83.14	373.39
SHOREHAM PORT AUTHORITY	1,044.10	295.27	1,339.37
SINGLETON & CHARLTON PARISH COUNCIL	1.83	0.46	2.29
SIR ROBERT WOODARD ACADEMY	189.54	58.87	248.40
SLAUGHAM PARISH COUNCIL	8.08	2.42	10.50
SLINFOLD PARISH COUNCIL	3.56	1.07	4.63
SLM COMMUNITY LEISURE	128.67	31.53	160.20
SLM FITNESS & HEALTH	33.59	7.51	41.10
SLM FOOD & BEVERAGE	12.94	3.20	16.14
SODEXO LTD	3.83	0.65	4.48
SOUTH DOWNS LEISURE	409.72	93.14	502.87
SOUTH DOWNS NATIONAL PARK	881.05	319.29	1,200.34
SOUTHGATE PRIMARY SCHOOL	75.53	17.61	93.14
SOUTHWATER INFANTS SCHOOL	61.12	15.58	76.69
SOUTHWATER JUNIOR ACADEMY	61.59	18.43	80.03
SOUTHWATER PARISH COUNCIL	39.36	10.96	50.32
SOUTHWAY PRIMARY SCHOOL	122.54	31.97	154.51
ST LAWRENCE PRIMARY SCHOOL	103.25	27.46	130.71
ST MARY'S COMMUNITY PRIMARY SCHOOL	62.09	14.51	76.60
ST PHILIP HOWARD SCHOOL	198.96	48.52	247.48
STEYNING PARISH COUNCIL	16.99	5.25	22.24
STORRINGTON & SULLINGTON PARISH COUNCIL	12.72	3.81	16.52
SUSSEX POLICE & CRIME COMMISSIONER	15,768.41	4,364.04	20,132.45
TANGMERE PARISH COUNCIL	5.61	1.47	7.08
TANGMERE PRIMARY ACADEMY	49.93	11.94	61.87
THE ACADEMY SELSEY	75.23	17.66	92.89
The GATWICK SCHOOL	122.55	34.65	157.20
THE GLOBE PRIMARY ACADEMY	122.00	27.93	149.93
THE MARCH CE PRIMARY SCHOOL	34.94	7.84	42.78
THE WEST SUSSEX MUSIC TRUST	45.58	16.80	62.38
THE REGIS ACADEMY	470.53	131.20	601.73
THOMAS BENNETT COMMUNITY COLLEGE	181.36	47.18	228.54
TIVOLI GROUP LIMITED	22.14	7.17	29.30
TURNERS HILL PARISH COUNCIL	5.55	1.47	7.02
TWINEHAM PARISH COUNCIL	0.77	0.20	0.97
UNIVERSITY OF CHICHESTER	1,860.58	642.75	2,503.33
UPPER BEEDING PARISH COUNCIL	8.97	2.56	11.53
VIRIDOR WASTE MANAGEMENT	0.00	0.12	0.12
WARDEN PARK ACADEMY	325.15	86.00	411.15
WARDEN PARK PRIMARY ACADEMY	100.54	24.12	124.66
WATERFIELD PRIMARY SCHOOL	85.90	20.13	106.04
WEST CHILTINGTON PARISH COUNCIL	5.69	1.70	7.39
WEST GRINSTEAD PARISH COUNCIL	6.20	1.64	7.84
WEST HOATHLY PARISH COUNCIL	3.92	1.02	4.94

Agenda Item 7
Appendix A

Employer	Employer Contributions £'000	Employee Contributions £'000	Total £'000
WEST ITCHENOR PARISH COUNCIL	1.80	0.46	2.26
WEST SUSSEX COUNTY COUNCIL	47,359.95	12,582.59	59,942.54
WESTBOURNE PARISH COUNCIL	4.08	1.03	5.11
WHITE MEADOW SCHOOL	141.67	38.64	180.31
WORTHING BOROUGH COUNCIL	1,972.08	58.61	2,030.70
WORTHING HIGH SCHOOL	194.77	56.22	250.99
Total	108,941.19	29,141.47	138,082.65

