

Public Document Pack

Tony Kershaw
Director of Law and Assurance

If calling please ask for:

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

www.westsussex.gov.uk

County Hall
Chichester
West Sussex
PO19 1RQ
Switchboard
Tel no (01243) 777100



15 January 2021

Pensions Committee

A virtual meeting of the Committee will be held at **10.00 am** on **Monday, 25 January 2021**.

Items 1 to 10 in Part I of the agenda will be available to watch via the internet at the address below. Items 11 to 20 in Part II of the agenda contain exempt information, as indicated, and therefore will not be broadcast.

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

Tony Kershaw
Director of Law and Assurance

Agenda

Part I

10.00 am 1. **Declarations of Interests**

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

It is recorded in the register of interests that:

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

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

- 10.01 am 2. **Part I Minutes of the last meeting** (Pages 5 - 6)
- The Committee is asked to agree the Part I minutes of the meeting of the Committee held on 17 November 2020 attached (cream paper).
- 10.02 am 3. **Urgent Matters**
- Items not on the agenda, which the Chairman of the meeting is of the opinion, should be considered as a matter of urgency by reason of special circumstances.
- 10.03 am 4. **Part II Matters**
- Members are asked to indicate at this stage if they wish the meeting to consider bringing into Part I any items on the Part II agenda.
- 10.04 am 5. **Pension Advisory Board Minutes - Part I**
- The Committee is asked to note the confirmed Part I minutes from the meeting of the Pension Advisory Board on 7 September 2020 and the agenda from the meeting of the Pension Advisory Board on 13 November 2020.
- (a) **7 September 2020 - Part I Pension Advisory Board Minutes** (Pages 7 - 12)
- (b) **13 November 2020 - Pension Advisory Board Agenda** (Pages 13 - 16)
- 10.10 am 6. **Election of Scheduled Body Representative** (Pages 17 - 20)
- Report by the Director of Law and Assurance.
- The Committee is asked to consider the recommendation within the report.
- 10.15 am 7. **Business Plan** (Pages 21 - 32)
- Report by the Director of Finance and Support Services.
- The Committee is asked to consider the recommendation within the report.
- 10.30 am 8. **Pension Administration Performance** (Pages 33 - 42)
- Report by the Director of Finance and Support Services.
- The Committee is asked to consider the recommendation within the report.

10.45 am 9. **Scheme Changes** (Pages 43 - 50)

Report by the Director of Finance and Support Services.

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

11.00 am 10. **Date of the next meeting**

The next meeting of the Pensions Committee will be 10.00 a.m. 17 March 2021.

Part II

11.05 am 11. **Exclusion of Press and Public**

The Committee is asked to consider in respect of the following items 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.

11.08 am 12. **Part II Minutes of the last meeting** (Pages 51 - 54)

To confirm the Part II minutes of the meeting of the Committee held on 17 November 2020, for members of the Committee only (yellow paper).

11.09 am 13. **Pension Advisory Board Minutes - Part II** (Pages 55 - 56)

The Committee is asked to note the confirmed Part II minutes from the meeting of the Pension Advisory Board on 7 September 2020 (yellow paper).

11.10 am 14. **ACCESS** (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 15. **Private Equity** (Pages 57 - 70)

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.

- 11.50 am 16. **AVCs** (Pages 71 - 80)
- Report by the Director of Finance and Support Services attached for members of the Committee only (yellow paper).
- The Committee is asked to consider the recommendations within the report.
- 12.00 pm 17. **Baillie Gifford Paris Aligned** (Pages 81 - 84)
- 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.
- 12.15 pm 18. **Review of Pension Investment Performance** (To Follow)
- Paper by the Director of Finance and Support Services and Independent Fund Adviser summarising transactions and performance during the quarter and giving comments on the quarter, for members of the Committee only (yellow paper).
- Break 12.30pm - 1.00pm**
- 1.00 pm 19. **Presentation by Aberdeen Standard**
- The Committee to receive a presentation on portfolio performance.
- 1.45 pm 20. **Property Mandate** (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.

To all members of the Pensions Committee

Pensions Committee

17 November 2020 – At a virtual meeting of the Pensions Committee held at 11.00 am.

Present: Cllr Hunt (Chairman)

Cllr Bradford, Cllr J Dennis, Cllr N Jupp, Cllr Urquhart, Cllr Walsh, Mr Donnelly and Ms Taylor (arrived at 11.35am)

Apologies were received from Cllr Elkins

Part I

44. Declarations of Interests

44.1 None declared.

45. Part I Minutes of the last meeting

45.1 The Chairman requested that an update on the annual benefit statement breach be prepared for the January meeting.

45.2 Resolved – That the Part I minutes of the Pensions Committee held on 23 October 2020 be approved as a correct record, and that they be signed by the Chairman.

46. Date of the next meeting

46.1 The Committee noted that its next scheduled meeting would take place on 25 January 2021.

47. Exclusion of Press and Public

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

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

48. Part II Minutes of the last meeting

The Committee agreed the Part II minutes of the Pensions Committee held on 23 October 2020.

49. ACCESS Update

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

The Committee considered the information in the report and responded accordingly to the recommendations.

The meeting ended at 12.27 pm

Chairman

Pension Advisory Board

7 September 2020 – At a meeting of the Board at 9.30 am.

Present: Peter Scales (Chairman)

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

Apologies were received from Chris Scanes

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

Part I

1. Virtual Meeting Arrangements

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

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

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

2. Declarations of Interests and Conflicts

2.1 No interests or conflicts were declared.

3. Part I Minutes of the last meeting

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

4. Pension Advisory Board Membership

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

5. **Progress Report**

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

6. **Business Planning and Performance**

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

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

7. **Regulations and Guidance update**

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

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

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

7.3 The Chairman invited comments and questions from the Board:

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

a notable proportion who felt that this would be a significant amount of work with few administrators feeling that it would not be a problem.

- the Chairman anticipated a report for the next meeting that would include information on the impact for the administration team.

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

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

8.1 The Board received a report by the Director of Finance and Support Services (copy appended to the signed minutes) which was introduced by Vickie Hampshire, Finance Manager – Pension Fund Governance.

Members considered the list of policy documents. Vickie Hampshire drew attention to various points including:

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

8.2 The Board made comments including the following:

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

Board to have training on how the ACCESS pooling investment process works. **ACTION:** Vickie Hampshire to note

- the Chairman congratulated the officer team for the work on compliance with the CIPFA guidance for preparing an Annual Report.

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

9. **Administration procedures and performance**

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

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

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

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

10. **Communication Strategy**

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

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

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

10.3 the Chairman invited comments and questions which included:

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

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

11. **Pension Fund Covid-19**

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

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

11.3 Resolved – that the Board noted the report.

12. **Training**

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

- the National Knowledge Assessment module had not been undertaken

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

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

13. Date of Next Meeting

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

14. Exclusion of Press and Public

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

15. Part II Minutes of the last meeting

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

16. Additional Voluntary Contributions

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

The Board noted the report.

The meeting ended at 11.00 am

Chairman

Tony Kershaw
Director of Law and Assurance

If calling please ask for:

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

www.westsussex.gov.uk

County Hall
Chichester
West Sussex
PO19 1RQ
Switchboard
Tel no (01243) 777100



5 November 2020

Pension Advisory Board

A virtual meeting of the Committee will be held at **9.30 am on Friday, 13 November 2020.**

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

Items 1 to 14 in Part I of the agenda will be available to watch via the internet at the address below. Items 15 to 18 in Part II of the agenda contain exempt information, as indicated, and therefore will not be broadcast.

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

Tony Kershaw
Director of Law and Assurance

Agenda

Part I

1. Declarations of Interests and Conflicts

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

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

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

3. Urgent Matters

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

4. **Part II Matters**

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

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

This report contains updates on matters arising from previous meetings.

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

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

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

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

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

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

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

Report by the Chairman of the Pension Advisory Board.

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

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

Report by the Chairman of the Pension Advisory Board.

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

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

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

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

Report by Director of Finance and Support Services.

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

11. **Training**

The Board is asked to review the training log.

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

Report by Director of Finance and Support Services.

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

13. **Date of Next Meeting**

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

Part II

14. **Exclusion of Press and Public**

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

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

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

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

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

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

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

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

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

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

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

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

To all members of the Pension Advisory Board

This page is intentionally left blank

Report to Pensions Committee**January 2021****Election Process for Scheduled Bodies Employer Representative****Report by Director of Law and Assurance****Electoral division: Not applicable**

Summary

The Pensions Committee has three co-opted member places for representatives of the West Sussex Pension Fund. One place, for a Scheduled Body Employer representative, has been vacant for some time.

A proposal for a nomination and election process to fill this vacancy is attached for consideration at Appendix 1.

Recommendation

- (1) That the proposed nomination and election process for a Scheduled Body Employer Representative be approved.
-

Proposal**1 Background and context**

1.1 There has been a vacancy on the Pensions Committee for a scheduled body representative for some time. This was previously taken up by the Police and Crime Commissioner's Office which decided several years ago that it no longer wished to use this seat. The other two representative places are for a representative of district and borough councils and for a member of the West Sussex Pension Scheme. Both are currently filled.

1.2 The Constitution of the Pensions Committee states that:

'It is not part of the Administering Authority's remit to administer the selection process for the borough and district, scheduled body or employee members sitting on the Pensions Committee or to ensure their attendance at meetings, **unless they wish to do so**, but instead to determine what sectors or groups are to be invited to sit on the Pensions Committee and to make places available.

However, as far as possible, employer representatives should have a democratic mandate in addition to the mandate from their governing body or equivalent.'

1.3 As there has been a vacancy some time, the Committee is asked to consider whether it wishes to administer the selection process for the Scheduled Body Employer representative to ensure the vacant position is filled.

Agenda Item 6

- 1.4 There are around 100 Scheduled Body Employers, mostly comprising school academies and higher education bodies.

2 Proposal details

- 2.1 It is proposed to ask the education establishments who are Scheduled Body Employers (Higher Education Colleges and Academies) to agree to nominate a shared representative. Appendix 1 sets out the proposed criteria for applications and an election process that can be run if more than one nomination comes forward.

3 Other options considered (and reasons for not proposing)

- 3.1 As there has been a vacancy for several years now, this appears to be the fairest approach to seek a representative from the Scheduled Bodies sector.
- 3.2 An alternative would be to simply write to the Scheduled Body Employers to ask for a representative, but this would not encourage the employers to work collectively and there would not be a mechanism to resolve multiple applications, hence the election approach is recommended.

4 Consultation, engagement and advice

- 4.1 Scheduled Body Employers from the above group will be contacted if the Committee approves the proposed process, and will be informed of the process.

5 Finance

- 5.1 The costs of running an electronic election will be minimal and will be met within existing resources within Democratic Services.

6 Risk implications and mitigations

Risk	Mitigating Action (in place or planned)
That the process does not lead to a successful appointment.	The establishment of a nomination and election process should ensure that the seat is filled. If this does not happen the process will be reviewed to identify impediments

7 Policy alignment and compliance

- 7.1 Not applicable.

Tony Kershaw
Director of Law and Assurance

Contact Officer: Charles Gauntlett, 033022 22524,
charles.gauntlett@westsussex.gov.uk

Appendices

Appendix A - Draft Election Process

Background papers

None.

Draft Election Process for Scheduled Bodies Employer Representative (for HE and Other Education Bodies) 2021

Nomination Process

Scheduled Body Employers in the education sector will be contacted and will be invited to work together to identify nominees to fill the vacancy for this representative member of the Pensions Committee.

Criteria for Nomination

A representative who is put forward as a candidate for election must fulfil the following criteria:

- Must be a member of the governing body of the scheduled body
- Must have at least two years left on their expected term of office
- Be nominated by the chair of the governing body (or the vice-chair if the candidate is the chair)

Election Process

First step, week 1 – Write to the nominated contact of each scheduled body (around 100 organisations) to set out the vacant role, the proposed nomination and election process and request agreement to approach to a shared appointment.

Each body is asked to agree to the approach or to raise an objection. Each body is also invited to consider whether to make a nomination for the representative who will take a seat on the Pensions Committee. Nominees are invited to support a statement of up to 200 words about why they wish to be appointed.

Week 6 – Deadline for receipt of comments on the proposed process, nominations and supporting statements. If a majority of responses are in favour of the proposed process, the process will be deemed to be confirmed and an election process will be carried out. If there is a single eligible candidate, they will be deemed to be elected unopposed.