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Appendix 4 – Stock Lending

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

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

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

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

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

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

¹² As above

¹³ As above


Appendix 5 – Investment Performance





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

	12 months	3 years Pa	10 years Pa	15 years pa
Fund	-2.14 %	3.92 %	8.53 %	8.37%
Benchmark	-1.38 %	3.05 %	7.99 %	7.78%
<i>Difference</i>	-0.76 %	0.87%	0.54%	0.59%
<i>By fund manager</i>				
UBS	-8.30 %	0.24 %	6.95 %	6.85 %
UBS Benchmark	-3.27 %	1.98 %	7.46 %	7.60 %
<i>Difference</i>	-5.03 %	-1.74 %	-0.52%	-0.75%
Baillie Gifford	1.65 %	5.84 %	10.66 %	10.07 %
Baillie Gifford Benchmark	0.74 %	3.63 %	8.29 %	8.14 %
<i>Difference</i>	0.94 %	2.21 %	2.37 %	1.93 %
Aberdeen Standard	0.62 %	5.47 %	-	-
Aberdeen Standard Benchmark	-0.22 %	5.11 %	-	-
<i>Difference</i>	0.84 %	0.37 %	-	-
Private Equity	0.00 %	12.75 %	-	-
Private Equity Benchmark	-6.00 %	2.31 %	-	-
<i>Difference</i>	6.00 %	10.44 %	-	-

Custodian Performance

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

		2019	2020	2020	Trend
		Fund	Fund	B'Mark	
The average monthly activity was 219 trades with a value of £117m (2018/19: 216 trades £103m). The analysis is based on late settlement as a % of average monthly income.	Value of all late settlement	10.18%	5.62%	3.97%	
	Value of outstanding settlement	0.00%	0.38%	0.42%	

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

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

Appendix 6 – Risk Register

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

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

Appendix 7 – Audit Assurance
Internal

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

External

[Certificate to follow]

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Appendix 8 – Pension Fund Documents

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

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

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

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

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

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

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

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

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

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

Appendix 9 – Contact and Services

Key services provided to Pensioners, members and employing bodies:

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

Self-service portal

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

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

Key information sources for members

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

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

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

Contacting us

Email : pensions@hants.gov.uk

Phone: [01962 845588](tel:01962845588)

Or by writing to: Hampshire Pensions Services

The Castle
Winchester
Hampshire
SO23 8UB

Ensuring accuracy and confidentiality

The website address below will lead to the Fund Privacy notice

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

LGPS Member and Employer site

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

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

The Pensions Advisory Service & Pensions Ombudsman

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

Website address: <https://www.pensionsadvisoryservice.org.uk/>

Phone: 0800 011 3797
Address: Money and Pensions Service
120 Holborn
London
EC1N 2TD

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

Website address: <https://www.pensions-ombudsman.org.uk/>

Email: enquiries@pensions-ombudsman.org.uk

Phone: 0800 917 4487

Address: 10 South Colonnade
Canary Wharf
E14 4PU

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Pensions Committee**22 July 2020****Part I****Exit Credits - Funding Strategy Statement Update****Report by Director of Finance and Support Services****Summary**

The Government published its partial response to its May 2019 consultation in relation to LGPS employer exit credit arrangements, local valuations and management of employer risk earlier this year. The resulting Regulations (The Local Government Pension Scheme (Amendment) Regulations 2020) came into force in March 2020 – requiring Administering Authorities to determine, at their absolute discretion, the amount of any exit credit payment due to a ceased employer, having regard to any relevant considerations.

An Exit Credit Policy has been drafted for the Committee's consideration which proposes that the amount of the payment will be determined by the Director of Finance and Support Services.

It is proposed that the Policy is included as part of the Funding Strategy Statement and as such employers are consulted.

Recommendation

The Exit Credit Policy is adopted for including in the Funding Strategy Statement, subject to consultation with employers.

The Director of Finance and Support Services considers any feedback on the Exit Credit Policy from employers. Unless material feedback is received which alters the policy's intent, the Director of Finance and Support Services can reflect any amendments and the policy can be adopted without further referral to the Committee.