Week 7 – If required, a ballot will be held. An email will be sent to the nominated contact of the scheduled body who will obtain a vote from the governing body. Information about each candidate will be included.

Week 11 – Deadline for votes to be submitted.

Week 12 – Votes counted, if possible allowing observers on behalf of candidates in a room at County Hall, Chichester. The Count will be observed by the Returning Officer for the election, who will declare the result. The results will be emailed to each scheduled body and will be reported to the next meeting of the Pensions Committee.

This page is intentionally left blank

Report to Pensions Committee**25 January 2021****Business Plan Update****Report by Director of Finance and Support Services****Electoral division(s): N/A**

Summary

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

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

The following are highlighted:

- The Pension Fund's Statement of Accounts for 2019/20 were approved by Regulation, Audit and Accounts Committee on 20 November 2020.
- The implementation of the Fund's new AVC arrangement is behind the original 31 December 2020 scheduled go live date but on track to complete by 31 March 2021.
- There have been several significant Scheme changes and developments that impact the Fund and steps have been taken to ensure that the Fund responds appropriately.
- A consultation with stakeholders on the Fund's Investment Strategy Statement has been launched following the approval of the draft Statement by the Committee in October 2020.
- During the quarter the Fund has made its first investment in the ACCESS Authorised Contractual Scheme and made commitments to two private debt funds. A further commitment to an infrastructure fund is due to complete by 31 January 2021.

Recommendations

- (1) The update on the Business Plan is noted.
 - (2) The risk matrix for the Fund is noted.
-

Proposal

1 Background and context

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

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

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

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

2 Update

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

Original Business Plan Objective as agreed by the Pensions Committee July 2020	Update	RAG
Pension Administration		
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.	95.1% of active Annual Benefit Statements and 99.9% of deferred Annual Benefit Statements were produced in line with the statutory deadline (31 August 2020).	● Green
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.	The roadmap for the administration team is well progressed. Between July and 31 December 2020, 1,358 retirement quotes had been run online and between April and 31 December 2020, 17% of new starters were contacted electronically and asked to log into the Member Portal. The electronic retirement process was introduced in October, so it is too early to provide any meaningful analysis on its implementation. These three initiatives should improve members access to information about their pension benefits and reduce casework for the administration team over time and	

Original Business Plan Objective as agreed by the Pensions Committee July 2020	Update	RAG
	<p>the team are working with employers to increase adoption.</p> <p>The Employer Hub, which will provide online functionality for employers providing information to the team and reviewing membership information, is due to be rolled out to all employers by August 2021.</p>	
GMP (Guaranteed Min Pension)		
<p>Following the end of contracting out each Administering Authority is required to review its records for who it pays a Guaranteed Minimum Pension to against HMRC records and update on changes. The Fund intends to complete the GMP reconciliation and rectification work by 31 March 2021.</p>	<p>Work is progressing on the GMP reconciliation. Further information will be provided to the Director of Finance and Support Services shortly. The work is due to complete in May 2021.</p>	<p>● Amber</p>
Robust accounting		
<p>The Pension Fund is required to produce accounts in line with statutory deadlines. The accounts are subject to external audit review and assurance. The successful completion of external audit work by 30 September 2020 is a key priority. To ensure continuous improvements, officers will also complete full lessons learnt by 30 September 2020 and develop project and engagement plan for the 2020/21 Audit by 31 December 2020.</p>	<p>The Pension Fund's Statement of Accounts for 2019/20 were approved by Regulation, Audit and Accounts Committee on 20 November 2020. At the meeting the external auditors (EY) explained there was an unqualified opinion. The risks that had been investigated concerned management override, property valuations and ongoing concerns. EY were satisfied that correct approaches had been taken and all disclosures were complete.</p> <p>The 2020/21 project plan has been updated to reflect lessons learnt from the 2019/20 close and officers have engaged with EY in preparation for the forthcoming audit work.</p>	<p>● Closed</p>
Annual Reporting		
<p>The Pension Fund is required to produce an Annual Report in line with statutory deadlines and considering statutory guidance. The 2019/20 Report will be considered by the Committee at their meeting on 22 July and the Pension Advisory Board in September.</p>	<p>The Report was approved by the Committee in July. The Pension Advisory Board subsequently reviewed the document for compliance.</p>	<p>● Closed</p>
Accounting system		
<p>The County Council is changing its core accounting system to Oracle. Officers will work with colleagues across the County Council to ensure processes, procedures and reporting are in place within the core accounting system implemented to</p>	<p>Project work is ongoing.</p>	<p>● Green</p>

Original Business Plan Objective as agreed by the Pensions Committee July 2020	Update	RAG
replace the current SAP system by no later than 31 December 2021.		
AVC Provider		
The Fund has 244 AVC members with a value of £2.4 million (invested through Standard Life and Utmost Life). The Fund intends to complete a review AVC provision and implement recommendations by 31 December 2020.	The implementation is behind the original 31 December 2020 scheduled go live date but on track to complete by 31 March 2021. Update covered in Agenda Item 16.	● Amber
Respond to Scheme Changes		
The Fund must ensure it complies with all legislative requirements, statutory guidance and requirements of the Pensions Regulator and communicates matters appropriately. There are several relevant Scheme changes being implemented which officers and the Committee will consider, respond to and communicate with stakeholders on changes.	There have been several significant developments that impact the Fund. A full report on the issues and the Fund's response is covered in Agenda Item 9.	● Green
Ensure appropriate contractual terms		
The Fund must ensure it has appropriate terms are in place with all service providers. Officers will review agreements with service providers in line with contract end dates.	Of the arrangements subject to review, agreements have been put in place with Hymans Robertson (Actuarial Services) and Savills (External Valuer). The Fund's property mandate is covered in Agenda Item 20 and the Fund's balanced mandate is covered in Agenda Item 14.	● Green
ACCESS Pool		
The ACCESS Pool has been set up to meet the Government's investment reform criteria. A revised Inter Authority Agreement between participating ACCESS Authorities will be completed by the Authority and training on ACCESS Governance will be provided to the Pensions Committee and Pension Advisory Board.	The revised Inter Authority Agreement has been agreed by each of the participating Authorities. Training for the Pensions Committee and Pension Advisory Board is scheduled for February 2021.	● Closed
Investment Strategy		
It is important to ensure that the investment strategy remains aligned to meet the Pension Committee's long-term objectives. The Committee will consider recommendations following the completion of the Asset Liability Modelling work and review the Fund's Investment Strategy Statement document by 30 September 2020. It is also anticipated the Fund will make its first investment in the ACCESS Authorised Contractual Scheme by 30 September 2020 following the completion of appropriate due diligence.	The Fund's Investment Strategy Statement was agreed by the Pensions Committee in October 2020. A consultation with stakeholders concludes on 22 January 2021. In terms of implementation, the Fund made its first investment in the ACCESS Authorised Contractual Scheme on 15 December 2020 and (following the Committee's decision in October 2020) made commitments to	● Amber

Original Business Plan Objective as agreed by the Pensions Committee July 2020	Update	RAG
Further investment will be taken following consideration of the sub-funds available to meet West Sussex's requirements.	Goldman Sachs Broad Street Partners Fund on 21 December 2020 and ICG's Senior Debt Partners Fund on 31 December 2020. A further commitment to an infrastructure fund is due to complete by 31 January 2021.	
Responsible Investment		
There is continued focus on LGPS stakeholders on as to how the Fund can best address and manage Responsible Investment (RI) issues such as Environmental, Social and Governance matters. The Committee will agree and publish the Fund's Responsible Investment Policy by 30 September 2020 and implement the strategy, taking advice as appropriate.	The Pension Committee's policy in relation to Responsible Investment forms part of the Investment Strategy Statement which is covered above.	● Closed
Competition & Markets Authority		
Under the CMA Order the Fund was required to set objectives for providers of investment consultancy services. It is necessary to review these each year. The Fund will undertake a review to be completed by 31 December 2020.	The Fund is completing its initial certification to the CMA.	● Red
2019 valuation		
The Fund completes a full valuation every three years (latest at 31 March 2019). Amendments will be made to the Funding Strategy Statement as required and a full lessons learnt exercise to further improve future valuation exercises will complete by 30 September 2020.	During 2021/22 the Fund will develop a clear project plan based on its lessons learnt to improve co-ordination with the administration team, provide clear ownership over the process and individual tasks and to engage early with employers, particularly around admission bodies.	● Closed
Employer risk framework		
The Pension Fund has a growing employer population from a variety of sectors. The Fund will development a framework to monitor and take steps to mitigate risk presented to the Fund in respect of participating employer liabilities to be developed and implemented by 31 December 2020.	External advice has been provided on employers considered to be a higher risk to the Fund due to changes in financial covenant. The Director of Finance and Support Services will consider the review and recommendations and take steps (where appropriate) to manage risk during the next quarter.	● Amber
Work by the Scheme Advisory Board		
Responsible Investment and the Good Governance project are key work items for the SAB during the year. The Fund will engage as appropriate.		
Priorities of the Pensions Regulator		

Original Business Plan Objective as agreed by the Pensions Committee July 2020	Update	RAG
<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>	<p>The Pensions Regulator published the results to their 2019 Governance and Administration Survey in November 2020. The survey covers eleven different areas including Annual Benefit Statements, Reporting Breaches, Managing Risk and Cyber Risk. The main items of note were –</p> <ul style="list-style-type: none"> • Most key administration processes were automated to at least some extent with the main barriers to this relating to integration of existing systems, lack of technology and costs. • Schemes had a greater range of cyber risk controls in place than in 2018. • The majority of schemes had completed a data review in the previous 12 months, had identified issues and were taking action to address them. • Scheme complexity and the volume of changes required to comply with legislation were seen as the top barriers to improving scheme governance and administration in the next 12 months. The McCloud judgement was also a major (and new) concern. <p>The Fund will consider the observations from tPR when drafting its priorities for 2021/22.</p>	

3 Risk

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

Impact on investments and funding level: The Funding level remains strong (119.9% estimated at 31 December 2020 v 111.6% at 31 March 2019).

Employers and risks posed to the Fund due to changes in financial covenant: External advice has been provided on employers considered to be a higher risk to the Fund due to changes in financial covenant as a result of the pandemic. Whilst the Fund is aware of some re-structuring activity by employers these are not considered to present a risk to the Fund. One employer has entered insolvency.

Impact of death rates emerging: The case work for the Fund remains in line with prior year trends and there are no spikes or notable impacts for the Fund currently.

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

	9 months based on prior year (average for 2019/20)	9 months for current year (01/04/20 to 31/12/20)	Difference	Difference
Income	£'000	£'000	£'000	%
Contributions	-103,562	-105,051	-1,489	1.44%
Property	-12,404	-12,893	-490	3.95%
	-115,966	-117,944	-1,978	1.71%
Expenditure	£'000	£'000	£'000	%
Pension benefits	73,574	75,880	2,306	3.13%
Death benefits	1,941	2,158	217	11.18%
Lump sums	10,416	10,935	519	4.98%
	85,931	88,973	3,042	3.54%
Net Position	-30,035	-28,971	1,064	

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

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

Agenda Item 7

Risk Theme	Action	October 2020	January 2021
<p>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.</p>	<p>Communication with employers to ensure they are aware of Deferral of Employer Contributions policy and to invite early discussion with regards to any workforce changes. Communication with ceding employers to understand the impact and support being provided to pass through employers. Implement cashflow monitor and projections and review on a monthly basis. Review employer covenant and take appropriate action. Liaising with Legal to understand actions following insolvency</p>	<p>● Amber</p>	<p>● Amber</p>
<p>Remote working results in increased governance pressure within the Fund, Council and partner organisations.</p>	<p>Discuss governance arrangements with partner organisations to ensure they meet expectations and requirements. Scheme of delegation under review to ensure fit for purpose in current climate. Impact of restrictions on end of year processes and staff availability being assessed and reviewed.</p>	<p>● Amber</p>	<p>● Amber</p>
<p>Political and/or employer pressure results in change to investment strategy due to ESG factors resulting in the Fund being required to restrict Fund Manager investments and/or the Fund being challenged on fiduciary duty.</p>	<p>Ensure active engagement by Fund Managers with companies in all areas. Regular dialogue with Fund Managers regarding reasoning behind the stock being held. Keep up to date with Scheme Advisory Board and Government guidance. Engagement with employers to inform them of the Fund approach to Environmental, Social and Governance matters and Responsible Investment and to enable them to respond to any queries. Updated ISS to reflect RI strategy. Consultation with members and employers to get feedback on the Investment Strategy Statement.</p>	<p>● Amber</p>	<p>● Amber</p>
<p>Insufficient funds to meet liabilities resulting in increased contributions required from employers or changing to a higher risk investment strategy</p>	<p>Prudent assumptions adopted by the Fund Actuary. Monitor, maintain and review the Investment Strategy Statement and Funding Strategy Statement. Regularly review investment performance and funding levels. Monitor and review the cash flow of the Fund.</p>	<p>● Green</p>	<p>● Green</p>