Background

1. MHCLG issued a consultation in May 2019 in relation to LGPS employer exit arrangements, changes to the local valuation cycle and management of employer risk.
2. One of the issues covered in the consultation was how the payment of exit credits (where an employer was in surplus) worked alongside contractual arrangements such as pass-through (where the contracting Authority, such as the County Council, took on the downside risk).
3. The Government published its partial response in February 2020 which covers this exit credit arrangement. The resulting Regulations (The Local Government Pension Scheme (Amendment) Regulations 2020) came into force in March 2020. Given the timing the Funding Strategy Statement was

amended to refer to the Administering Authority discretion pending the fuller consideration of an Exit Credit Policy.

Exit Credit Policy

4. Under the new Regulations the administering authorities may determine, at their absolute discretion, the amount of any exit credit payment due, having regard to any relevant considerations. An Exit Credit Policy has therefore been drafted that:
 - the Actuary will be asked whether there is an exit credit and the proportion which has arisen because of the value of the employer's contributions;
 - we will take into account any representations made by the exiting employer, the Scheme employer in connection with that body and any other connected body;
 - we will consider "other relevant factors" which includes
 - a. whether the employer joined the Scheme prior to May 2018 (when the Regulations introduced an exit credit),
 - b. risk sharing arrangements,
 - c. any agreements on the treatment of the employer on exit from the scheme,
 - d. whether there are any outstanding sums owed to the Fund,
 - e. the effects of changes in assumptions, investment performance or other factors.
5. Taking this into account the amount of the payment will be determined by the Director of Finance and Support Services.
6. The full Policy is included as Appendix A
7. It is proposed that the Policy forms part of the Funding Strategy Statement. This would be considered to be a material amendment and therefore it will be necessary to consult employers.
8. The table below summarises the current position with cessation calculations within the Fund:

Position	Action under Exit Credit Policy	No Employers
Contractor where actuarial calculation completed prior to March 2020 and indicated an exit surplus.	<p>Dependent on representations made to the Administering Authority by the exiting employer, the Scheme employer in connection with that body and any other relevant factors.</p> <p>Payment, if applicable, will be determined by the Director of Finance and Support</p>	1

	Services.	
Contractors on risk sharing arrangements where actuarial calculation is to be completed.	As above	20
Contractors where actuarial calculation is to be completed.	As above	8

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Appendices

Appendix A – Exit Credit Policy

Background Papers

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/868589/Exit_Credits_Govt_Response.pdf

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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)¹
 - b. the level of pensions risk the employer has taken on during its period of participation (including pooling arrangements the employer has benefited from)
 - c. any agreements on the treatment of the employer on exit from the scheme;
 - d. whether there are any outstanding sums owed to the Fund; and/or
 - e. the effects of changes in assumptions, investment performance or other factors

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

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

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

² Part 3, Section 2v, No. 257

Pensions Committee

22 July 2020

Part I

Covid-19 Impact

Report by Director of Finance and Support Services

Summary

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

Recommendation

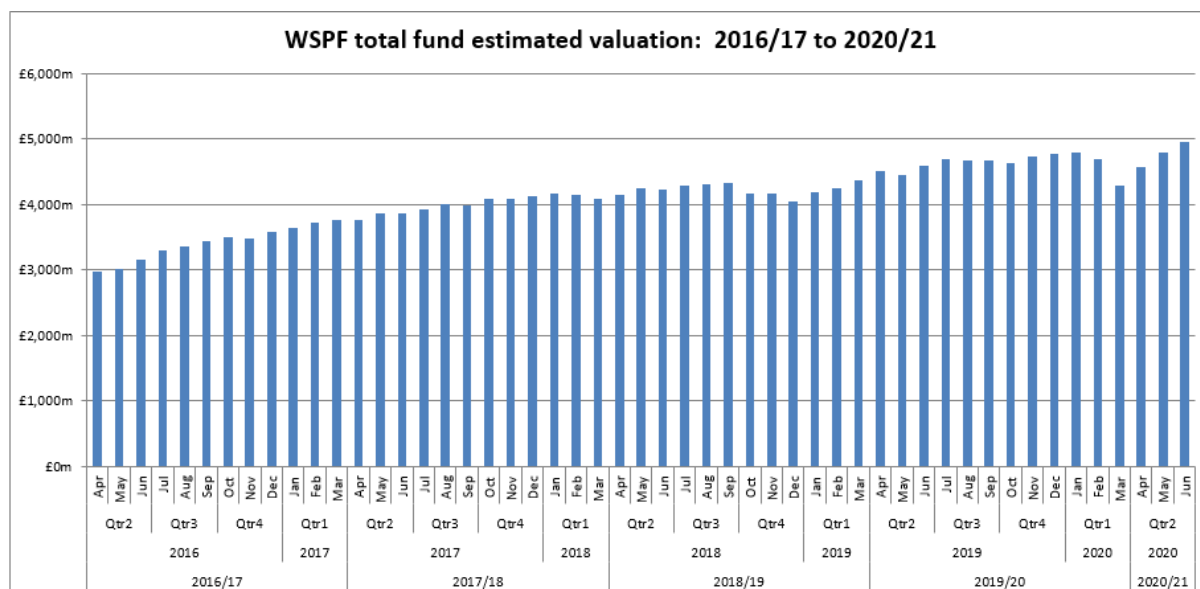
1. The report is noted.
2. The short term risk management approach for employers set out in paragraph 10 is agreed.