Risk Theme	Action	October 2020	January 2021
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. Implement appropriate remote working to ensure business continuity and review third party business continuity plans.	● Amber	● Amber
Poor quality data resulting in error and misstatement.	Implement and monitor the Data Improvement Plan to completion. Work proactively with administration team and employers as part of the end of year process. Maintain robust accounting records. Data improvement plan largely completed.	● Amber	● Amber
Officer, Committee and Board knowledge and understanding resulting in poor decision making and disengagement on key issues.	Develop, implement and monitor a Training Strategy. Work with external organisations to understand how training is going to be delivered in current circumstances and communicate with Committee and Board members. Training strategy under review to ensure fit for purpose. Training plan for the year to be included in 2021/22 Business Plan	● Green	● Green
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. Working closely with the Access Support Unit and Operator in respect of future requirements.	● 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.	● Green	● 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

Risk Theme	Action	October 2020	January 2021
Increase in variety and number of employers participating in the Scheme resulting in risk of non-compliance with obligations.	Clear Admission Agreements in place. Guidance published and reviewed relating to the Scheme requirements. Proactive engagement with employers. Development of employer risk framework to monitor and take steps to mitigate risk presented to the Fund in respect of participating employer liabilities.	● Amber	● Amber
Cyber crime resulting in personal data for members being accessed fraudulently.	Strong IT environment for administration system and web-based Portals. Officers are taking appropriate advice in considering how risk can be managed/mitigated.	● Amber	● Amber
<i>Fund not able to implement changes required as a result of McCloud judgement due to insufficient resources or incomplete information held by employers</i>	The Fund has contacted all employers to update them on the information required and timescales for the McCloud data capture and is engaged with the administration software providers on the changes required to support the project. A project plan and project manager has been put in place by the administration team and recruitment is underway to ensure that the team are sufficiently resourced. The team continue to engage with the LGA and SAB to keep up to date with developments and best practice guidance.		● Amber (NEW)

4 Consultation, engagement and advice

N/A

5 Finance

N/A

6 Risk implications and mitigations

N/A

7 Policy alignment and compliance

N/A

Katharine Eberhart
Director of Finance and Support Services

Contact Officer: Rachel Wood, Pension Fund Strategist, 0330 222 3387,
rachel.wood@westsussex.gov.uk

Appendices

None

Background papers

None

This page is intentionally left blank

Report to Pensions Committee

25 January 2021

Administration Performance

Report by Director of Finance and Support Services

Electoral division(s): N/A

Summary

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

Recommendations

- (1) The update is noted.
-

Proposal

1 Background and context

- 1.1 Hampshire County Council provides the Pension Administration Service for West Sussex County Council. The administration team are based in Winchester and the County Council work closely with Hampshire County Council as our Pension Administration Partner.
- 1.2 The Pensions Committee has a key objective within its Business Plan to deliver a high-quality administration service to all stakeholders with processes and procedures to ensure that the Fund receives all income due and payments are made to the right people at the right time.
- 1.3 At 31 December 2020 the Scheme had 80,144 members as analysed below.

	30/09	31/12	Movement
Active	27,492	26,792	-2.55% (700)
Deferred	30,419	31,211	+2.60% (792)
Pensioners	21,964	22,141	+0.81% (177)
Total	79,875	80,144	+0.34% (269)

2 Administration Performance

Business as Usual Activity

- 2.1 The Pension Committee have agreed an Administration Strategy which sets out performance expectations for employers and the Administering Authority. The current Authority's performance against service standards for key processes are summarised below and shown in detail in Appendix 1. 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	129	100%	382	100%
Deferred Retirement	158	100%	660	100%
Estimates	235	100%	1,049	100%
Deferred Benefits	724	100%	3,036	100%
Transfers In/Out	34	100%	162	100%
Divorce	37	100%	150	100%
Refunds	150	100%	622	100%
Rejoiners	71	100%	303	100%
Interfunds	76	100%	344	100%
Death Benefits	139	100%	556	100%
Total	1,753		7,264	

- 2.2 For the last 12 months, the Pensions Team have been performing at 100% in all areas.

Annual Benefit Statements

- 2.3 The Committee have previously been advised that as at the 31 August statutory deadline, 99.9% of deferred Annual Benefit Statements and 95.1% of active Annual Benefit Statements had been published. In the period to 31 December 2020 a further 774 were published (meaning that 99.94% of deferred statements and 97.79% of active statements have been published).

Employer Performance

- 2.4 As part of the efforts to drive good data improvements, the administration team review Employer Performance for timeliness, financial control and data quality as part of the Annual Return process. Analysis for the 31 March 2020 end of year was provided to the Committee in October 2020 and the Committee were advised that the Director of Finance and Support Services would be writing to 61 employers to request that they reconcile the data held by the administration team with their own records to highlight any potential issues prior to the 2020/21 End of Year work being undertaken. To date 18 employers have completed this exercise.

3 Breach Reporting

- 3.1 There are a number of regulatory requirements within the Local Government Pension Scheme (LGPS) for which there is a statutory duty to report to the Pensions Regulator if a material breach occurs.

- 3.2 Since the Committee met in October there has been four low risk data breaches reported, which has been logged through the County Council's IT Security Incident Report. The breaches were caused by a member's birth and marriage certificate being returned with a different members documents and retirement options, a new starter letter and dependents letter being sent to the incorrect postal/email address. The cause of each incident has been investigated.
- 3.3 Since the Committee met in October the breach with regards to the production of annual benefit statements has been investigated and is being considered by the Director of Finance and Support Services. In line with the Pension Fund's Breaches Policy this considers the cause, effect, response and wider implications of the breach. If the breach is of material significance the Pensions Regulator will be informed, and the Committee will be updated.

4 Contribution Receipt

- 4.1 All LGPS Contributions are expected to be received by the Fund on the 22nd of each month. The majority of employers have adhered to this requirement and a clear escalation procedure has been followed where an employer has consistently made late payment. The contribution monitor is available at Appendix 2.

5 Scheme Changes

- 5.1 A report on wider Scheme Changes has been included elsewhere on this agenda.
- 5.2 In addition, revised Government Actuary's Department (GAD) guidance has been produced for transfer-ins to accompany the GAD factors that were implemented from 1 November 2020.

6 The Pension Regulator (tPR) Scheme Return

- 6.1 It is a Statutory requirement that a return is provided to the Pensions Regulator by each Local Government Pension Scheme. The return provides details of the Scheme, Pension Board members, membership numbers and common and conditional (Scheme specific) data scoring. This was submitted on 16 December 2020.
- 6.2 Data scores are summarised below. A copy of the Scheme Return is available to from officers.

Data	Context	West Sussex
Common (2020)	Basic member information such as name, date of birth, address.	95%
Common (2019)		95%
Conditional (2020)	Scheme specific such as pay details, CARE pots.	90%
Conditional (2019)		89%

Agenda Item 8

- 6.3 The Fund is in the process of completing an address trace for members who are showing as a 'lost contact'. Once completed this should improve the common data score.
- 6.4 Data Improvement work to date has been focused on setting up new starters, processing leavers etc. Whilst this will not initially impact the common or conditional data score (i.e. the same member information is shown but they are now categorised correctly), it is an important step for the Fund to then develop a strategy for further improvements on an exceptions basis. This should then improve the conditional data score.

7 The Pension Regulator – Pledge to combat Pension Scams

- 7.1 An area of focus from the Pensions Regulator, particularly during the pandemic, has been on pension scams. The Regulator is now asking all pension providers to pledge that they will do what they can to protect member benefits and follow the principles of the Pension Scams Industry Group (PSIG) Code of Good Practice. This would entail the Fund:
- regularly warning members of the risk of scams;
 - encouraging those requesting cash drawdown to call The Pensions Advisory Service for free, impartial guidance;
 - learning the warning signs of a scam and best practice for transfers by completing the new Trustee Toolkit module;
 - taking appropriate due diligence measures and document pension transfer procedures;
 - clearly communicating concerns to members if high-risk transfers must be made;
 - reporting concerns about a scam to the authorities and communicate this with the member;
- 7.3 It is considered that the Fund already has in places processes and practices which support the above, but officers are working to ensure that it can self-certify its compliance with the pledge.

8 Member Portal Access

- 8.1 LGPS members can register for a pensions account on the member portal so that they can see their annual benefit statements online, as well as access and update their personal details. Pensioner members can view their payslips and P60s. It is now mandatory for an employer to provide an email address for all new joiners as part of the new starter notification process. The member portal is also promoted in all deferred and retirement letters and was promoted as part of the Annual Benefit Statement process.
- 8.2 Since the Committee met in October there has been a 2.45% increase in registrations. Current registrations have been tabulated below:

	Number	% of population
Active	12,052	44.98%
Deferred	5,929	19%
Pensioner	2,065	9.32%
Total	20,046	25.01%

9 Other options considered (and reasons for not proposing)

N/A

10 Consultation, engagement and advice

N/A

11 Finance

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

12 Risk implications and mitigations

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

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

13 Policy alignment and compliance

The Pensions Committee has an overarching objective to deliver a high quality administration service to all stakeholders with processes and procedures to ensure that the Fund receives all income due and payments are made to the right people at the right time, clear communication and robust accounting and reports.

Katharine Eberhart

Director of Finance and Support Services

Contact Officer: Rachel Wood, Pension Fund Strategist, 0330 222 3387,
rachel.wood@westsussex.gov.uk

Appendices

Appendix 1 - Administration Performance Previous 12 Months (1 January 2020 to 31 December 2020)

Appendix 2 – Contribution Receipts Previous 12 Months (1 December 2019 to 30 November 2020)

Background papers

None

Appendix 1 - Administration Performance Previous 12 Months (1 January 2020 to 31 December 2020)

The table below shows performance against the relevant targets. The casework reported does not include periodic tasks (such as the triennial valuation, publication of the Annual Benefit Statements, End of Year processes or notification of changes to Regulations) response times to enquiries made by members (which has a five working day expectation) and work in progress

	Q4 2019/20	Q4 2019/20	Q1 2020/21	Q1 2020/21	Q2 2020/21	Q2 2020/21	Q3 2020/21	Q3 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	95	100.0%	85	100.0%	73	100%	129	100%	382	100%
Deferred Retirement	144	100.0%	198	100.0%	160	100%	158	100%	660	100%
Estimates	326	100.0%	209	100.0%	279	100%	235	100%	1,049	100%
Deferred Benefits	798	100.0%	594	100.0%	920	100%	724	100%	3,036	100%
Transfers in / out	73	100.0%	24	100.0%	31	100%	34	100%	162	100%
Divorce	40	100.0%	32	100.0%	41	100%	37	100%	150	100%
Refunds	199	100.0%	138	100.0%	135	100%	150	100%	622	100%
Rejoiners	63	100.0%	107	100.0%	62	100%	71	100%	303	100%
Interfunds	131	100.0%	81	100.0%	56	100%	76	100%	344	100%
Death Benefits	129	100.0%	145	100.0%	143	100%	139	100%	556	100%
Total	1,998		1,613		1,900		1,753		7,264	

The table below shows work in progress as at 31 December 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	7	13	2	1	0	0	23
Deferred Retirement	12	10	7	1	0	0	30
Estimates	25	39	15	7	9	4	99
Deferred Benefits	27	77	95	45	70	0	314
Transfers in / out	0	0	4	2	2	5	13
Divorce	5	3	0	0	0	0	8
Refunds	0	1	0	0	0	0	1
Rejoiners	7	6	1	3	4	1	22
Interfunds	5	7	6	0	3	8	29
Death Benefits	26	4	1	1	0	2	34
Total	114	160	131	60	88	20	573
Total to 30/09/20	257	224	129	98	8	12	728

Appendix 2 – Contribution Receipts Previous 12 Months (1 December 2019 to 30 November 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:

- One employer was reported as late in both August and September, but contributions have now been received.
- Whilst there were late payments recorded in March, April, May, June, July, August, September and October 2020 the late payments relate to different employers.