Background

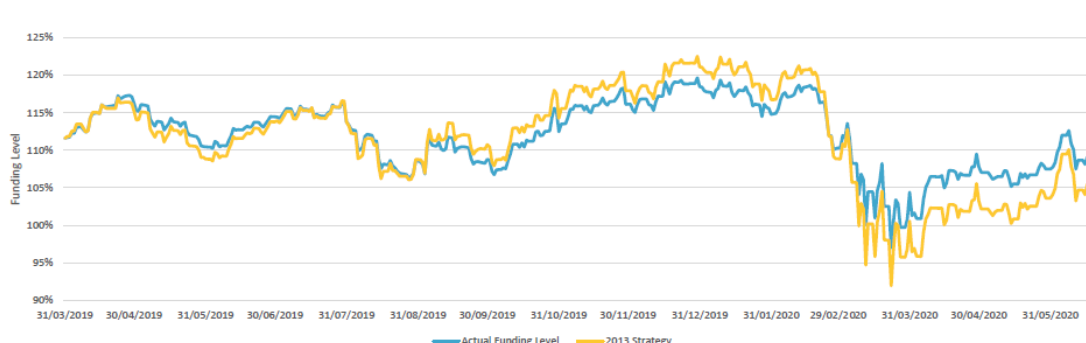
1. COVID-19 has led to a worldwide increase in deaths and a significant shock to the global economy with large movements and increased volatility in stock market values and financial difficulties for some employers. Whilst the short-term impact on the number of deaths and the economy is significant,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

Impact on investments

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



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



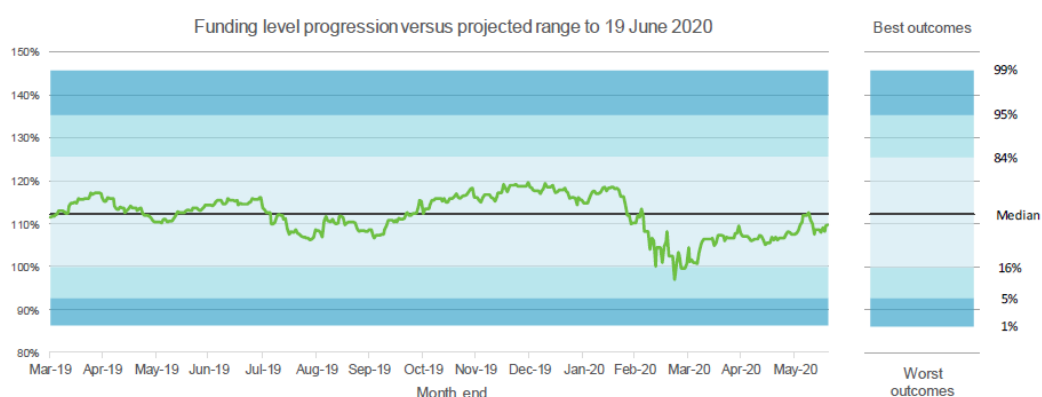
Impact on the funding position

Whole Fund

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

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

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



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

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

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

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

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

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

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

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

Cessations

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

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

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

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

Other employer Matters

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

Impact of death rates emerging

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

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

Impact on cashflow

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

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

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

23. It should be noted:

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

Impact on the administration team

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

Risk mitigation options for the risks identified

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

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

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Appendices

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

Background Papers

None

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