	Dec	Jan	Feb	Mar	April	May	Jun	Jul	Aug	Sept	Oct	Nov	12 Mth
Late	0	1	0	2	4	1	1	1	1	2	2	0	1
On time	199	199	198	196	193	196	196	190	193	192	194	195	195
% Late of Active Employers	0.0%	0.5%	0.0%	1.0%	2.0%	0.5%	0.5%	0.5%	0.5%	1.0%	1.0%	0.0%	0.64%
Average Days Late	0	2	0	25	19.25	8	79	12	31	11.5	9	0	16
Total Amount Overdue (£)	0	5,165	0	15,278	35,927	651	5,195	2,024	1,054	1,627	72,132	0	11,588
% Late of total contributions	0.0%	0.05%	0.0%	0.14%	0.33%	0.0%	0.5%	0.2%	0.0%	0.01%	0.58%	0.0%	0.14%

This page is intentionally left blank

Report to Pensions Committee**25 January 2021****Scheme Changes****Report by Director of Finance and Support Services****Electoral division(s): N/A**

Summary

The report includes a summary of significant developments that impact the Fund.

The Restriction of Public Sector Exit Payments Regulations 2020 will, through primary and secondary legislation, put in place an overall cap on the value of public sector exit payments at £95k. However due to amendments to the LGPS Regulations running to a later timetable to the primary legislation the Fund has needed to take advice on the appropriate steps required when a member is eligible for a redundancy package.

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

The report also provides an update on:

- The Goodwin case whereby an Employment Tribunal has determined aspects of the Teachers' Pension Scheme (and therefore potentially affects the LGPS) are discriminatory on the grounds of sexual orientation.
- Further changes to the LGPS Regulations in relation to the ability for employer contributions to be reviewed between formal valuations, to agree payment plans when employers have an exit debt and the introduction of a deferred employer status – whereby an employer continues to contribute to the Scheme even after their last active leaves, rather than being considered an exiting employer.

Recommendations

- (1) The update, including the impact on the pension's administration team and the actuary to process the outcome of these scheme changes and the risks presented to the Administering Authority in respect of the restriction of Public Sector exit payments, is noted by the Committee.
 - (2) The completion of the Funding Strategy Statement consultation is noted by the Committee.
-

Proposal

1 Background and context

- 1.1 The benefit structure of the LGPS is set nationally. In April 2014, a series of changes were made to the Scheme to reform the benefits structure. These changes were implemented as part of a wider project across Government to reform public service pensions and put them on a more sustainable, affordable and fairer footing for the longer term. Some protections introduced as part of the reformed benefit structure have since been challenged on the grounds of age discrimination (the McCloud judgement), and a resultant pause was placed on the cost control mechanism introduced to determine how the McCloud judgement should be allowed for within the mechanism.
- 1.2 Separately the Government has introduced changes to limit exit packages from the public sector to £95,000
- 1.3 The Government has also faced further challenge about discriminatory provisions within public sector Schemes (Goodwin) and provided a further partial response on its May 2019 consultation on changes to the local valuation cycle and management of employer risk.

2 Rectification as a result of the McCloud judgement

- 2.1 As reported to the Committee in October 2020, the Supreme Court had rejected the Government's appeal against a ruling in June 2019, which found that the transitional protection introduced to the firefighters' and judges' pension schemes in 2015 amounted to age discrimination for younger workers. MHCLG [set out proposals](#) to remove the unlawful age discrimination identified in the McCloud judgment from the Local Government Pension Scheme and the County Council responded to the Consultation in line with the 8 October 2020 deadline. It is understood that a response from Government is expected immanently.

Potential scope of the administrative work required

- 2.2 The significance and challenges these changes present to administering authorities and to employers was noted by the Committee when it met in October 2020 with over 16,000 member records in scope for review as a result of the revised underpin.
- 2.3 To update the Committee, the administration team [wrote to all employers](#) of the data required to be provided to allow the Fund to comply with the legislative changes to calculate the final salary underpin. Employers were asked to acknowledge receipt of the information by 31 December 2020 and raise any concerns in being able to comply with the request. The deadline for completing the (national) data template is 31 March 2021.
- 2.4 Additional resources required to review and rectify member records will be chargeable to the Pension Fund.
- 2.5 The Fund Actuary does not expect the McCloud remedy to have a significant impact on liabilities or contributions rates for most employers.

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

- 3.1 In 2015 the Government first announced its proposals to prohibit six-figure exit packages from the public sector, by imposing a £95,000 cap on such packages.
- 3.1 The Committee received an update when it met in October 2020 on the Restriction of Public Sector Exit Payment Regulations 2020 primary legislation (the Cap Regulations) which was brought into effect on 4 November 2020 and places an overall cap on the value of public sector exit payments at £95k. This applies to all public sector employees in the LGPS (and the unfunded public sector schemes). At the same meeting, the Committee were advised that secondary legislation for the LGPS was out for [consultation by MHCLG](#), with a closing date of 9 November 2020. Therefore, the flexibilities for members to manage the £95k cap (and amendments to the compensation regulations which will impact on all LGPS members) would lag the primary legislative changes. As a result, there is a period of conflict between:
- Regulation 30(7) of the Local Government Pension Scheme Regulations (LGPS) 2013, which (broadly) entitles an active member who is made redundant on or after the age of 55 to an immediate, unreduced early retirement pension; and
 - the Cap Regulations, which restrict the overall value of exit payments to public sector employees to £95,000.
- 3.2 It is considered unlikely that the amendments to the LGPS Regulations will be in force before June 2021 and this timing difference has created a period of uncertainty for employees at risk of redundancy and for employers in understanding the costs.
- 3.3 A High Court judge has given LLG (Lawyers in Local Government) and ALACE (the Association of Local Authority Chief Executives and Senior Managers) permission to bring a judicial review challenge over the Cap Regulations. To date, the Actuary is aware of six potential judicial review challenges including that raised by LLG and ALACE. The reviews are expected in March.

Guidance

- 3.4 The Minister for Regional Growth and Local Government wrote to the Chief Executives of Councils and LGPS administering authorities on 28 October to set out the view of the Ministry of Housing, Communities and Local Government (MHCLG). The key message was that the Government considered that the Cap Regulations effectively curtail the use of LGPS Regulation 30(7) to pay an immediate unreduced pension, when the exit payment cap is breached. Therefore, a member whose overall exit payment exceeds £95,000 should only receive an immediate, fully reduced, pension under LGPS Regulation 30(5) or a deferred pension, plus a cash alternative payable by the employer under regulation 8 of the Exit Payment Regulations.
- 3.5 The LGPS Scheme Advisory Board (SAB) also issued updates to administering authorities on this matter, including following receipt of advice from Leading Counsel. The SAB recommends that for employers covered by the Exit Payments Regulations, and where the member is over 55, made redundant or retired through business efficiency and their overall exit payment exceeds £95,000, the administering authority should:

Agenda Item 9

- offer a deferred pension; or
- pay the member a fully reduced early retirement pension.

Legal Advice

3.6 The Fund has collaborated with the ten other ACCESS Authorities to commission legal advice on the matter. This was received on 20 November 2020.

3.7 The legal advice concludes that

There is presently a direct conflict between Regulation 30(7) and the Cap Regulations, where the strain cost for an individual member would result in the aggregate exit payment exceeding the Capped Amount. Although the Government has stated it considers the Cap Regulations take precedence over the LGPS Regulations, there is no obvious justification for that argument from a legal perspective. The LGPS Regulations are expected to be amended in 2021 to resolve the position but, in the meantime, there is no risk-free approach that Administering Authorities can follow in these circumstances.

3.8 The legal advice sets out there is no risk-free approach that Administering Authorities can take but on the balance of risks it was agreed by the Director of Finance and Support Services that the Fund should:

- a. Ask employers to explore whether proposed redundancy or business efficiency cases can be delayed until the LGPS Regulations are brought into force.
- b. Adopt the SAB's recommended approach where the cap is exceeded and
 - i. Pay a member a fully reduced early retirement pension (based on factors including the members age); or
 - ii. offer a deferred pension; and
 - iii. request that the scheme employer refrains at this point from paying a cash payment to the member equivalent to the capped strain cost.

Calculation of Strain

3.9 Administering Authorities are currently entitled to claim additional contributions from scheme employers where an unreduced early retirement pension is paid on redundancy or business efficiency. Any payment made to the Fund to meet the additional cost of paying a member's pension early constitutes part of the exit payment under the Cap Regulations.

3.10 The Fund's factors were set by the Actuary based on his local valuation assumptions. In the current circumstances this presents a risk of challenge on the grounds of strain costs differing between Administering Authorities and between GAD factors and local factors – which could impact on member benefits.

3.11 The Fund has now adopted a spreadsheet calculator using the Government Actuaries Department (GAD) factors for early retirement strain cost calculations for all employers, including those out of scope for the Cap Regulations.

Communication

3.12 Information has been [included on the website](#) to update members on the changes.

3.13 Employers received an email from the Fund on 5 November 2020 announcing the suspension of early retirement estimates and a further update on 4 December 2020 advising that early retirement estimates could now be provided.

4 Unpausing of the Cost Mechanism

4.1 The Committee were advised in October 2020 that work on the cost control mechanism (introduced to protect the taxpayer from unforeseen increases in scheme costs) has been restarted following a pause whilst the remedy to address the unlawful discrimination by the court (McCloud) was determined.

4.2 No timetable has been set for completing this process. At present this is being kept under review but there is no immediate action.

4.3 Separately the Government has signalled its intention to review the cost cap mechanism (in totality) following the current review.

5 Discrimination on the grounds of sexual orientation (Goodwin)

5.1 The Committee were also advised in October 2020 that a tribunal had found that some survivor benefits were less favourable, dependent on whether they were payable to a male spouse of a female member or a female spouse of a female member (the Goodwin case).

5.2 This only impacts the male survivor pensions of female members with pre-1988 service who die after 2005. It remains unclear if the Government intend to challenge this ruling and to date, there are no draft regulations or consultation on how to rectify impacted members. It is anticipated that there will be a very small overall impact on liabilities. At present this is being kept under review but there is no immediate action.

6 Further changes to the LGPS Regulations - Employer Flexibilities

6.1 Following MHCLG's [new Regulations](#) on employer flexibilities which will come into force from 23 September 2020 the Committee agreed amendments to its Funding Strategy Statement in relation to the ability to review contribution rates between formal valuations, the power to agree payment plans when employers have exit debts and the introduction of deferred employer status. Other options considered (and reasons for not proposing).

6.2 The changes were subject to consultation with employers between 26 October 2020 and 7 December 2020. There were no substantive comments to require amendments to the Strategy and it will therefore be published.

7 Consultation, engagement and advice

The County Council receives advice from its actuarial advisers, Hymans Robertson, SPB in relation to Exit Payments, the Local Government Association and Scheme Advisory Board in relation to Scheme matters.

8 Finance

The Pension Fund will be required to cover additional resourcing costs associated with the changes set out above, not limited to the McCloud rectification work. The impact will be discussed with the administration team.

9 Risk implications and mitigations

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

Risk	Mitigating Action (in place or planned)
Insufficient resources to comply with the Administering Authority’s Regulatory responsibilities.	Work closely with the administration team on the response to the Scheme changes and the resource impact.
Insufficient guidance or Regulations to support the Administering Authority’s statutory duties.	Legal advice has been sought but this sets out there is no risk-free approach that Administering Authorities can take.
Risk of challenge by a member / complaint to the Pension Ombudsman.	It is anticipated that clarity on the approach Administering Authorities should take will only come following legal challenge. It is possible that West Sussex are one of the Administering Authorities subject to legal challenge due to the approach taken.
The adoption of the GAD factors for all early retirement strain costs calculations presents a risk of ‘under charging’ employers for early retirement costs, which will present as a cost at the next valuation.	Position to be kept under review but considered low risk and most likely to impact smaller or short-term employers.

10 Policy alignment and compliance

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

Katharine Eberhart

Director of Finance and Support Services

Contact Officer: Rachel Wood, Pension Fund Strategist, 0330 222 3387, rachel.wood@westsussex.gov.uk

Appendices

N/A

Background papers

N/A

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank