

# Public Document Pack

**Tony Kershaw**  
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3 February 2022

## **Pension Advisory Board**

A virtual meeting of the Board will be held at **9.30 am** on **Friday, 11 February 2022**.

**Note:** In response to the continuing public health measures, this meeting will be held virtually with members in remote attendance. Public access is via webcasting.

**Items 1 to 13 in Part I of the agenda will be available to watch via the internet at the address below. Items 14 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)**

To confirm the part I minutes of the meeting of the Board held on 15 November 2021.

#### **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 Statement**

There are no outstanding issues for consideration.

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 25 October 2021 and the agenda from the meeting of the Pensions Committee on 4 February 2022.

(a) **25 October 2021 - Part I Pensions Committee Minutes** (To Follow)

(b) **4 February 2022 - Pensions Committee Agenda** (Pages 11 - 14)

7. **Business Plan Update** (Pages 15 - 44)

Report by the Chairman of the Pension Advisory Board.

The Board is asked to agree the performance report for 2021/22 and that the Pensions Committee and Governance Committee be informed. The Board is also asked to note the Pensions Committee's business plan update and the training log.

8. **Administration procedures and performance** (Pages 45 - 56)

The Board is asked to consider the Administration Report from the 4 February 2022 Pensions Committee by the Director of Finance and Support Services.

9. **Communication Strategy** (Pages 57 - 62)

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 pensioner newsletter previously circulated to Board members, and the Communications presented at the meeting.

10. **Regulations and Governance update** (Pages 63 - 70)

Report by the Chairman of the Pension Advisory Board.

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

11. **Review of Pension Fund Policy Documents** (Pages 71 - 96)

Report by Director of Finance and Support Services.

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

12. **Actuarial Update** (Pages 97 - 104)

The Board is asked to consider the following report by the Director of Finance and Support Services which went to the Pensions Committee on 4 February 2022.

13. **Date of Next Meeting**

The next meeting of the Board will be held at 9.30 am on Monday 16 May 2022.

**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 105 - 106)

To confirm the part II minutes of the meeting of the Board held on 15 November 2021.

16. **Pensions Committee Minutes – Part II** (To Follow)

The Board is asked to note the confirmed Part II minutes from the meeting of the Pensions Committee on 25 October 2021 (yellow paper).

17. **ACCESS Update** (Pages 107 - 128)

The Board is asked to consider the following report which went to the Pensions Committee on 4 February 2022.

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

18. **Extract of the Investment Strategy Implementation Report from Pension Committee meeting on 4 February 2022** (Pages 129 - 130)

The Board is asked to note the following extract from the report which went to the Pensions Committee on 4 February 2022.

Extract from 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**

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## **Pension Advisory Board**

15 November 2021 – At a meeting of the Pension Advisory Board held at 9.30 am at Virtual meeting with restricted public access.

Present: Peter Scales (Chairman)

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

Also in attendance: Alistair Rush (Deputy Director of Finance), Rachel Wood (Pension Fund Strategist), Vickie Hampshire (Finance Manager (Pension Fund – Governance)), Tara Atkins (Principal Pensions Consultant (Administration & Employers)), Adam Chisnall (Democratic Services Officer) and Andrew Lowe (Head of Pensions, Investments and Borrowing).

### **Part I**

#### **16. Declarations of Interests and Conflicts**

16.1 None declared.

#### **17. Part I Minutes of the last meeting**

17.1 Resolved – That the minutes of the meeting of the Board held on 26 July 2021 be approved as a correct record and signed by the Chairman.

#### **18. Pension Advisory Board Membership**

18.1 The Board noted that the Chairman had agreed to reappoint Tim Stretton as a representative on the Board for a second 4 year term.

#### **19. Progress Statement**

19.1 The Board noted that there were no outstanding actions from previous meetings.

19.2 Adam Chisnall gave the Board an update on virtual meeting arrangements. As the Pension Advisory Board was not classified as a decision-making body it would continue to be virtual during the pandemic. This would help take the strain away from the Council Chamber which was the only venue that could currently accommodate in-person meetings.

19.3 Adam Chisnall added that the benefit of running as a virtual meeting was that the Board meetings would continue to be webcast so that the public would be able to view the meetings.

19.4 Resolved – That the Board noted the update.

#### **20. Pensions Committee Minutes - Part I**

20.1 The Board considered the confirmed Part I minutes from the 21 July 2021 Pensions Committee meeting and the Agenda from the 25 October 2021 Pensions Committee meeting (copies appended to the signed minutes).

20.2 The Chairman explained that now the Pensions Committee was meeting in-person, with a public gallery, the Committee meetings were no longer webcast. Therefore, it was no longer possible for the Chairman to provide commentary on the webcast of the meeting.

20.3 Resolved – That the minutes and agenda be noted.

## **21. Business Plan Update**

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

21.2 The Chairman introduced the report and highlighted Appendix A which was a summary of progress of the Board's Business Plan.

21.3 The Chairman explained his intention to hold the annual review meetings virtually, and asked Board members to consider their availability for January and February.

21.4 The Board made comments including those that follow.

- Commented that they had experienced difficulties accessing the Hymans Robertson LGPS Online Learning Academy (LOLA) which had led to delays in completion.
- Welcomed the LOLA training and asked if there would be more. – Rachel Wood confirmed that Hymans Robertson would continue to update the content to ensure it remained current.
- Commented on a recent CIPFA Seminar and how the updates were limited due to the delayed progress with relevant Government processes.
- Board Members felt it would be useful to all share training slides to each other. – Vickie Hampshire agreed to ask organisers if this was permitted when training courses were booked.

21.5 Resolved – That the Board notes the updates to the Business Plans of the Board and of the Pensions Committee.

## **22. Administration procedures and performance**

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

22.2 Tara Atkins introduced the report and gave an update on Annual Benefit Statements. Improvements had been made from last year and 100% of deferred member statements had been produced. Work was continuing to collect appropriate data from employers to implement the McCloud remedy, with employers who were not engaging being chased.

22.3 The Board made comments including those that follow.

- Gave praise to Andrew Lowe and his team for the performance targets and thanked officers for including compliments with complaints on the report which had been a previous request by the Board.
- Sought clarity on the administration team's onboarding of the London Borough of Hillingdon Pension Fund and if there would be

any impact for West Sussex. – Andrew Lowe confirmed that the onboarding had been discussed with West Sussex officers and that there should be no impact on West Sussex Business as Usual work. The Chairman confirmed that he had had discussions with officers on this and had received reassurance that there were sufficient resources in place so that West Sussex would not be impacted. Andrew Lowe confirmed that the membership of the new Partners were generally small. Rachel Wood confirmed that active conversations were taking place with the administration team to monitor resourcing.

22.4 Resolved – That the Board notes the update.

## **23. Communication Strategy**

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

23.2 Tara Atkins introduced the report which outlined area to update for fund communications in line with the Communication Strategy.

23.3 The Board made comments including those that follow.

- Sought clarity on the annual content review for the website. – Tara Atkins confirmed that this referred to the content of the website, which would be updated ahead of the electronic pensioner newsletter being published in spring 2022.
- Asked if the Board should play any role in the website content updates. – Tara Atkins confirmed that the Board would be updated as part of the process, and explained that the website was constantly reviewed. The Chairman encouraged Board members to highlight any issues on the website to officers if they found any. Tara Atkins confirmed that feedback would be welcomed and reported that recent focus group feedback on the website had been positive and some improvements had been recommended.

23.4 Resolved – That the Board notes the schedule of Communications drawn from the Communication Policy Statement and the feedback from employers at the Focus Group for future Pensions Matters.

## **24. Regulations and Governance update**

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

24.1 The Chairman introduced the report and confirmed that there was not much to currently report on. The Chairman confirmed that he would continue to send bulletins and articles that would be useful reading for the Board.

24.2 The Board commented on CIPFA's withdrawal from annual events. - The Chairman agreed that CIPFA's withdrawal was a concern and stated that it would be interesting to see what the Scheme Advisory Board (SAB) picked up.

24.4 Resolved – That the Board notes the update.

## **25. Review of Pension Fund Policy Documents**

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

25.2 Vickie Hampshire introduced the report and the presented policies. There had been no significant changes to the Breaches Policy. However opportunity had been taken to ensure compliance and improvements to the Internal Dispute Resolution Procedure. The Conflict of Interest Policy was new and had been drafted as it was expected to be a future requirement. As there was no current requirement, there was no guidance to check compliance against the policy.

25.3 The Board made comments including those that follow.

- Sought clarity on the role of the Board in reporting breaches. – Tara Atkins confirmed that the Local Government Association had stated that Pension Boards should have oversight of breaches, but not an involvement in the detail. The Board would be updated on improvements made following breaches.
- Noted that the Pensions Regulator listed Pension Boards as a formal breach reporter, and that the Board could escalate an issue if it felt a breach had not be handled appropriately. – Tara Atkins confirmed that officers would always investigate breaches and that it was for the Board to consider the response to a breach. The Board also had a remit to raise a report if it was discovered that a breach had not been reported.
- Queried who was the 'scheme manager' as referred to in the Breaches Policy. – Tara Atkins confirmed this was a dual role that was covered by Tony Kershaw, Director of Law and Assurance, and Katharine Eberhart, Director of Finance and Support Services.
- Noted the examples of breaches and queried how the Board was proposed to assist with internal dispute resolution requirements. – Tara Atkins explained that this was a Scheme Advisory Board definition and that the Board was expected to have visibility of the process. The Board would also monitor to see if guidance and regulations were being complied with.
- Asked who was covered by the Conflicts of Interest Policy. – Vickie Hampshire confirmed that this covered the Board, the Pensions Committee, officers and advisors.
- Felt that the policy should make it clear that a Board member who is also in the pension fund does not have a conflict of interest. – Vickie Hampshire agreed to look into this.

25.4 Resolved – That the Board notes the register of policy documents and the contents of the Breaches Policy, the Internal Disputes Resolution Procedure, and the draft Conflict of Interest Policy.

## **26. Date of Next Meeting**

26.1 The Board noted that its next scheduled meeting would take place on Friday 11 February 2022 at 9.30 a.m. at County hall, Chichester.



**27. 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.

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

The Board agreed the Part II minutes of the 26 July 2021 meeting and they were signed by the Chairman.

**29. Pensions Committee Minutes – Part II**

The Board noted the contents of Part II minutes from the 21 July 2021 Pensions Committee meeting.

**30. ACCESS Update**

The Board considered the report by the Director of Finance and Support Services from the 25 October 2021 Pensions Committee (copy appended to the signed minutes).

The Board noted the report.

**31. Extract of Review of Pension Investment Performance from Pension Committee meeting on 25 October 2021**

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

The Board considered the report and noted its contents.

The meeting ended at 10.45 am

Following the meeting, the Pension Advisory Board had a training session on Internal Audit Assurance.

Chairman

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**Tony Kershaw**  
Director of Law and Assurance

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27 January 2022

## Pensions Committee

A meeting of the Committee will be held at **10.00 am** on **Friday, 4 February 2022** at **County Hall, Chichester, PO19 1RQ**.

**Note:** In response to the continuing public health measures, there will be limited public access to the meeting. Admission is by ticket only, bookable in advance via: [democratic.services@westsussex.gov.uk](mailto:democratic.services@westsussex.gov.uk)).

**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:

- Cllr Elkins is a Member of Arun District Council
- Cllr Hunt is a Member of the Chichester Harbour Conservancy
- Cllr Jupp is a Member of Horsham District 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 Committee held on 25 October 2021 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 Advisory Board Minutes - Part I**

The Committee is asked to note the confirmed Part I minutes from the meeting of the Pension Advisory Board on 26 July 2021 and the agenda from the meeting of the Pension Advisory Board on 15 November 2021.

(a) **26 July 2021 - Part I Pension Advisory Board Minutes**  
(Pages 9 - 12)

(b) **15 November 2021 - Pension Advisory Board Agenda**  
(Pages 13 - 16)

10.10 am 6. **Business Plan** (Pages 17 - 32)

Report by the Director of Finance and Support Services.

The Committee is asked to note the updates on Business Plan activities and risk matrix.

10.25 am 7. **Pension Administration Performance** (Pages 33 - 44)

Report by the Director of Finance and Support Services.

The Committee is asked to note the update.

10.40 am 8. **Treasury Management Report** (Pages 45 - 52)

Report by the Director of Finance and Support Services.

The Committee is asked to approve the 2022/23 Treasury Management Strategy and note the treasury activity undertaken during 2021/22.

10.45 am 9. **Actuarial Valuation 2022** (Pages 53 - 60)

Report by the Director of Finance and Support Services.

The Committee is asked to note the report.

The Committee will also receive a presentation from the Pension Fund Actuary.

- 11.15 am 10. **Date of the next meeting**
- The next meeting of the Pensions Committee will be 10.00 a.m. 19 April 2022 at County Hall.

**Part II**

- 11.15 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.
- 11.15 am 12. **Part II Minutes of the last meeting** (Pages 61 - 68)
- To confirm the Part II minutes of the meeting of the Committee held on 25 October 2021, for members of the Committee only (yellow paper).
- 11.20 am 13. **Pension Advisory Board Minutes - Part II** (Pages 69 - 70)
- The Committee is asked to note the confirmed Part II minutes from the meeting of the Pension Advisory Board on 26 July 2021 (yellow paper).
- 11.25 am 14. **Update from ACCESS Joint Committee activity (6 December 2021)** (Pages 71 - 92)
- 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.
- 11.35 am 15. **Investment Strategy Implementation** (Pages 93 - 100)
- Report by the Director of Finance and Support Services attached for members of the Committee only (yellow paper).
- The Committee is asked to consider the recommendations within the report.
- 11.50 am 16. **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).

Agenda Item 6b

12.00 pm

**Break for the Committee**

1.00 pm

17. **Presentation by ABRDN**

The Committee to receive a presentation on portfolio performance.

2.00 pm

18. **Presentation by JP Morgan**

The Committee to receive a presentation on portfolio performance.

**To all members of the Pensions Committee**

**Key decision: Not applicable  
Unrestricted**

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## **Report to Pension Advisory Board**

**11 February 2022**

### **Business Plan Update**

## **Report by the Chairman of the Pension Advisory Board**

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### **Summary**

The Pension Advisory Board (PAB) is required to review its performance over the past year and report to the Governance Committee and to the Pensions Committee.

The performance report reflects a series of one-to-one meetings held with each Board member. Similar review meetings are to be held with the chairman of the Pensions Committee and with the S151 Officer. The table sets out the achievement of key tasks and activities against those set in the Business Plan for 2021/22.

The PAB Plan has been drawn up to be consistent with that of the Pensions Committee and the Board receives regular update reports as submitted to the Committee at each meeting, which include a review of risks. The report to the Committee on 4 February 2022 is attached.

### **Recommendations**

The Board is asked to:

- i. agree the performance report for 2021/22 in **Appendix A**, and that the Pensions Committee and Governance Committee be informed; and
  - ii. to note the Pensions Committee's business plan update report attached as **Appendix B**.
  - iii. to note the training log in **Appendix C**.
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### **Proposal**

#### **1. Background and context**

1.1 The Board agreed its Business Plan for 2021/22 on 28 April, and in line with the Terms of Reference, the Plan was agreed by the County Council's Governance Committee on 28 June.

1.2 As part of its core business activity, the Board reviews progress on achieving the key tasks and activities at each meeting. Similarly, the Board considers updates on progress for the Pensions Committee's Business Plan at each meeting.

- 1.3 Performance in the current year must continue to be viewed in the context of the COVID-19 pandemic and the significant impact that has had on delaying progress on national governance initiatives which are a key driver to the Board's business.

## **2. Business Plan performance report for 2021/22**

- 2.1 The draft report set out in **Appendix A** provides a summary of the Board's key activities and achievements over the past year, including an assessment of the Board itself.
- 2.2 As agreed in previous years, the chairman met (in virtual format) with each board member in January on a one-to-one basis to discuss performance over the past year, plans for the coming year and future training needs. The chairman also plans to meet with the S151 Officer, Katherine Eberhart, and the chairman of the Pensions Committee, Jeremy Hunt, to review the Board's role, performance and plans.
- 2.3 Alongside the Board's own Plan, updates on the Committee's Plan as reported to their meetings are also monitored by the Board. This is particularly relevant in monitoring the fund's risk management processes. A copy of the Pensions Committee's business plan update report as submitted to their meeting on 4 February is attached as **Appendix B**.

## **3. Business Plan for 2022/23**

- 3.1 The Board will be considering its Plan at its next meeting and when the Committee has agreed its own Plan. These Plans will be better informed once progress is made on national initiatives, particularly those relating to the Good Governance Review.

## **4. Training**

- 4.1 Maintaining knowledge and skills is a mandatory requirement for Board members and is assisted by the circulation of briefing papers, Committee/Board reports, and external links to national websites.
- 4.2 The Hymans LGPS Online Learning Academy (LOLA) was introduced in 2021 as a baseline for training needs, and Board members have now completed most of the modules following some initial technical problems with access.
- 4.3 The Board's training log is attached as **Appendix C**.

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

- 5.1 N/A

## **6. Consultation, engagement and advice**

- 6.1 N/A



## **7. Finance**

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

## **8. Risk implications and mitigations**

- 8.1 ***Failure to manage work efficiently and effectively*** – The use of virtual meeting arrangements has enabled the Board to continue to work as efficiently and effectively as possible.
- 8.2 ***Failure to account for activities and performance*** – updates to each ***meeting*** monitor performance and the end year position will be reviewed in the usual way.

## **9. Policy alignment and compliance**

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

### **Peter Scales**

Chairman of the Pension Advisory Board

### **Contact Officer:**

Adam Chisnall, Democratic Services Officer, 033 022 28314

### **Appendices**

Appendix A – Business Plan Performance Report for 2021/22

Appendix B – Pensions Committee's Business Plan Update

Appendix C – Pension Advisory Board training log

### **Background papers**

None

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## West Sussex Pension Advisory Board

### Business Plan 2021/22 performance report

#### Board establishment

The Board's structure remains the same with six representative members and an independent (non-voting) chairman. Consistency in Board member appointments has been maintained with the re-appointment of Tim Stretton in November. Thus, the Board has maintained a stable group of members with a wide range of individual skills and broad representation.

Continuity is an important aspect of Board membership because of the high level of personal investment in maintaining knowledge and understanding, and the appointments cycle is staggered to provide that continuity as shown below:

	Representing	First appointed	Next review due	Service time limit
<b>Peter Scales</b>	Independent	April 2015	2024	N/A
<b>Richard Cohen</b>	Employers	April 2015	2023	2027
<b>Miranda Kadwell</b>	Employers	Nov 2018	2022	2030
<b>Kim Martin</b>	Employers	Nov 2016	2024	2028
<b>Becky Caney</b>	Active	Nov 2018	2022	2030
<b>Chris Scanes</b>	Pensioners	April 2015	2023	2027
<b>Tim Stretton</b>	Deferred	Nov 2017	2025	2029

Succession planning is equally important, and Miranda Kadwell and Becky Caney who are due for review in November 2022 have both indicated their willingness to continue.

#### Board meetings

In line with County Council policy, meetings continue to be held in virtual format. All members agree that these arrangements have worked better over time with experience and in some respects have the advantage of making attendance easier without the need for travel. This has proved particularly useful for some training sessions and enabling the chairman to attend Pensions Committee meetings virtually. Consideration is being given to the possibility of hybrid meetings or a mixture of virtual and physical meetings, perhaps three and one respectively.

The Board held four meetings during the year in a virtual format with good attendance. The business for each meeting has been in line with the core work plan agreed and is based on the responsibilities of the Board and guidance issued about key issues to cover, and on 'live' issues arising during the year. Relevant interests are recorded, and any changes declared at each meeting. There have been no conflicts of interest potential or otherwise.

The Board meets a short period after each meeting of the Pensions Committee and receives the agreed minutes, certain reports as submitted to and considered by the Committee on the business plan updates, including risks, administration, ACCESS, and other issues in order to avoid duplication by officers. This has worked well in the year in keeping the Board informed of the Committee's decision-making process.

The Board has established standing agenda items on regulations and guidance (with references to the LGPC, SAB and tPR websites) which not only provide updates on changes but also provide a source of reference for the statutory regulations and guidance. This is a key element in helping the Board members to keep up to date and maintain a suitable level of knowledge and understanding.

In terms of what has been achieved during the year, the schedule below shows actions against key tasks and demonstrates that a comprehensive programme of work has been completed. However, the pandemic has severely disrupted progress on national initiatives driven by DLUHC, SAB and tPR. This has meant that governance and regulatory changes deferred in 2020 that the Board were expecting in 2021 did not happen, and recovery of progress remains slow.

### **Annual performance reviews**

In terms of individual Board member's perceptions of performance, these were covered in the one-to-one performance review meetings held remotely in January. Some of the key conclusions are summarised below.

The current year 2021/22 - There was a general acceptance that virtual meetings have improved but that there is still a lack of interaction. The Board has continued to operate effectively and doing all that it can, despite the lack of progress on national initiatives.

The year ahead 2021/22 - There was a general consensus that the Board should continue to maintain its core work but that it was to a large extent dependent on progress with national initiatives to tackle a changing environment of governance, especially the Good Governance Review by SAB. A number of areas were identified for attention next year and these are listed below.

Knowledge and understanding - Members agree that the Board has a good standard of underlying knowledge and understanding and needs to maintain a process of regular updates and refreshers. The ability to draw on external web-based resources (e.g. LGPC, SAB, tPR) was welcomed as a source of reference.

The introduction of the Hymans Robertson LGPS Online Learning Academy (LOLA) has proved to be very effective, despite some initial technical problems with access. Members consider that further inhouse training should focus on key areas of change or development, supplemented with updates on 'LOLA', and that learning experiences should be shared.

Personal contributions – All were satisfied with their role on the Board and considered there was a valuable spread of experience of different aspects of the management and administration.

Pensions Committee – The relationship with the Committee works well through the exchange of reports and some felt there would be an advantage in attending some meetings when circumstances allow. The Committee chairman is due to attend a Board meeting at an appropriate point and the Board chairman meets with him on a one-to-one basis at least annually. Joint training sessions are also helpful as with the accounts awareness training.

Scheme manager interaction – There was a consensus that the working arrangements were good and effective currently. The officers were proactive, supportive, and responded well to questions. The involvement of Hampshire in Board meetings has been valuable and gives the assurance of good service.

### **Areas for attention**

These are the areas where work will be required in the coming year, subject to progress on national initiatives:

- Outcome of SAB Good Governance Review
- TPR's combined code of practice (expected in the summer)
- Valuation 2022 process and funding strategy
- Strategic investment issues, awaiting DLUHC regulations
- Responsible investment and climate change (awaiting DLUHC guidance)
- Pooling governance, awaiting regulatory changes from DLUHC
- Comparative administration standards and performance
- Potential pensions/cyber scams – controls and warnings to members
- Future of CIPFA guidance after Pensions Panel closure

### **Chairman's comments**

The Board has continued to work well through difficult circumstances, but is frustrated by the lack of progress on national initiatives. I am grateful for the input from each member and reassured in the ability of the Board to tackle new challenges in the coming year.

**Pension Advisory Board - Business Plan 2021/22**  
**Progress update on special activities and reviews**

Planned activity	Current progress (February)
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<b>Business Planning and Performance</b>	
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Review of current Board operations in line with the Scheme Advisory Board's Good Governance Review proposals as a 'dry run'.	Firmer details of the proposed new requirements are still awaited. It is intended to undertake this review in 2022 when more detail is available.
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<b>Compliance checks</b>	
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Review conflicts of interest policy	To be reviewed when details of the new compliance requirements are known [both the Government (DLUHC) and the Pensions Regulator (tPR)]
Review the Pension Fund Annual Report and Accounts for content and compliance.	Reviewed at the meeting on 26 July

<b>Governance arrangements</b>	
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Review internal audit programme of work and assurances	Reviewed at 28 April meeting and at each meeting as part of Committee's Business Plan Update report. A presentation on the internal audit programme was made to the Board on 15 November 2021.
Review new tPR Combined Code for compliance requirements	Reviewed draft issued for consultation but uncertainties remain regarding application to LGPS. The new Code is now planned for the summer of 2022.
Review SAB proposals on future governance arrangements when made available	Reviewed proposals published for consideration by DLUHC – their response is awaited.

Planned activity	Current progress (February)
------------------	-----------------------------

<b>Administration procedures and performance</b>	
Monitor impact of Scheme changes on administration capacity	Monitored by Committee and Board at each meeting
Consider scope for inter-fund comparative indicators, including unit costs and service levels	Chairman undertaking initial research but pending DLUHC response to SAB governance proposals
Review arrangements for auto-enrolment and for growing membership	Information to new joiners noted
Review implementation of Data Improvement Plan	Now part of regular reporting.
Monitor work by internal audit	Part of business plan update from Committee
Review controls relating to cyber risk	Training undertaken

Planned activity	Current progress
------------------	------------------

<b>Investment and funding</b>	
Review revised guidance issued by DLUHC on preparing the Investment Strategy Statement when available	Not yet available
Develop understanding of actuarial methods, standards and practices, and application to the valuation process	Part of Hymans modular training programme (LOLA)
Review revised SAB guidance on responsible guidance when issued	Reviewed first draft, subsequently withdrawn and replaced with A to Z. Further guidance expected from DLUHC.

<b>Communications</b>	
Monitor disclosure of information in line with statutory requirements, including annual benefit statements	Communications update now reported to each meeting.
Review newsletters for content and clarity	Pensioner newsletter reviewed but subject to Hampshire process
Review information provided on potential pensions/cyber scams	Initial review undertaken and awaiting further guidance from tPR. Training undertaken including new tPR module.

<b>Training</b>	
Undertake comprehensive refresher training	Hymans training (LOLA) started on 1 July with an induction session. Board members are expected to complete the modules by the end of the year.
Develop joint training with Pensions Committee	Joint training strategy now in process



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## **Pensions Committee**

**04 February 2022**

### **Business Plan**

#### **Report by Director of Finance and Support Services**

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### **Summary**

The Pensions Committee approved its Business Plan for 2021/22 in March 2021, setting out the aims and objectives of the fund over the coming year, its core work and how the objectives will be achieved. The following are noted as updates:

- The drawdown of the Fund's infrastructure investment completed in December 2021.
- Data has been received from 201 of 214 employers to support work on the McCloud remedy. Currently the target date for uploading data is September/October 2022.
- Additional active Annual Benefit Statements have now been published following receipt of information from employers. The Fund's data score has been reported to the Pensions Regulator, showing further improvements to the data held.
- The Annual Report was published in November 2021 following the approval of the Statement of Accounts by the Council's Regulation, Audit and Accounts Committee.

In terms of risk:

- Risks around resourcing, data quality and the range of employers in the Scheme which could present during the Actuarial Valuation are being mitigated through proprietary work.
- Whilst the remedy for McCloud and other Regulatory amendments remains uncertain, officers continue to work with employers and third parties to ensure that the Fund is in the best position possible to comply with the changes when introduced.
- Cyber security continues to be one of the highest risks for the County Council. Officers continue to work to understand the risks and mitigations in place.

### **Recommendation**

To note the updates on Business Plan activities and risk matrix (Appendix B).

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## **1. Background**

- 1.1 The Pensions Committee maintains a Business Plan which sets out its key priorities. The Pensions Committee's approach, historically, has been to review its business plan in full annually at the start of the year and consider updates during the year. The 2021/22 Business Plan was agreed in March 2021. This sets out the aims and objectives of the fund over the coming year, how the objectives will be achieved, and the risks faced by the Fund.

Agenda Item 7

- 1.2 Appendix B. This quarterly report provides an update 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. The report is also shared with the Pension Advisory Board.

**2. Update on Business Plan Items**

- 2.1 An update has been provided below:

<b>2021/22 Actions</b>	<b>31 December 2021 Update</b>
<p><b>Investment Strategy Statement:</b> Implement strategy and develop reporting and monitoring framework.</p>	<p>The drawdown of funds to JP Morgan Infrastructure Investments Fund and the completion of the Fund’s commitment to Partners Group Secondary Fund are considered a significant step in aligning to the Fund’s strategic asset allocation.</p> <p>Officers are closely monitoring developments on Sustainability Disclosure Requirements including the Taskforce on Climate-related Financial Disclosures (‘TCFD’) reporting framework. A consultation is expected on TCFD imminently.</p>
<p><b>Changes required as a result of the McCloud judgement:</b> Receive and validate data from employers in order to update the records of affected members whilst keeping key stakeholders informed and managing the risks inherent in a large project.</p> <p>Recalculations and possible restitution will form the next phase of the work.</p>	<p>201 of 214 completed service/break data sets from West Sussex employers have been received (representing 94% of the population who are likely to need remedy). Engagement continues with those employers who have not provided the required information.</p> <p>Currently the target date for uploading data is September/October 2022.</p>
<p><b>2022 Valuation preparation:</b> Work with advisers to integrate employer risk framework into the 2022 valuation and future monitoring arrangements.</p>	<p>Preparation work between January and March 2022 has been agreed between the Fund Actuary, administration team and officers. A project plan has also been drawn up covering the period to 31 March 2023.</p>
<p><b>Communications:</b> Develop an approach to support the Communication Strategy which considers the communications documents published for stakeholders to support the understanding of the management of the Scheme and benefits provided.</p>	<p>Officers are continuing to work with the administration team to review employer communications, focusing on Pension Matters and the Employer section of the website.</p>

2021/22 Actions	31 December 2021 Update	Appendix B
<p><b>Data:</b> Undertake further work to identify data improvement requirements ahead of the 2022 Actuarial Valuation and support wider service improvements such as self-service and the Data Dashboard.</p>	<p>The team had previously published 100% of deferred Annual Benefit Statements and have now published 99.6% of active statements. This is an improvement on previous years, reflecting work completed by the team.</p> <p>The Scheme's data score (as reported to the Pensions Regulator) has improved (98% for common data - such as members names, date of birth, postcode - and 92% for data is more Scheme specific - such as annual pay, service etc). Further work will be identified and completed by the team to improve this further and preparation for the 2022 Valuation will be important to provide further assurance.</p> <p>Whilst there remains significant uncertainty about of the requirements for Pensions Dashboard, to allow members to view details of all their pensions together, this work will also assist with the Fund's preparation for their introduction.</p>	
<p><b>Robust Accounting:</b> Complete the Pension Fund's Statement of Accounts by the statutory deadline and work with the external auditors on their review.</p>	<p>The 31 March 2021 accounts were signed in November 2021.</p> <p>Preparation work and engagement with the Fund's auditors, EY, has commenced to produce the 31 March 2022 accounts.</p>	
<p><b>Annual Report:</b> The Report will be considered by the Pensions Committee at their meeting on 21 July 2021 and by the Pension Board on 26 July 2021.</p>	<p>The Annual Report was published in November 2021 following the approval of the Statement of Accounts.</p> <p>A review of the content and format of the Annual Report for 31 March 2022 is underway.</p>	
<p><b>Accounting System:</b> Officers will continue to work with the project team to ensure the accounting system is implemented.</p>	<p>Officers continue to engage on the implementation project.</p>	

### 3. Update on Training

- 3.1 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. The Constitution sets out that members of the Pensions Committee are required to acquire and maintain an appropriate level of expertise, knowledge and skills as set out by CIPFA in order to remain members of the Committee.

## Agenda Item 7

- 3.2 Appendix B has purchased access to the Hymans LGPS Online Learning Academy (LOLA) for all Members of the Pension Committee, members of the Pension Advisory Board and officers. All members of the Committee and Board have been asked to complete the LOLA training as a baseline and reference to appropriate training has been included within the main agenda papers. Appendix A shows the training completed up to 31 December 2021.
- 3.3 Four members of the Committee have completed three of the LGA Fundamentals courses.
- 3.4 Five members of the Committee, and one member of the Board, have attended at least one external webinar or conference this year.
- 3.5 All Pension Advisory Board members completed all Pension Regulator's Toolkit modules. Although this is a requirement for Board members, it is desirable that Committee members also complete the Toolkit to maintain parity with the level of training of the Board.
- 3.6 Future training for the Committee has been summarised below.

### Internal

- February 2021 – The Actuarial Valuation process
- January 2022 – Employer Risk / Employer Management

### External

- Scheme Advisory Board LGPS Live – 2 February - Webinar
- LAPF Strategic Investment Forum – 3 February – Andaz Hotel, London
- Scheme Advisory Board LGPS Live – 2 March – webinar
- PLSA ESG Conference – 9-10 March - online
- LGC Investment Seminar – 24-25 March – Carden Park, Cheshire
- Scheme Advisory Board LGPS Live – 6 April - webinar
- PLSA Local Authority Conference – 13-15 June – De Vere Cotswold Waterpark, Gloucestershire
- SPS Local Authority Pension Fund Investment & Stewardship – 23 June – The Dilly Hotel, London

## **4. Update on Risks faced by the Fund**

- 4.1 A full risk register was provided to the Pensions Committee in March 2021. The update on risks by theme are attached (Appendix B). The full risk register has been reviewed by officers and individual risk scores have been updated where appropriate. However, none of the risk themes have changed their RAG status. The following are highlighted:
- a) Risk Theme 5, 6 & 12– Officers are undertaking proprietary work to ensure that as much valuation work is carried out as early as possible to help manage resource pressures throughout the project.
- b) Risk Theme 14 – Officers continue to work with Hampshire Pension Services to ensure that the Fund is in the best position possible to comply with Regulatory changes including McCloud. However uncertainty of requirements and remedy remain.

- c) Risk Theme 12 – Cyber security continues to be one of the highest risks to the County Council. Officers continue to work with the Council IT security team and with Hampshire Pension Services to understand the risks and mitigations in place for the data the Fund holds. The Chief Information Officer & Head of IT are due to attend an upcoming RAAC meeting to give further context and assurance on the work the Council are doing in this area.

**5. Update on Audit and Controls**

- 5.1 Internal audit work should ensure that adequate internal controls are in place and operate effectively. To supplement its own audit framework the County Council receives internal audit reports from its administration provider, Hampshire County Council.
- 5.2 The County Council’s internal audit team are undertaking a mapping exercise to determine further areas of audit focus (e.g., accounting for pension payroll, recoveries and contribution receipts, employer assets and cashflows, governance and investments). Audit work completed and planned for the year has been summarised on the following page:

Key area	Update
<p><b>Pensions, payroll and benefit calculations:</b> Annual review to provide assurance that systems and controls ensure that lump sum and on-going pension payments are calculated correctly, are valid and paid to the correct recipients; all changes to on-going pensions are accurate and timely; and pension payroll runs are accurate, complete, timely and secure with all appropriate deductions made and paid over to the relevant bodies.</p>	<p>The audit testing is in progress with the final report anticipated in March 2022.</p>
<p><b>Treasury Management:</b> Cash flow is adequately planned, with surplus monies invested in line with the Council’s Treasury Management Strategy.</p>	<p>The audit testing is in progress with the final report anticipated in March 2022.</p>
<p><b>National Fraud Initiative:</b> Full exercise undertaken October 2020 and completed within 6 months and to be undertaken again in October 2022.</p>	<p>No further update.</p>

Key Area	Update
<p><b>Pension Starters:</b> Review of the control framework to support appropriate, complete, and prompt admission of new starters to the various pension schemes administered by Hampshire Pension Services (HPS).</p>	<p>This review has sought to assess the effectiveness of controls in place focusing on those designed to mitigate risk in achieving the following key objectives:</p> <ul style="list-style-type: none"> <li>• Starter notifications are accurately and promptly recorded in the UPM (Universal Pension Management) system.</li> <li>• Starters receive their initial enrolment documentation within agreed timescales</li> </ul> <p>The Auditors conclusion was that substantial assurance had been gained and a sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.</p>
<p><b>Pension Leavers:</b> Review of the control framework to support appropriate, complete, and prompt leaver notifications to the various pension schemes administered by Hampshire Pension Services (HPS).</p>	<p>This review has sought to assess the effectiveness of controls in place focusing on those designed to mitigate risk in achieving the following key objectives:</p> <ul style="list-style-type: none"> <li>• Leaver notifications are received and are accurately and promptly recorded in the Universal Pensions Management (UPM) System.</li> <li>• All leavers receive the appropriate initial notifications and on-going annual benefit statements within agreed timescales.</li> </ul> <p>The Auditors conclusion was that substantial assurance had been gained and a sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.</p>

**6. Consultation, engagement and advice**

6.1 N/A

**7. Finance**

7.1 An allowance for the Fund's administration expenses is included within employer contribution rates.

**8. Risk implications and mitigations**

8.1 Covered in main body of report and appendices.

**9. Policy alignment and compliance**

9.1 N/A

Katharine Eberhart

**Director of Finance and Support Services**

**Contact Officer:** Rachel Wood, Pension Fund Strategist, 033 022 23387,  
rachel.wood@westsussex.gov.uk

**Appendices**

Appendix A – Training

Appendix B – Risk Themes

**Background papers**

None

**Recommended Training**

Hymans LGPS Online Learning Academy – Module 2 – Business Planning

[On Demand Webinar from Hymans Robertson on LGPS Business Plans for 2022/23](#)

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**Training**

Committee as at 31 December 2021

<b>Module</b>	<b>Intro (1)</b>	<b>Govern. (2)</b>	<b>Admin (3)</b>	<b>Funding (4)</b>	<b>Invest. (5)</b>	<b>Current Issues (6)</b>
Cllr Hunt	Complete	In Progress				
Cllr Condie	Complete	Complete	Complete	Complete	Complete	Complete
Cllr Dennis						
Cllr Elkins	Complete	In Progress	In Progress	In Progress	In Progress	In Progress
Cllr Jupp						
Mr. Kipling	Complete	Complete	Complete	Complete	Complete	Complete
Ms. Taylor						
Cllr Turley	Complete	Complete	Complete	Complete	Complete	
Cllr Urquhart	Complete	Complete	Complete	Complete	Complete	Complete

Board as at 31 December 2021

<b>Module</b>	<b>Intro (1)</b>	<b>Govern. (2)</b>	<b>Admin (3)</b>	<b>Funding (4)</b>	<b>Invest. (5)</b>	<b>Current Issues (6)</b>
Mr Scales	Complete	Complete	Complete	Complete	Complete	Complete
Ms Caney	Complete	In Progress				
Mr Cohen	Complete	Complete	Complete	Complete	Complete	Complete
Ms Kadwell						
Ms Martin	Complete	Complete	Complete	Complete	Complete	Complete
Mr Scanes	Complete	Complete	Complete	Complete	Complete	Complete
Mr Stretton	Complete	Complete	Complete	Complete	Complete	Complete

Note: Complete indicates that each subject within the module has been accessed and the assessment has been completed. In progress indicates that some or all the materials within the module have been accessed but the assessment is not yet complete. No entry indicates that the materials within the module have not yet been accessed.

Officers as at 31 December 2021

All members of the Pensions Team have completed all the Hymans LGPS Online Learning Academy (LOLA) modules.

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**Risk Themes**

<b>Ref</b>	<b>Risk Theme</b>	<b>Action</b>	<b>Oct-21</b>	<b>Jan-22</b>
RT1	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>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.</p> <p>Communication with ceding employers to understand the impact and support being provided to pass through employers.</p> <p>Review employer covenant and take appropriate action.</p> <p><i>Cashflow monitor and projections implemented and reviewed on a monthly basis. Investments made into income generating assets.</i></p>	Amber	Amber
RT2	Remote working results in increased governance pressure within the Fund, Council and partner organisations.	<p>Discuss governance arrangements with partner organisations to ensure they meet expectations and requirements.</p> <p>Impact of restrictions on all processes and staff availability including third parties continues to be assessed and reviewed.</p> <p>Review of Scheme of Delegation concluded and changes approved by Governance Committee.</p> <p><i>Review of Onward Scheme of Delegation underway ahead of further guidance from Scheme Advisory Board.</i></p>	Green	Green

Ref	Risk Theme	Action	Oct-21	Jan-22
RT3	<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 ESG and RI and to enable them to respond to any queries. Updated ISS approved and published. Review of communication with stakeholders regarding Fund ESG approach. Consultation due from MHCLG with regards to responsible investment.</p> <p><i>TCFD consultation due shortly which will impact on actions taken and additional reporting requirements for Committee.</i></p>	Amber	Amber
RT4	<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><i>Funding Strategy Statement and Investment Strategy to be reviewed as part of 2022 valuation.</i></p>	Green	Green

Ref	Risk Theme	Action	Oct-21	Jan-22
RT5	Insufficient resources to comply with the Administering Authority's Regulatory responsibilities and ability to deliver the business plan.	<p>Develop and monitor Business Plan on a regular basis.</p> <p>Ensure service contracts are clearly specified and obligations met.</p> <p>Implement appropriate remote working to ensure business continuity and review third party business continuity plans.</p>	Amber	Amber
RT6	Poor quality data resulting in error and misstatement.	<p>Implement and monitor the Data Improvement Plan to completion.</p> <p>Work proactively with administration team and employers as part of the end of year process.</p> <p>Maintain robust accounting records.</p> <p>Data improvement plan largely completed.</p> <p><i>Full impact of data improvement work will be clear following 2022 Actuarial valuation.</i></p>	Amber	Amber

Ref	Risk Theme	Action	Oct-21	Jan-22
RT7	Officer, Committee and Board knowledge and understanding resulting in poor decision making and disengagement on key issues.	<p>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 plan for the year included in 21/22 Business Plan. Induction training for Committee and Board members completed.</p> <p><i>Training strategy approved by Pensions Committee in July 21. LGPS online learning academy (LOLA) not completed by all Committee and Board members. Limited engagement with external training offered.</i></p>	Amber	Amber
RT8	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.	<p>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.</p> <p><i>48% of Fund invested in ACCESS. Expectation that all equities and bonds to be in pool by end of financial year.</i></p>	Amber	Amber

Ref	Risk Theme	Action	Oct-21	Jan-22
RT9	Failure to secure value for money through managing contracts with third parties	<p>Strong contract management. Compliance with procurement requirement and standing orders for provision of services to the Fund.</p> <p><i>More reliance on one contract as a result of LGPS pooling with more limited ability to influence contract management.</i></p>	Amber	Amber
RT10	Political environment (locally or nationally) impact on investment markets and legislative requirements.	<p>Work closely with investment managers, other suppliers and advisers to understand potential impacts and responses. Implement and monitor the Training Strategy.</p> <p><i>See update on RT3</i></p>	Amber	Amber
RT11	Conflict of interest for members and employers	<p>Clearly defined roles and responsibilities for those working for the Pension Fund. Maintenance of Conflict of Interest policy and register by the County Council.</p>	Green	Green
RT12	Increase in variety and number of employers participating in the Scheme resulting in risk of non-compliance with obligations.	<p>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.</p> <p><i>Admission agreement review completed. Contribution process to be updated for new employers. Employer Guide being reviewed. Merger of large employers within the Fund upcoming which will be complex regarding data.</i></p>	Amber	Amber

Ref	Risk Theme	Action	Oct-21	Jan-22
RT13	Cyber crime resulting in personal data for members being accessed fraudulently.	<p>Strong IT environment for administration system and web-based Portals. Officers are taking appropriate advice in considering how risk can be managed/mitigated. Officers working with partners to codify arrangements.</p> <p><i>Officers are undertaking a 'Cyber Audit' to understand current position and what actions need to be taken to protect information further. Liaising with internal IT team to understand WSCC position.</i></p>	Red	Red
RT14	Fund not able to implement changes required as a result of McCloud judgement due to insufficient resources or incomplete information held by employers	<p>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. Team is working with employers where data has not been provided. Regulations and guidance pending from Government.</p>	Amber	Amber



## Training Sessions Delivered at County Hall or Externally

	19-Nov-20	04-Feb-21	18-Feb-21	26-Feb-21	25-Mar-21	23-Jun-21	01-Jul-21	16-Sep-21	28-Sep-21	15-Nov-21	20-21 Jan 22
	AON - Cyber Risk in the LGPS	CIPFA - Responsible Investment for the LGPS	CIPFA Local Pension Board Spring seminar	ACCESS Training	AON - Pension Regulators Singular Modular Code & LGPS	CIPFA LPB Annual Event	WSCC LGPS Induction training	WSCC Financial Statement Briefing 2020/21	CIPFA LPB Autumn seminar - London	SIAP Internal audit	LGA LGPS Annual Governance Conference
	Online	Online	Online	Internal Online	Online	Online	Internal Online	Online	Online	Internal online	Online
Peter Scales	✓		✓	✓	✓		✓	✓		✓	
Becky Caney	✓	✓		✓	✓			✓		✓	
Richard Cohen				✓	✓			✓		✓	
Miranda Kadwell			✓	✓	✓	✓	✓	✓	✓	✓	✓
Kim Martin				✓				✓		✓	
Christopher Scanes							✓	✓		✓	
Tim Stretton				✓						✓	

## Pension Regulator Toolkit - Module Progress

	Conflicts of Interest	Managing risk and internal controls	Maintaining accurate member data	Maintaining member contributions	Providing information to members and others	Resolving internal disputes	Reporting breaches of the law	Pension Scams
Peter Scales	Passed	Passed	Passed	Passed	Passed	Passed	Passed	Passed
Becky Caney	Passed	Passed	Passed	Passed	Passed	Passed	Passed	Passed
Richard Cohen	Passed	Passed	Passed	Passed	Passed	Passed	Passed	Passed
Miranda Kadwell	Passed	Passed	Passed	Passed	Passed	Passed	Passed	Passed
Kim Martin	Passed	Passed	Passed	Passed	Passed	Passed	Passed	
Christopher Scanes	Passed	Passed	Passed	Passed	Passed	Passed	Passed	Passed
Tim Stretton	Passed	Passed	Passed	Passed	Passed	Passed	Passed	Passed

## LGPS On-Line Learning Academy

<b>Module</b>	<b>Introduction (1)</b>	<b>Governance (2)</b>	<b>Administration (3)</b>	<b>Funding (4)</b>	<b>Investments (5)</b>	<b>Current Issues (6)</b>
Peter Scales	Complete	Complete	Complete	Complete	Complete	Complete
Becky Caney	Complete	In Progress				
Richard Cohen	Complete	Complete	Complete	Complete	Complete	Complete
Miranda Kadwell						
Kim Martin	Complete	Complete	Complete	Complete	Complete	Complete
Christopher Scanes	Complete	Complete	Complete	Complete	Complete	Complete
Tim Stretton	Complete	Complete	Complete	Complete	Complete	Complete

Note: Complete indicates that each subject within the module has been accessed and the assessment has been completed. In progress indicates that some or all the materials within the module have been accessed but the assessment is not yet complete. No entry indicates that the materials within the module have not yet been accessed.

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**Key decision: Not applicable****Unrestricted**

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**Pensions Committee****04 February 2022****Pension Administration****Report by Director of Finance and Support Services**

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**Summary**

As of 31 December 2021, the Scheme had 87,773 members.

Pension Administration services have been provided by Hampshire County Council since 4 March 2019. 100% compliance with key performance indicators has continued.

The project-based work on historic leaver forms (which was a key deliverable outstanding from the main Data Improvement Plan) was closed on 31 December, at which point 392 cases were outstanding with employers. These will be completed as part of Business-as-Usual activities.

In terms of key projects with the team, as of 31 December 2021,

- 99.6% active member Annual Benefit Statements had been produced by 31 December 2021. As reported previously to the Committee, all deferred member statements were produced by the team in compliance with the statutory deadline of 31 August 2021, with 98.9% of active member statements being published by the same date.
- 201 of 214 data sets have been received to assist the team in completing updating membership records following the McCloud judgement.
- Fifteen meetings were held with employers who the team had concerns with, in terms of performance during the annual return process for timeliness, financial control and/or data quality, and thirty-two employers completed a data validation exercise.

**Recommendation**

The update is noted.

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**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 West Sussex Pensions Team works closely with Hampshire County Council.
- 1.2 The Pensions Committee has a key objective within its Business Plan to build on the improvement journey in relation to the administration and 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 with clear communication and robust reporting.
- 1.3 On 31 December 2021 the Scheme had 87,773 members as analysed below.

	<b>30 September 2021</b>	<b>31 December 2021</b>	<b>Movement</b>
<b>Active</b>	25,696	25,569	-0.5% (127)
<b>Deferred</b>	33,497	34,099	+1.8% (602)
<b>Pensioner</b>	22,663	22,857	+0.9% (194)
<b>Preserved Refunds<sup>1</sup></b>	5,164	5,248	+1.6% (84)
<b>Total</b>	<b>87,020</b>	<b>87,773</b>	<b>+2.0 (753)</b>

- 1.4 Following the onboarding of the pension administration for all members of the London Borough of Hillingdon Pension Fund in September 2021, the administration team have successfully transferred the London Borough of Westminster (go live 8 November 2021). The administration team have recruited additional staff to cover the increase in work. There has been no deterioration in the level of service that is provided to the West Sussex Pension Fund.

**2. Administration Performance – Business as Usual Activity**

- 2.1 The Administration Strategy sets out performance expectations for employers and the Administering Authority. The team continue to deliver 100% compliance against the service standards for key processes.<sup>2</sup> The analysis below shows the timescales for cases being completed over the quarter to provide more detail about the member experience. The green line shows the target number of days for the casework to be completed. Further details are in Appendix A.

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<sup>1</sup> The preserved refund members are included for completeness but are not counted for the purposes of reporting membership to the Pensions Regulator and DLUHC (previously MHCLG)

<sup>2</sup> The team have delivered 100% compliance against the service standards for the past 26 months.

<b>Case Type</b>	<b>0-5 days</b>	<b>6-10 days</b>	<b>11-15 days</b>	<b>16-20 days</b>	<b>21-30 days</b>	<b>31-40 days</b>	<b>Total</b>
Active Retirement	51	22	29	0	0	0	<b>102</b>
Deferred Retirement	33	49	58	0	0	0	<b>140</b>
Estimates	36	52	376	0	0	0	<b>464</b>
Deferred Benefits	50	21	20	54	698	0	<b>843</b>
Transfers In/Out	2	1	24	0	0	0	<b>27</b>
Divorce	11	7	40	0	0	0	<b>58</b>
Refunds	73	41	7	0	0	0	<b>121</b>
Rejoiners	8	3	10	42	0	0	<b>63</b>
Interfunds	5	9	83	0	0	0	<b>97</b>
Death Benefits	55	18	20	0	0	0	<b>93</b>
<b>Total</b>	<b>324</b>	<b>223</b>	<b>667</b>	<b>101</b>	<b>698</b>	<b>0</b>	<b>2,008</b>

2.2 The administration team also report complaints received monthly. This allows officers to consider lessons learnt and any service improvements to be implemented. The table below sets out the number and themes of complaints received within the quarter to 31 December 2021 and the last twelve months.

<b>Theme</b>	<b>No. Complaints (Quarter)</b>	<b>No. Complaint (12 months)</b>
<b>Response Time</b>		2
<b>Error in pension figures</b>	1	2
<b>Delay in retirement benefits</b>		1
<b>Unhappy with cheque payment being stopped</b>		1
<b>Discrepancy between Member portal estimated figures and estimate received</b>		1
<b>Delay in set up of UPM record</b>		1
<b>Enrolment Complaint (Employer)</b>		1
<b>Unhappy with Children's Pensions amounts payable</b>		1
<b>Total</b>	<b>1</b>	<b>10</b>

2.3 The team received one compliment over the quarter, with 10 compliments over the previous 12 months.

#### Contribution Receipt

2.4 All LGPS contributions are expected to be received by the Fund on the 22<sup>nd</sup> of each month following deduction. Most employers have adhered to this requirement. A clear escalation procedure is in place if an employer has consistently made late payments or not provided the relevant paperwork. The contribution monitor is included at Appendix B.

Promotion of Portal

2.5 LGPS members can register for a pensions account on the member portal to view their Annual Benefit Statement and to access and update their personal details. It is now mandatory for an employer to provide an email address for all new joiners and the member portal is promoted in all letters to deferred members and promoted as part of the Annual Benefit Statement process. Pensioner members can also view their payslips and P60s through their portal access. The member portal is promoted in all retirement letters and through the pensioner newsletter. From April 2022 the Fund will stop sending hard copy payslips, P60s and pensioner newsletters and is encouraging pensioner members to register for the portal.

2.6 The table below shows the number of members registered on the portal.

<b>Status</b>	<b>30 September 2021</b>	<b>31 December 2021</b>	<b>% of population registered</b>
<b>Active</b>	9,867	10,841	42.4
<b>Deferred</b>	8,544	9,328	27.4
<b>Pensioner</b>	4,519	4,903	21.5
<b>Total</b>	<b>22,930</b>	<b>25,072</b>	<b>30.4</b>

2.7 Employers can also register for access to a portal which allows them to submit data (including new starters and leavers) and run their own estimates for early retirements. The portal also includes validations prior to data being submitted to the administration team. It is anticipated that using the portal will streamline notifications from employers, improving consistency, accuracy, and compliance – and therefore improving the quality of data held by the Scheme. At 31 December 2021, 138 employers were set up on the Portal. As reported to the Committee previously, the remaining employers who are not currently registered are those with a low number of members.

**3. Administration Performance – Project Work**

Data Improvement Plan

3.1 The main Data Improvement Plan, which comprised issues identified by the administration team following the transfer of the service in March 2019, was closed with effect from 31 March 2021. The remaining work in relation to historic leaver forms has continued and tracked each month. As of 31 December, 392 cases (across 79 employers) remained to be processed under Business-as-Usual activity once information had been provided by employers.

End of Year and Annual Benefit Statements

3.2 As at the 31 August deadline, 100% of deferred annual benefit statements and 98.9% of active annual benefit statements have been produced. Further work has been completed by the team to publish further active annual benefit statements. The position on 31 December 2021 is summarised below. For active members, most missing statements which are still outstanding are due to missing annual return data from 34 employers. Officers are working with employers to resolve any outstanding issues.



	<b>Deferred No.</b>	<b>Active No.</b>	<b>Active No.</b>
	<b>31 August 2021</b>	<b>31 August 2021</b>	<b>31 December 2021</b>
<b>2021</b>			
Statements Required	31,966	26,764	26,764
Statements Produced	31,966	26,466	26,668
Statements Missing	-	298	96
Percentage of Statements Produced	100.0%	98.9%	99.6%
<b>2020 Comparison</b>			
Statements Missing	18	1,404	631
Percentage of Statements Produced	99.9%	95.1%	97.8%

- 3.3 To support End of Year work for 31 March 2022 and improve compliance, all 39 employers where 'significant concerns' on data quality were identified were written to by the Fund to request that they reconcile the data held by the administration team with their own records to highlight any potential issues. Larger employers were also be asked to complete this data validation exercise, due to the large volume of data involved. As at 31 December, 32 data reconciliations had been received. In addition, 15 meetings were held with employers to review the performance, discuss any issues that that the employers are facing resolving any outstanding queries and steps to be taken to ensure improved performance.

#### McCloud Data Collection

- 3.4 Employers are statutorily required to provide extra data (hours worked and service breaks) for all members in the Scheme between April 2014 up to 31 March 2022 to allow the team to apply legislative changes to member benefits extending the underpin benefits to eligible younger members. As of 31 December 2021, 201 of 214 data sets had been received equating to 24,051 members. The team are in contact with those employers who have outstanding data sets, and delays with information from three employers has been escalated.

#### **4. Cost benchmarking**

- 4.1 Each Administering Authority is required to provide the Department for Levelling Up, Housing and Communities (DLUHC) with information about its administration and fund management for inclusion in the National Accounts (the SF3 Return). This information can also be used as a benchmark on costs, comparing the Pension Fund's costs per member for 2020/21 against other Local Authorities. The analysis below shows how the Fund compares to other Authorities, Hampshire Pension Fund and to the prior year.

	<b>2019/20</b>	<b>2020/21</b>
West Sussex Pension Fund	£14.38 per member	£13.23 per member
Hampshire Pension Fund	£12.30 per member	£12.57 per member
LGPS Average	£23.54 per member	£24.16 per member

**5. Breach Reporting**

- 5.1 There are several 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.
- 5.2 Since the Committee met in October there has been there have been no data breaches.

**6. Other options considered (and reasons for not proposing)**

- 6.1 N/A

**7. Consultation, engagement and advice**

- 7.1 N/A

**8. Finance**

- 8.1 The Pension Fund has funded data improvement work by the admin team

**9. Risk implications and mitigations**

- 9.1 Risks associated with this report are covered within the Business Plan agenda item.

**10. Policy alignment and compliance**

- 10.1 The Pensions Committee has an overarching objective to build on the improvement journey in relation to the administration and 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:** Tara Atkins, Principal Pensions Consultant, 033 022 28787, tara.atkins@westsussex.gov.uk

**Appendices**

Appendix A - Administration Performance Previous 12 Months

Appendix B – Contribution Receipts Previous 12 Months

**Background papers**

None

**Recommended Training**

Hymans LGPS Online Learning Academy – Module 3 – Administration and Fund Management

## Administration Performance Previous 12 Months (1 January 2021 to 31 December 2021)

The table below shows the case completion against the target timescales and the number of cases by type over the 12 month period.

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.

Type of Case	0-5 days	6-10 days	11-15 days	16-20 days	21-30 days	31-40 days	Total
<b>Active Retirement</b>	45%	67%	100%				<b>468</b>
<b>Deferred Retirement</b>	31%	55%	100%				<b>626</b>
<b>Estimates</b>	8%	23%	100%				<b>1,782</b>
<b>Deferred Benefits</b>	11%	13%	17%	27%	100%		<b>3,202</b>
<b>Transfers In &amp; Out</b>	21%	30%	100%				<b>129</b>
<b>Divorce</b>	11%	29%	100%				<b>171</b>
<b>Refunds</b>	70%	98%	100%				<b>444</b>
<b>Rejoiners</b>	31%	47%	79%	100%			<b>283</b>
<b>Interfunds</b>	15%	25%	100%				<b>304</b>
<b>Death Benefits</b>	68%	85%	100%				<b>422</b>
<b>Total</b>	<b>1,663</b>	<b>919</b>	<b>2,531</b>	<b>379</b>	<b>2,339</b>	<b>0</b>	<b>7,831</b>

The table below shows the number of case by type over the 12 month period. All cases were completed in line with the performance targets.

<b>Type of Case</b>	<b>Mar-21</b>	<b>Jun-21</b>	<b>Sep-21</b>	<b>Dec-21</b>	<b>Total</b>
<b>Active Retirement</b>	118	101	147	102	<b>468</b>
<b>Deferred Retirement</b>	151	150	185	140	<b>626</b>
<b>Estimates</b>	172	483	663	464	<b>1,782</b>
<b>Deferred Benefits</b>	709	685	965	843	<b>3,202</b>
<b>Transfers In &amp; Out</b>	29	36	37	27	<b>129</b>
<b>Divorce</b>	43	36	34	58	<b>171</b>
<b>Refunds</b>	92	104	127	121	<b>444</b>
<b>Rejoiners</b>	93	65	62	63	<b>283</b>
<b>Interfunds</b>	65	71	71	97	<b>304</b>
<b>Death Benefits</b>	128	101	100	93	<b>422</b>
<b>Total</b>	<b>1,600</b>	<b>1,832</b>	<b>2,391</b>	<b>2,008</b>	<b>7,831</b>

The table below shows work in progress on 31 December 2021. 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 undertaken as part of the historic leavers project, which forms part of the data improvement plan.

	<b>Cases in progress 0-5 days from receipt</b>	<b>Cases in progress 6-10 days from receipt</b>	<b>Cases in progress 11-15 days from receipt</b>	<b>Cases in progress 16-20 days from receipt</b>	<b>Cases in progress 21-30 days from receipt</b>	<b>Cases in progress 31+ days from receipt</b>	<b>Cases in progress Total</b>
<b>Active Retirement</b>	16	18	3	1	0	0	<b>38</b>
<b>Deferred Retirement</b>	10	4	6	0	0	0	<b>20</b>
<b>Estimates</b>	68	76	87	6	7	8	<b>252</b>
<b>Deferred Benefits</b>	85	77	68	50	136	0	<b>416</b>
<b>Transfers in / out</b>	0	1	2	0	1	1	<b>5</b>
<b>Divorce</b>	1	3	2	0	1	1	<b>8</b>
<b>Refunds</b>	3	5	0	0	0	0	<b>8</b>
<b>Rejoiners</b>	6	5	5	8	2	1	<b>27</b>
<b>Interfunds</b>	5	5	4	0	1	1	<b>16</b>
<b>Death Benefits</b>	4	3	3	4	1	7	<b>22</b>
<b>Total</b>	<b>198</b>	<b>197</b>	<b>180</b>	<b>69</b>	<b>149</b>	<b>19</b>	<b>812</b>

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## Contribution Receipts Previous 12 Months (1 December 2020 to 30 November 2021)

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

All LGPS Contributions are to be received by the Fund on the 22nd of each month following deduction.

It should be noted except for one employer the employers showing as paying late are different. There is currently one outstanding payment which has now been resolved with the employer and should be received imminently.

	Dec	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	12 Mth Av.
<b>Total Active Employers</b>	206	206	207	207	207	207	206	205	206	205	203	202	206
<b>Employers Paid Late</b>	2	2	2	1	7	2	1	3	2	2	0	2	2
<b>Number of Late payments still outstanding</b>	0	0	0	0	0	0	0	0	0	0	0	1	0
<b>Total Value of Late Payments (£)</b>	116,760	8,226	20,112	645	11,306	9,822	563	15,757	18,115	591	0	14,044	17,995
<b>Total Amount Still overdue (£)</b>	-	-	-	-	-	-	-	-	-	-	-	3,761	n/a
<b>Overdue Amount as a % of total contributions</b>	-	-	-	-	-	-	-	-	-	-	-	0.1%	n/a

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**Key decision: No  
Unrestricted**

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## **Pension Advisory Board**

**11 February 2022**

### **Communication Strategy**

#### **Report by Director of Finance and Support Services**

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### **Summary**

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

### **Recommendations**

- (1) That the Board note the schedule of Communications drawn from the Communication Policy Statement
  - (2) That the Board feedback on the pensioner newsletter previously circulated to Board members
  - (3) That the Board feedback on the Communications presented at the meeting
- 

### **Proposal**

#### **1 Background and context**

- 1.1 The Pension Fund maintains a [Communication Policy Statement](#) which reflects:
  - the LGPS Regulatory requirement to maintain a Statement concerning how the Pension Fund communicates with its broad range of stakeholders (members, representatives of members, prospective members and Scheme employers)
  - the Pension Regulator's Code of Practice 14 which refers to necessary communications and their content.
- 1.2 By reviewing communications on a regular basis the Board will be fulfilling their role in considering the effectiveness of communication with employers and members and any future activities, compliance with the Communication Policy Statement, Regulations, Guidance or best practice and assisting with its knowledge and understanding of the Scheme.

**2 Communication Strategy**

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

**3 Draft Pensioner Newsletter**

- 3.1 The drafted pensioner newsletters, for both the arrears and advance payrolls, have been circulated for Board members comments.

Katharine Eberhart

**Director of Finance and Support Services**

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

**Appendices**

Appendix A - Description and Calendar of Communication Deliverables

Appendix B – Communications for the relevant period

**Background papers**

None

The "Future Activity" column has been updated since the Board met in November 2021. Other changes since the Board last met are highlighted as bold text.

	WSCC's Role	Admin Team Role	Future Activity	How often it should be reviewed	Previous PAB review date	Next date for PAB review
Actuarial Valuation meetings	Agenda and content in line with Fund Actuary.	Attend as required	Current intention is to have <ul style="list-style-type: none"> <li>an initial meeting with employer by March 2022 to advise on the process and their role and to set out the outlook for the valuation.</li> <li>an update to employers at the AGM in July 2022</li> <li>results meetings with employers by November 2022.</li> </ul>	Triennially	N/A	N/A
Annual General Meeting	Lead	HCC provide an update on performance (HCC and Employer)		Annually	N/A	<b>07/2022</b>
Annual newsletter for pensioners	Feedback on template	Draft template and sign off following WSCC feedback	The team have undertaken a full review of format and content for 2022 Pensioner newsletter following the decision to move to online publication only. <b>The Board are invited to provide feedback on 2022 Pensioner newsletter.</b>	Annually	02/2022	<b>02/2023</b>
Annual Benefit Statements	Feedback on template	Draft templates and sign off following WSCC feedback	Provide active and deferred benefit statements to all eligible members by 31 August 2022.	Annually	11/2021	11/2022
Early retirement scenarios costings as requested	Provide HCC with revised factors when required.	HCC calculate as per normal processes on receipt of an authorised Employer Initiated Retirement Form (EIRA). Information is also available via the Employer Hub.		Ongoing	N/A	N/A
Employer newsletters (Employer Matters)	Feedback on template	Draft template and sign off following WSCC feedback	Feedback from employers (through a feedback survey at the Focus Group in July 2021) will be incorporated into <b>future</b> Pensions Matters and Stop Press.	Quarterly	<b>02/2022</b>	<b>07/2022</b>
Employer workshop sessions	Feedback on proposed content	Draft content and sign off.	Development of biannual Employer Days  <b>A session was held in January 2022 providing training to employers on payroll matters and organisational change. Further sessions are planned in May, September, and December 2022.</b>	Biannually	N/A	N/A
Focus group meetings	Feedback on agenda.	Draft agenda and content	<b>A virtual Focus Group was held in November 2021. A further session is planned to be held in June/July 2022.</b>	Biannually	<b>02/2022</b>	<b>07/2022</b>
Latest news updates (specific topics, changes to the regulations)	Sign off of content when comms specific to West Sussex.	Website updates. West Sussex specific communications would be drafted, and template shared for feedback/sign off.	Monthly Correspondence Meetings continue to be held.	Ongoing	02/2022	<b>07/2022</b>

	WSCC's Role	Admin Team Role	Future Activity	How often it should be reviewed	Previous PAB review date	Next date for PAB review
Payslips (where their pension varies by £5).	Feedback on changes to content, when applicable.	Template agreed and changes will be made where necessary. Payslip production following monthly pensions payroll.	Provide electronic payslips and P60's as a default, from June 2022, unless pensioner member opts out and elects for a hardcopy.  A pensioner mailing is being sent out to reminder members to register for the member portal, <b>reflecting feedback from members</b> , to allow them to see their monthly payslip.	Ongoing		
Pensions Savings Statements	Feedback on template	Draft templates and sign off	Statement to members who have exceeded annual allowance by the Statutory deadline.	Annually	11/2021	11/2022
Portal (Member and Employer)	Feedback on content/messages displayed	Maintain and update functionality / content as necessary.	<b>Further development of the Hub is due, which will increase the functionality.</b>	Ongoing	N/A	N/A
Pre-Retirement course	Learning and Development run the pre-retirement course, this is advertised on their pages.	N/A		Ongoing	N/A	N/A
Requesting feedback from customers as part of the Customer Services Excellence accreditation.		HCC request from relevant parties including via email signature, training surveys sent to employer training attendees and complaints/compliments reporting	Training surveys Reporting of complaints and compliments	Ongoing	<b>N/A</b>	<b>N/A</b>
Stop Press publications	Feedback/sign off if West Sussex specific.	Draft content and make WSCC aware of stop press.	Feedback from employers (through a feedback survey at the Focus Group in July 2021) will be incorporated into <b>future</b> Pensions Matters and Stop Press.	Ongoing	<b>02/2022</b>	<b>07/2022</b>
Training for small groups	Propose appropriate sessions	Draft content and sign off		Ongoing	N/A	N/A
Training on provision of end of year member data, including the completion of the appropriate data capture spreadsheet.	Feedback on content	Draft content, provide to WSCC for feedback and sign off.		Annually	N/A	N/A
Website	Review at least annually and feedback on content on as required basis.	Maintain and review content of website as necessary.	Website content and links will be kept under periodic review in line with changes.  <b>An annual content review is due to take place in March 2022, to include annual updates.</b>	Ongoing	N/A	N/A

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

### **Employer News**

One news article was published in the period.

- [Stop Press – Annual Benefit Statements are available](#)
- [2021 LGPS Annual Benefit Statements now available](#)
- [Your Pension – your future ABS presentation](#)
- [Employer Focus Group Slides](#)
- [Employer Focus Group Minutes](#)
- [Stop Press – Moving to One Time Passcode – Member Portal and Employer Hub](#)

### **Member news**

One news article was published in the period.

- [We are making changes to our Member Portal](#)
- [Pre-Retirement Workshop](#)

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**Key decision: Not applicable  
Unrestricted**

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## **Pension Advisory Board**

**11 February 2022**

### **Regulations and Governance Update**

#### **Report by the Chairman of the Pension Advisory Board**

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### **Summary**

Members of the Pension Advisory Board (PAB) are required to maintain a suitable level of knowledge and understanding in relation to the Scheme Regulations and Guidance and should maintain their awareness of developments in the regulatory framework. This report provides a brief update on issues covered by the LGPC bulletins, by the Scheme Advisory Board at its meetings, by the Pensions Regulator, and other guidance.

### **Recommendations**

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

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### **Proposal**

#### **1. Background and context**

- 1.1 The Board receives updates on regulatory changes at each meeting but has decided that access to the websites for the LGPS, the Scheme Advisory Board (SAB), and the Pensions Regulator (tPR) provides an additional and valuable source of information on the LGPS regulations and guidance, and to changes under consideration or consultation.
- 1.2 Reviewing current developments not only improves knowledge and understanding but also enables the Board to keep pace with these developments as they are considered by the officers and reported to the Pensions Committee.

#### **2. LGPS Bulletins and regulations**

- 2.1 Emails from the Local Government Association (LGA) announcing the issue of these Bulletins are forwarded to all Board members for early reference. Bulletins issued since the last meeting and issues of interest are:

**November Bulletin 216** with information on a UN letter about investments in the Israeli settlement economy and an update on the code of transparency.

**December Bulletin 217** related solely to LGPS issues in Scotland.

**December Bulletin 218** with information on scheme member representation in asset pools, the Section13 valuation report from the Government Actuary's Department (GAD), and revised SF3 statistics (statutory data returns).

- 2.2 A review of these Bulletins gives an indication that the day-to-day work of regulating and administering local government pensions is continuing at the detailed technical level but overall policy decisions on Scheme governance are not progressing. Full details are available on the LGPC website ([www.lgpsregs.org](http://www.lgpsregs.org)) under "LGPC Bulletins". Other changes or potential changes to the regulations are addressed in the Administration report on the agenda.
- 2.3 To aid the monitoring of governance changes coming through the system, the Chairman prepared a briefing paper on the main issues, reported to the Board previously, expected to be brought forward by the Government in the coming year. A copy of the paper is attached as **Appendix A**.

### **3. Scheme Advisory Board/DLUHC outstanding issues**

- 3.1 The SAB last met on 13 December and a summary note of the meeting, as published on their website is attached as **Appendix B**. Further information about this and their past meetings, and other issues is available on their website ([www.lgpsboard.org](http://www.lgpsboard.org)).
- 3.2 The reference to the new Compliance and Reporting Committee is important as this will, as mentioned at previous meetings, replace the former CIPFA Pensions Panel. CIPFA guidance relevant to LGPS funds was prepared and updated by the Panel and is referred to in the statutory regulations, but it is not yet clear how this will be taken forward in governance and compliance terms.

### **4. The Pensions Regulator**

- 4.1 The consultation on a new combined code of practice concluded at the end of May 2021 but due to the number of responses, the new Code is not expected to be published until the summer of 2022.

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

- 5.1 N/A

### **6. Consultation, engagement and advice**

- 6.1 N/A



**7. Finance**

7.1 N/A

**8. Risk implications and mitigations**

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

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

**9. Policy alignment and compliance**

9.1 Integral part of agreed training strategy.

**Peter Scales**

Chairman of the Pension Advisory Board

**Contact Officer:**

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033 022 28314 [adam.chisnall@westsussex.gov.uk](mailto:adam.chisnall@westsussex.gov.uk)

**Appendices**

Appendix A – Chairman’s brief on outstanding governance issues

Appendix B – Summary note of the SAB meeting on 13 December 2021

**Background papers**

None

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## **Governance issues in waiting**

**Good Governance Review** – The proposals in the final report from Hymans Robertson were agreed by the SAB on 8 February 2021 together with a work plan. A response is still awaited from DLUHC to these proposals and the scope for regulatory and guidance changes.

**Pooling arrangements** – DLUHC issued an informal consultation in January 2019 which was subsequently withdrawn for revision following a significant amount of criticism and challenge. As it stands, there is no mandatory guidance in place regarding the implementation of pooling, other than to report policy in the ISS. It is not clear when revised guidance will be issued.

**Investment strategy guidance** – Revised guidance on the preparation of the investment strategy statement is awaited following the Supreme Court judgement in favour of the Palestine Solidarity Campaign handed down on 29<sup>th</sup> April 2020. In broad terms, the position is that the Government can regulate how funds are invested through statutory regulations but cannot determine the choice of individual investments through guidance. It is not clear how DLUHC will progress this issue. The position is to some extent exacerbated by indecision over pooling guidance and issues about responsible investment.

**Responsible Investment guidance** – The Scheme Advisory Board issued guidance on responsible investment which included their views on the meaning of 'fiduciary duty'. This was heavily criticised and subsequently withdrawn. They have published an on-line A-Z guide to responsible investing but without reference to fiduciary duty. It has been proposed by the SAB that revised guidance on governance should include some form of definition. It seems likely that there will be pressure on DLUHC to regulate on responsible investment and climate change in some way, although this may require secondary or even primary legislation.

**Climate risk disclosure** – The Pensions Schemes Act 2021 requires the largest occupational pension schemes to publish climate risk disclosures by the end of 2022 (£5bn + of assets) and by the end of 2023 (£1bn + of assets). This will mean that such schemes are legally required to assess and report on the financial risks of climate change within their portfolios.

The requirements are to be regulated by tPR and failure to comply could be subject to mandatory penalty. It is not clear at this stage whether and how these requirements might be applied to LGPS funds, given that tPR does not have regulatory authority over LGPS investments. It is possible that this could be achieved through DLUHC guidance, and it will be important to monitor the position.

A Government consultation on the introduction of mandatory climate risk reporting across the LGPS, using the Task-force on Climate-related Financial Disclosures ("TCFD") is expected soon.

The Act also contains new requirements, e.g. pensions dashboard, funding requirements, which may be applied to the LGPS. This would require extensive consultation but might be used to find solutions to the various investment related regulatory and guidance issues outlined above.

**Changes to the local valuation cycle and management of employer risk –**

DLUHC published a partial response to the consultation in 2020 but it is not yet clear how the transition to quadrennial valuations will be managed or the implications for the cost cap mechanism. Clarity is exacerbated by the outcome of the McCloud judgement, exit caps, etc.

**The Pensions Regulator**

A draft of the new combined code of practice was issued for consultation which concluded at the end of May 2021. The draft Code covers five key areas:

- The Governing Body;
- Funding and investment;
- Administration;
- Communication and Disclosure;
- Reporting to TPR;

and contains 51 modules to replace 10 existing individual codes. The modules are topic based and interlinked, have a consistent style and a glossary, and are searchable.

For the Board's purposes, the main code replaced is Code of Practice 14 and it will be necessary to consider how the new expectations apply to the LGPS and the changes in compliance terms that will need to be addressed. It will be necessary to monitor compliance on a regular basis. Publication of the final Code has now been pushed back to spring (possibly summer) 2022 at the earliest.

Peter Scales  
30<sup>th</sup> November 2021

## **Board updates**

Last Updated: 18 January 2022

### **[Summary note of \(virtual\) meeting held on 13th December 2021](#)**

Full details of the meeting and agenda papers can be found on the [board meetings page](#).

The minutes of the meeting on 27th September were approved.

The main points arising from the meeting are shown below:

**Welcome and Introduction** - Councillor Roger Phillips, Chair, opened the meeting by informing members that Jeff Houston, Board Secretary, will be retiring at the end of March 2022. The Chair also informed members that the new Minister, Kemi Badenoch, had yet to agree to a meeting and that steps will continue to be taken to meet the new Minister at the earliest opportunity.

**Delegation from The Prudential** - In response to concerns expressed by the Board on behalf of scheme stakeholders about the performance and level of communication, the delegation from the Prudential explained that migration to a new platform coupled with the disruption of normal working methods caused by the Covid emergency had resulted in a performance level below acceptable standards. The Board was assured that performance in key areas such as servicing updates and client customer support has improved and will continue to do so as new working methods and training of new staff unfolds. The Prudential agreed to work with the Secretariat to formulate a communication for scheme stakeholders.

**Cost Transparency Update** - The Board was advised that when the Investment, Governance and Engagement committee met on 22nd November it had recommended that the Board approves the proposed three stage process for removing Code signatories from the list. The Board was further advised that the Secretariat had met a number of potential providers of a benchmarking service for administering authorities. None of the providers were able to provide a product "off the shelf" and all accepted that more details of requirements would be needed before any further work could be undertaken. Members were advised that administering authorities would need to be asked about what they require from a benchmarking service. The Board agreed that the Secretariat should undertake further work to explore the scope for introducing a benchmarking service, including a survey of administering authorities to ascertain their requirements.

**New Compliance and Reporting Committee** – The Board was advised that meetings had been held with both Committees and with members of the former CIPFA Pensions Panel to discuss handover arrangements and a draft Terms of Reference for the new Committee. Members approved one amendment to the Terms of Reference to ensure that recommendations to Ministers extend to Parliaments in Scotland and Northern Ireland. The Board agreed that the arrangements for the new Committee, including the amended Terms of Reference, are approved and that the Secretariat should undertake the work necessary to launch the new Committee as early as possible in the New Year.

**Letter from Michael Lynk** - The Board was informed that a letter had been sent by Michael Lynk, UN Special Rapporteur on the Palestine Occupied Territories, to Chairs of some LGPS pension committees regarding investments with companies on the UN database of companies with operations in the Palestine Occupied Territories. A Freedom of Information Request requesting the release of such details has also been sent to some fund authorities. The Board agreed that consideration should be given to publishing advice or guidance to assist administering authorities in responding to the campaign letter and FOI request. The Chair advised members that he would be meeting Councillor Doug McMurdo, Chair of the Local Authority Pension Fund Forum (LAPFF), to discuss a possible joint meeting with Michael Lynk.

**SAB/Committee Membership** - Members agreed that the Board's Terms of Reference should be amended to provide a non-voting seat for the Chair of the new Compliance and Reporting Committee. The Board also agreed that the Secretariat should make necessary arrangements for academy representatives to have seats on both cost management and investment committees.

**SAB Annual Report** - The Board was informed that delays in local authority accounts being signed off had resulted in the deadline for publishing pension fund annual reports by the 1st December being missed in many cases. In most cases, audit issues have not been raised against items in the pension fund section of local authority accounts.

**Investment Committee Report** - In the context of pooling the Board was asked if it wished to make a statement on the continuing refusal of ACCESS to extend their joint committee to include a scheme member representative, in accordance with the Board's policy. Members agreed that the Board should express its disappointment and urge the joint committee to reconsider their position.

Date of Next Meeting - 7th March 2022

**Key decision: N/A  
Unrestricted**

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## **Pension Advisory Board**

**11 February 2022**

### **Policy Documents**

#### **Report by Director of Finance and Support Services**

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### **Summary**

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

### **Recommendations**

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

### **Proposal**

#### **1 Background and context**

- 1.1 The Pension Regulators Code of Practice 14 requires that

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

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

#### **2 Pension Fund policy documents**

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

#### **3 Treasury Management Strategy**

- 3.1 The CIPFA "Treasury Management Code of Practice" requires the West Sussex Pension Fund to determine a treasury management strategy on an annual basis regarding the investment of its internally managed cash balances. The strategy includes the "Annual Investment Strategy" (AIS) that

is a requirement of the Department for Levelling Up, Housing and Communities (DLUCH) "Investment Guidance".

- 3.2 The latest Strategy will be considered by the Pension Committee at their meeting on 4 February 2022.
- 3.3 The Board's role is to review the Strategy in line with the Investment Management Regulations - in respect of restrictions to borrow and maintaining a separate bank account - and the CIPFA guidance (Treasury Management Code of Practice and Cross-Sectoral Guidance Notes).

#### **4 Governance Policy and Compliance Statement**

- 4.1 The Local Government Pension Scheme Regulations 2013 require Administering Authorities to set out their arrangements for governance and any delegations it may have in place.
- 4.2 The review of the Governance Policy and Compliance Statement was postponed last year in anticipation of new guidance from the Scheme Advisory Board following completion the Good Governance project. This work has been delayed and therefore the statement has been reviewed against the current guidance.
- 4.3 The Policy and Statement have been updated to reflect the updated Governance Committee and Pensions Committee Terms of Reference since the last review of the document.
- 4.4 The Board is invited to provide feedback on the draft Policy and Statement.

Katharine Eberhart

**Director of Finance and Support Services**

**Contact Officer:** Rachel Wood, Pension Strategist, 033 022 23387

#### **Appendices**

- Appendix A - List of Policy Documents
- Appendix B - Extract from CIPFA guidance (Treasury Management Code of Practice and Cross-Sectoral Guidance Notes).
- Appendix C - Treasury Management Strategy
- Appendix D - Extract from Local Government Pension Scheme Regulations 2013
- Appendix E - Draft Governance Policy and Compliance Statement

#### **Background papers**

None



## Register of Pension Fund Policy Documents

<b>POLICY</b>	<b>Regulation</b>	<b>Importance</b>	<b>How often it should be reviewed</b>	<b>Previous PAB review date</b>	<b>Next date for PAB to review</b>
<a href="#">Actuarial valuation</a>	<a href="#">LGPS Regulations 2013 Regulation 62</a>	Statutory required	Every 3 years		Q1 2023
<a href="#">Administering Authority Discretions</a>	<a href="#">LGPS Regulations 2013 Regulation 60</a>	Statutory required	Every 4 years	Apr 2019	TBC but no later Q1 2023
<a href="#">Administration Strategy</a>	<a href="#">LGPS Regulations 2013 Regulation 59</a>	Highly recommended	Every 2 years	Apr 2021	Q1 2023
<a href="#">Annual Report</a>	<a href="#">LGPS Regulations 2013 Regulation 57</a>	Statutory required	Annually	July 2021	Q2 2022
<a href="#">Breaches policy</a>	<a href="#">Pensions Act 2004 Regulation 70</a>	Highly recommended	Every 2 years	Nov 2021	Q3 2023
<a href="#">Communications Policy Strategy</a>	<a href="#">LGPS Regulations 2013 Regulation 61</a>	Statutory required	Annually	Feb 2021	Q4 2022
<a href="#">Conflict of Interest</a>	<a href="#">Public Service Pension Act 2013 Regulation 5(4) and 5(5)</a>	Highly recommended	Every 3 years		Q3 2024
<a href="#">Funding Strategy Statement</a>	<a href="#">LGPS Regulations 2013 Regulation 58</a>	Statutory required	Every 3 years	Nov 2020	Q1 2022
<a href="#">Governance Policy and Compliance Statement</a>	<a href="#">LGPS Regulations 2013 Regulation 55</a>	Statutory required	Annually	Nov 2018	Q4 2021

<b>POLICY</b>	<b>Regulation</b>	<b>Importance</b>	<b>How often it should be reviewed</b>	<b>Previous PAB review date</b>	<b>Next date for PAB to review</b>
<a href="#">IDRP (Internal Dispute Resolution Procedure)</a>	<a href="#">The Pension Regulator &amp; Occupational Pension Schemes (Internal Dispute Resolution Procedures Consequential and Miscellaneous Amendments) Regulations 2008</a>	Highly recommended	Every 3 years		Q3 2021
<a href="#">Investment Strategy Statement</a>	<a href="#">LGPS Regulations (Management and Investment of Funds) 2016</a>	Statutory required	Every 3 years	Nov 2020	Q3 2023
<a href="#">LGPS Privacy Notice</a>	<a href="#">Data Protection Act 2018 and General Data Protection Regulation (EU) 2016/679</a>	Statutory required	Every 3 years	Apr 2021	Q1 2024
<a href="#">Risk Register</a>	<a href="#">The Pensions Regulator Code of Practice no.14</a>	Highly recommended	Annually and as part of Business Plan		Q1 2021
<a href="#">Treasury Management Strategy Statement</a>	Treasury Management Code of Practice	Required	Annually	Feb 2020	Q4 2022

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

## SECTION 6

# The treasury management policy statement

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

- 1 This organisation defines its treasury management activities as: The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
- 2 This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.
- 3 This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

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

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## Treasury Management Strategy (2022/23)

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

## Annual Investment Strategy

2. Having due regard to the security of principal sums invested and the short term nature of deposits, no financial institution will be eligible to receive deposits for longer than seven days without the explicit approval of the Director of Finance and Support Services in consultation with the Chairman of the Pensions Committee. The administering authority will therefore utilise investments that are designed to offer both high liquidity and high security, with the minimum of formalities. Such investments will be denominated in Sterling and may be deposited with the UK Government, a UK Local Authority (including local authority administered pension funds) or a financial institution with 'high' credit quality (including short-term Money Market Funds).
3. In assessing counterparty creditworthiness, the administering authority will consider credit ratings as provided by Fitch, Moody's and Standard and Poor's. Additionally, the administering authority will consider other indicators when assessing creditworthiness including, credit default swap (CDS) prices, share prices, media coverage and market sentiment. In assessing credit ratings, the Director of Finance and Support Services uses the 'Lowest Common Denominator (LCD)' approach, meaning that it uses the lowest rating of those provided by Fitch, Moody's and Standard & Poor's. The minimum credit rating criteria will be:
  - Short-term minimum: F1(Fitch); P1(Moody's); A1(S&P)
  - Long-term minimum: A-(Fitch); A3(Moody's); A-(S&P)
  - Sovereign minimum (Non-UK): AA+(Fitch); Aa1(Moody's); AA+(S&P)

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

- (i) Funds that operate under a constant net asset valuation (CNAV) or under a Low Volatility Net Asset Valuation (LVNAV). Funds that operate under a Variable Net Asset Valuation (VNAV) will also be approved when a change from LVNAV is adopted by the fund to allow continual and effective operation in a negative interest rate environment.
- (ii) Exposure limit per fund set to £10m or 0.5% of the fund's net asset size, whichever is lowest.

4. The monetary limit per group will be subject to explicit approval by the Director of Finance and Support Services in consultation with the Chairman of the Pensions Committee and will be continually reviewed in-year. Such approval will relate to the institution rather than the particular investment and will remain in force until revoked. In particular, approval is given to hold cash deposits, including foreign currency (EUR/USD) held within separate bank accounts, in excess of the approved £5m monetary limit with the Pension Fund's main provider of banking services (currently Lloyds Bank Plc).
5. As of **4 February 2022** the current list of approved counterparties that meet the investment criteria and offer instant access deposit accounts are:

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

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

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

## **Borrowing Strategy**

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

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

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

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

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The Local Government Pension Scheme Regulations 2013 regulation 55 states:-

- (1) An administering authority must prepare a written statement setting out-
  - (a) whether the authority delegates its functions, or part of its functions under these Regulations to a committee, a sub-committee or an officer of the authority;
  - (b) if the authority does so-
    - (i) the terms, structure and operational procedures of the delegation,
    - (ii) the frequency of any committee or sub-committee meetings,
    - (iii) whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights;
  - (c) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying; and
  - (d) details of the terms, structure and operational procedures relating to the local pension board established under regulation 106 (local pension boards: establishment).
- (2) An administering authority must keep a statement prepared under paragraph (1) under review, and make such revisions as are appropriate, following a material change to any of the matters mentioned in that paragraph.
- (3) Before preparing or revising a statement under this regulation, an administering authority must consult such persons as it considers appropriate.
- (4) An administering authority must publish its statement under this regulation, and any revised statement.

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# Governance Policy and Governance Compliance Statement



## Introduction

This is the Governance Policy and Governance Compliance Statement for the West Sussex Local Government Pension Scheme as required under Section 55 of the Local Government Pension Scheme Regulations 2013.

The LGPS is one of the largest public sector pension schemes in the UK. It is a nationwide pension scheme with 5 million members across over 10,000 employers. The LGPS in England and Wales is administered locally through 90 local pension funds. The scheme regulations were made under the Superannuation Act 1972 or the Public Service Pension Schemes Act 2013. Changes to scheme rules are discussed at national level by employee and employer representatives but can only be amended with the approval of Parliament.

West Sussex County Council is the Administering Authority responsible for maintaining and managing the West Sussex Pension Fund on behalf of its stakeholders: the Scheme members and Employers participating in the Fund.

Flexibility is provided for each Administering Authority to determine their own governance arrangements but how functions in relation to maintaining a pension fund are delegated must be published along with the frequency of meetings, terms of reference and details of representation and voting rights. Administering Authorities are also required to report the extent of compliance against a set of best practice governance principles laid down in statutory guidance. These are each covered in this document.

This document sets out the governance in place for the Administering Authority responsibilities only. West Sussex County Council is also an Employer within the West Sussex Pension Fund. A separate governance structure and Scheme of Delegation is in place in relation to West Sussex County Council's employer pension responsibilities.

The Statement was last reviewed in January 2022, taking appropriate advice. The Statement has been published on the Pension Fund's website.

Where additional information is available, a [hyperlink](#) has been included within the text.

### **About the West Sussex Pension Fund**

Under the Regulations, West Sussex County Council is required to maintain a pension fund ('the Fund') for its employees and those of other Scheme Employers within its area. West Sussex County Council therefore administers the Fund for its own employees and those of the seven District and Borough Councils and numerous other bodies. In total there are over 300 separate employers participating in the Fund. The Fund does not provide pensions for teachers, firefighters, and police officers, for whom separate arrangements exist but includes administrative and support staff for those organisations.

The role of Pensions Committee (as described in this document) is that of trustee of the fund creating a fiduciary duty owed to scheme members and when receiving advice and taking a position on pension fund matters including the investment strategy, the minds of each member of the Committee must be informed by the Committee's responsibilities.

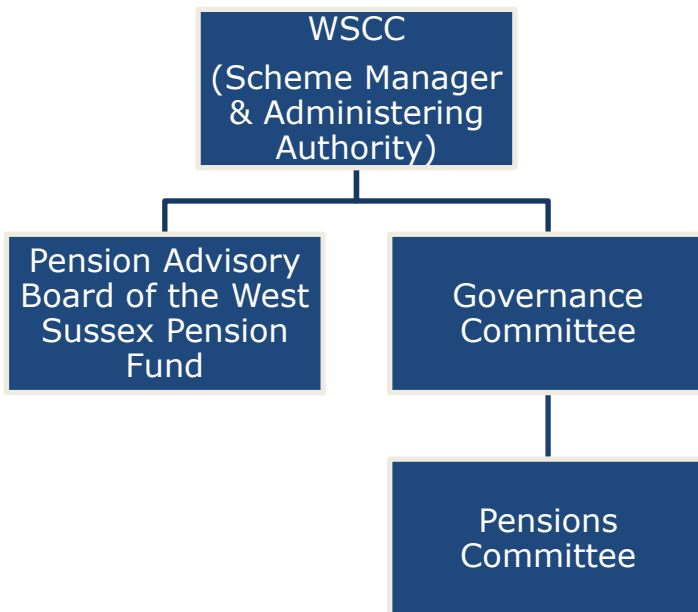
Decisions must be taken in accordance with public law obligations, including the obligations of reasonableness, rationality and impartiality.

The Pensions Committee discharges pension scheme administration responsibilities on behalf of all scheme employers. The responsibilities of scheme employers, including the County Council, are dealt with through separate governance arrangement specific to each employer.

**Delegation of functions in relation to maintaining a pension fund to a committee, sub-committee or officer of the Authority.**

Each Administering Authority is responsible for managing and administering the LGPS in relation to its members. They can then decide on the number of members of a Committee and their terms of office.

Management of the pension fund is a non-executive function, which means that, under statute, it cannot be the responsibility of the council’s cabinet or executive members. This is reflected in the West Sussex governance structure that is set out below. Further details can be found in the [West Sussex Constitution](#).



The role and membership of the Pensions Committees and Pension Advisory Board identified above have been covered on the following pages, along with the role of officers.

## The Role of Officers

[Chief officers](#) of West Sussex County Council have certain statutory and formal responsibilities. Executive powers are delegated to named chief officers under the [scheme of delegation](#) which sets the parameters within which the officers can take decisions and operate the day-to-day business of the Pension Fund.

The Director of Finance and Support Services and the Director of Law and Assurance both have responsibility to manage the scheme operationally and advise the County Council in the discharge of the responsibilities of the County Council as Scheme Manager in relation to the Local Government Pension Scheme.<sup>1</sup>

Specifically, the Director of Finance and Support Services also has responsibility for:

- Taking any necessary action between the meetings of the Pensions Committee to implement the policy determined by the Committee in consultation with the chairman of the Committee.
- Admitting to the West Sussex County Council Pension Fund those organisations which are eligible for scheduled employer status under the Local Government Pension Scheme Regulations where the County Council has no discretion to refuse admission.
- Considering and determining requests for admission to the West Sussex County Council Pension Fund by those admission bodies that meet the definition in the Local Government Pension Scheme Regulations.
- Considering and determining whether to terminate an admission agreement and the management of exiting employers.
- Authorising
- Other routine matters arising under the Local Regulations (including payment of death grant, transfer of previous pension, write off irrecoverable sums less than £15,000).<sup>2</sup>

The Director of Law and Assurance also has responsibility to hear and determine any pension appeal or dispute requiring resolution.

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<sup>1</sup> Inclusion of "the scheme operationally" added for clarity of role

<sup>2</sup> The Cabinet Member for Finance has responsibility for write-offs over £15,000

**Governance Committee**

The County Council’s Governance Committee has responsibility “to make arrangements for the discharge of the County Council’s function as Scheme Manager and the exercising of the powers and duties of the County Council in its capacity as Administering Authority in relation to the Local Government Superannuation Acts and Regulations made thereunder and in particular to arrange for the discharge of those responsibilities through a formally constituted committee to be named the Pensions Committee”.

In relation to the Pension Advisory Board specifically, Governance Committee’s Terms of Reference include to:

- a) Approve the job description and remuneration of and oversee the appointment of the independent Chairman of the Pension Advisory Board;
- b) Review the tenure of membership of a Board member in the event of consistent non-attendance on the advice of the Director of Law and Assurance;
- c) Remove a member of the Board during a term of appointment for reasons other than their ceasing to be eligible.
- d) To approve the Business Plan and budget of the Pension Advisory Board

Key information about the Governance Committee is set out below:

Frequency of meetings	Six times per year
Representatives of scheme employer and scheme members	Nine members of the County Council. There are no other organisations or groups represented. The Committee is politically proportionate.
Voting rights	All members may vote.
Other information	Governance Committee’s responsibility in relation to the Local Government Superannuation Acts and Regulations made thereunder relates to West Sussex County Council as an employer participating in the Scheme. It does not discharge the Council’s responsibilities as administering authority.



## Pensions Committee

Responsibility for the discharge of the Administering Authority responsibilities for the LGPS sits with the Pensions Committee.

Under the Terms of Reference for the Pensions Committee it is responsible for exercising the powers and duties of the County Council in its capacity as Administering Authority including to be responsible for:

- a) Appointment of professional and specialist investment advisers and managers on a consultancy basis.
- b) Consideration of the recommendations of the advisers and managers including the Fund's investment strategy.
- c) Determination of the Pension Fund's investment strategy and oversight of the delivery of the strategy.
- d) Consideration of and response to the recommendations of the LGPS ACCESS Joint Committee.<sup>3</sup>
- e) Consideration of and response to key scheme governance, funding and administration issues, including responses to statutory consultations.
- f) Monitoring the Fund's performance.
- g) Ensuring that arrangements are in place for consultation and communication with stakeholders as necessary.
- h) Establishing member groups to review aspects of investment strategy or to undertake work on key themes and to report back to the Committee.
- i) 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.
- j) To appoint a substitute representative for the ACCESS Joint Committee.

Representatives on the Pensions Committee are not appointed to represent the body appointing them or of which they are a member nor any political or personal interest. The fiduciary duty to employers, taxpayers and scheme beneficiaries must always be treated as their first and primary concern and put before the interests of individuals, groups or sectors represented on the Committee.<sup>4</sup>

An independent Adviser has been appointed to support the Pensions Committee through reviewing investment activity, giving advice on investment matters and offering a practical approach to address and control risk. The Independent Adviser attends all Pension Committee meetings.

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<sup>3</sup> Following the requirement of LGPS to pool investments announced in the 2015 Summer Budget, some investments have transitioned to the operator of the ACCESS pool (A Collaboration of Central, Eastern and Southern Shires). The responsibility for appointing (and, when necessary, dismissing) Investment Managers within ACCESS sits with the Operator. The primary governance function of the ACCESS pool is the Joint Committee, which is made up of the chairs of each of the eleven Pension Committees within the ACCESS arrangement.

<sup>4</sup> In line with reference to role within Governance Compliance Statement Statutory Guidance (2008)

Key information about the Pensions Committee is set out below:

Frequency of meetings	Four times per year. The frequency of any member groups established to undertake work on key themes will be based on the remit.
Representatives of scheme employer and scheme members	Ten members, seven from the County Council plus representatives from the major employers (District Councils and Scheduled Bodies) and a member representative. <sup>5 6</sup>
Voting rights	All representatives on the Pensions Committee are entitled to vote.
Other information	Members are required to acquire and maintain an appropriate level of expertise, knowledge and skills as set out by the Chartered Institute of Public Finance and Accounting (CIPFA) in order to remain members of the Committee.  The Committee can make decisions without reference to the full Council.  The Pension Fund's Business Plan sets out in more detail how the Terms of Reference are applied.

<sup>5</sup> This traditionally includes the Cabinet Member for Finance, although not formally required.

<sup>6</sup> 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. Notwithstanding this as far as possible, employer representatives are expected where possible to have a democratic mandate in addition to the mandate from their governing body or equivalent.

**Pension Advisory Board of the West Sussex Pension Fund**

All Administering Authorities have a Local Pension Board to assist the Scheme Manager in their compliance with the Code of Practice on the governance and administration of public service pension schemes issued by the Pensions Regulator.

Under its Terms of Reference the Pension Advisory Board is responsible for assisting West Sussex County Council as Scheme Manager;

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

The principal functions of the Pension Advisory Board include:

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

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

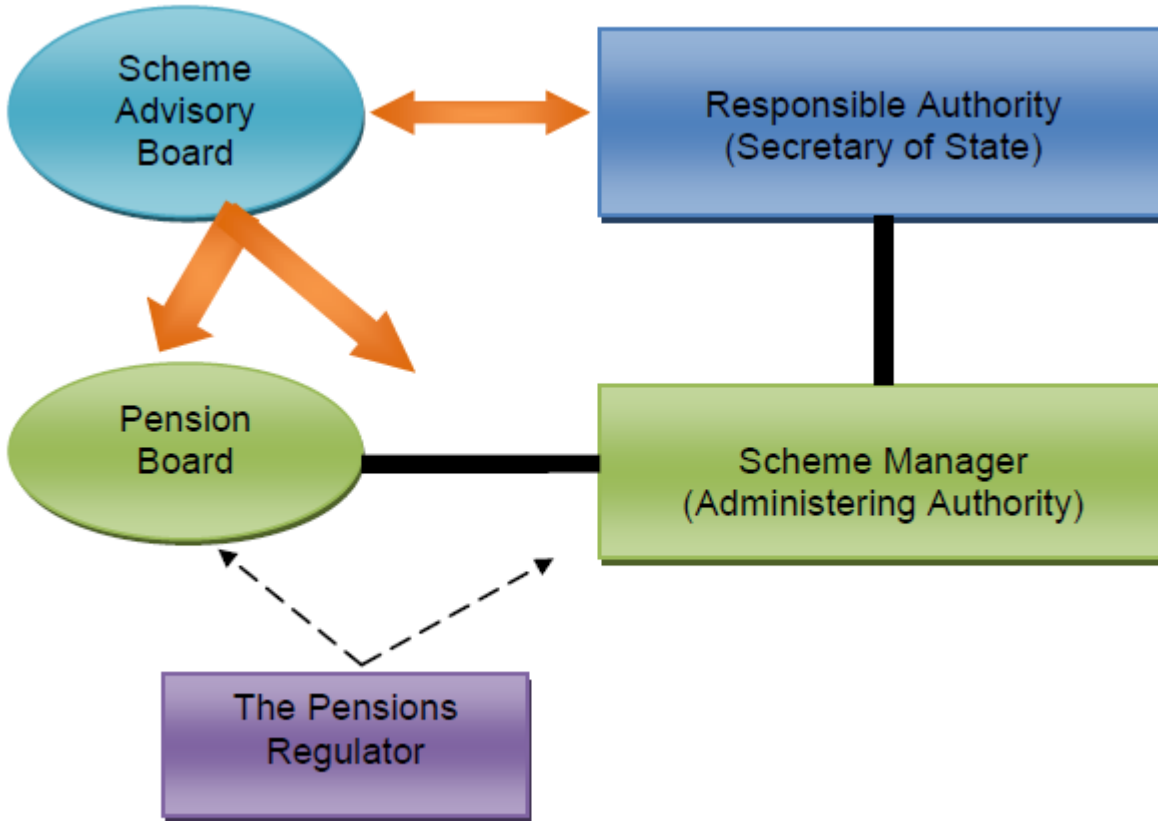
Key information about the Pension Advisory Board is set out below:

Frequency of meetings	Four times per year.
Representatives of scheme employer and scheme members	Seven members comprising three employer representatives (to represent all employers within the Scheme), three scheme members representatives (to represent all members of the Scheme (active, deferred and pensioner)) and an independent member (to act as Chairman).
Voting rights	Employer and scheme member representatives can vote. The Independent Chairman cannot vote. <sup>7</sup>
Other information	A member must attend at least two meetings per year. The Pension Regulator’s Code of Practice must be complied with.

<sup>7</sup> As per this guidance - <https://lgpslibrary.org/assets/ewsab/LPBv1.1t.pdf>

## National Framework

In addition to the arrangements in place by the Administering Authority there are a number of parties who have a role in governance of the LGPS nationally:



- **Secretary of State:** Under the Public Services Pensions Act 2013 each pension scheme covered by the act must have a 'Responsible Authority' which is the person who may make regulations for that scheme. In the case of the LGPS, the Responsible Authority is the Secretary of State.
- **Pension Advisory Board:** This has responsibility for providing advice to the Secretary of State, at the authority's request, on the desirability of changes to the Local Government Pension Scheme. The Secretary of State must have regard to such advice.
- **The Pensions Regulator:** The Regulator has oversight of aspects of the governance and administration of public service pension schemes, including knowledge and understanding required by pension board members, conflicts of interest and representation and reporting breaches of the law. The powers of the Regulator have not been extended to cover areas such as the funding and investment of Funds but the Regulator does have a range of enforcement powers.

## Governance Compliance Statement

Administering authorities are required to report the extent of compliance against a set of best practice governance principles laid down in statutory guidance. The Fund's response is set out below. For the purpose of the review, "lay members" are considered to be those who are not elected County Councillor members in line with Government's Statutory Guidance (2008).

### Structure

Principle	Response
The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing Council.	<b>Compliant</b> The Pensions Committee is a delegated committee and has clear and comprehensive terms of reference.
That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	<b>Compliant</b> Membership of the Pensions Committee includes a District Council, Scheduled Bodies and scheme member representatives.
That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	<b>Not applicable</b> There is no secondary Committee.
That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	<b>Not applicable</b> There is no secondary Committee.

### Representation

Principle	Response
That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include <ul style="list-style-type: none"> <li>▪ employing authorities</li> <li>▪ scheme members (including deferred and pensioner scheme members)</li> <li>▪ where appropriate, independent professional observers</li> <li>▪ expert advisers (on an ad hoc basis)</li> </ul>	<b>Compliant</b> Pensions Committee includes a District Council, Scheduled Bodies and a scheme member representative. The role of the independent adviser includes governance compliance monitoring and offering a practical approach to address and control risk. The Independent Adviser attends all Pension Committee meetings. Expert advisers attend Pension Committee meetings as appropriate.
That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision-making process, with or without voting rights.	<b>Compliant</b> District Council, Scheduled Bodies and scheme member representative all receive the same meeting papers and training as the Administering Authority representatives and have full opportunity to contribute to the decision making process. All members can vote.

### Selection and Role of Lay Members

Principle	Response
That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	<b>Compliant</b> This is explicitly covered in the County Council's Constitution, included as an agenda item at first meeting following a County Council election and included in this Governance Policy Statement.
That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.	<b>Compliant</b> Declarations of Interest are required at each Pensions Committee meeting and recorded on the minutes for that meeting.

### Voting

Principle	Response
The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	<b>Compliant</b> Except for the Chairman of the Pension Advisory Board all members can vote. The Chairman of the Pension Advisory Board does not have voting rights. <sup>8</sup>

### Training / Facility Time / Expenses

Principle	Response
That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process. That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	<b>Compliant</b> The Fund maintains a Training Strategy which applies to Pension Committee and Board members and officers. All expenses are reimbursed.
That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.	<b>Compliant</b> The Pension Fund has a published Training Strategy for Pension Committee and Board members and officers. Training is reported as part of each Committee and Board meeting.

<sup>8</sup> As per this guidance - <https://lgpslibrary.org/assets/ewsab/LPBv1.1t.pdf>

## Meetings

Principle	Response
That an administering authority's main committee or committees meet at least quarterly.	<b>Compliant</b> The Pensions Committee meets quarterly.
That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	<b>Not applicable</b> There is no secondary Committee.
That an administering authority who does not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	<b>Not applicable</b> The Pensions Committee includes lay members.

## Access

Principle	Response
That subject to any rules in the Council's constitution, all members of main and secondary committees or panels has equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	<b>Compliant</b> District Council, Scheduled Bodies and scheme member representative receive the same papers, documents and advice.

## Scope

Principle	Response
That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	<b>Compliant</b> The Pensions Committee terms of reference include non investment issues.

## Publicity

Principle	Response
That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	<b>Compliant</b> The Fund's Governance Policy Statement is published on the Fund's website.

<b>Governance Policy and Compliance Statement</b>	<b>Reviewed January 2022</b>
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**Key decision: Not applicable****Unrestricted**

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**Pensions Committee****4 February 2021****Actuarial Valuation 2022****Report by Director of Finance and Support Services**

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**Summary**

Under the Regulations, the Administering Authority must obtain an actuarial valuation of the assets and liabilities of the pension fund. The most recent valuation was completed as at 31 March 2019, with the next valuation scheduled for 31 March 2022. Officers have met with the Fund Actuary to consider the milestones for the 2022 Actuarial Valuation exercise. Assumptions will be considered by the Committee in July 2022. Draft employer results should be available for consultation in October 2022. New rates will be effective from 1 April 2023.

The Government Actuary has recently published its report under section 13 of the Public Service Pensions Act 2013 in connection with the 31 March 2019 LGPS actuarial valuations. This shows a comparison of all funds' funding levels when measured on a single "Scheme Advisory Board (SAB) standard basis", and on a like-for-like comparison the West Sussex Pension Fund is the best funded LGPS fund (147.5%). The following points are also highlighted:

- Except for one, all funds have more prudent valuation assumptions than the SAB standard basis, and West Sussex has the greatest degree of prudence in its own Fund's basis.
- When considering solvency metrics (ie whether the Fund is open to new entrants, the proportion of the fund employers which are non-statutory and the potential impacts of an immediate 15% reduction in the value of growth assets) the Government Actuary Department (GAD) has no concerns with the West Sussex positioning.

GAD also consider the 'long term cost efficiency' of funds based on the SAB's actuarial assumptions rather than each fund's local assumptions - they are satisfying themselves that contribution rates are appropriate through a review of the maturity of the Fund, the implied deficit recovery period, the required investment return needed to achieve full funding in 20 years. Based on GAD's review, the Fund did not raise any concerns for long term cost efficiency.

**Recommendations**

- (1) The report is noted.
-

**1. Background**

- 1.1 Under Regulation 62, the Administering Authority must obtain an actuarial valuation of the assets and liabilities of the pension fund as at 31st March 2016 and on 31st March in every third year afterwards (ie 2019, 2022 etc) and a report by an actuary in respect of the valuation.<sup>1</sup>
- 1.2 The Government Actuary has been appointed by the Department for Levelling Up, Housing and Communities (DLUHC) to report under section 13 of the Public Service Pensions Act 2013 in connection with the actuarial valuations of the funds in the Local Government Pension Scheme in England and Wales ("LGPS" or "the Scheme"). Section 13 was applied for the first time to the fund valuations as at 31 March 2016 (report published in September 2018). GAD have recently published its Section 13 report for the fund valuations on 31 March 2019.

**2. 2019 Valuation – Section 13**

- 2.1 The Government Actuary’s Department (GAD) has recently published its [Section 13 Report](#) which is required as a result of the Public Service Pensions Act 2013 to consider issues of compliance, consistency, solvency and long-term cost efficiency across LGPS funds. The report identifies where the West Sussex Pension Fund sits relative to peers and identifies several areas which may affect the outputs of the 2022 actuarial valuation.
- 2.2 Appendix A shows a comparison of all funds’ funding levels when measured on a single "SAB standard basis" which allows for a like-for-like comparison and differs from the local assumptions in respect of the discount rate, inflation and pay assumption. Local fund experience has continued to be applied for retirement, withdrawal and longevity. The table below compares the local valuation assumptions from the Fund’s 2019 valuation to the SAB standard basis

	West Sussex Local Assumption (2019 valuation, per annum)	SAB Standard Basis (per annum)
Discount Rate	3.1%	4.45%
Inflation	2.3%	2%
Pay	2.8%	3.5%

- 2.3 On this basis the West Sussex Pension Fund is the best funded LGPS fund (147.5%). Except for one, all funds have more prudent valuation assumptions than the SAB standard basis. West Sussex has the greatest difference – meaning it has the greatest degree of prudence in its own Fund’s basis. This is important to achieve the Fund’s overarching objective to keep contributions as stable as possible over time. In the event of funding levels

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<sup>1</sup> The Government consulted on "Local government pension scheme: changes to the local valuation cycle and management of employer risk" in May 2019. Whilst a partial response has been provided in relation to flexibility on exit payments and the review of employer contributions, there has not been a response from Government on proposed amendments to the local fund valuations from the current 3-year (triennial) to a 4-year (quadrennial) cycle or measures aimed at mitigating the risks of moving from a triennial to a quadrennial cycle.

reducing, the Fund Actuary can certify higher contribution rates, use the Fund's surplus (where one is available), require a higher return expectation from the Fund's assets i.e. increase the allocation to growth assets or review the level of prudence within the Fund's assumptions (i.e. reducing the prudence stored up within the discount rate).

- 2.4 GAD also consider several other measures when considering solvency including whether the Fund is open to new entrants (yes), the proportion of the fund employers which are non-statutory (4.7%) and the potential impacts of an immediate 15% reduction in the value of growth assets and the potential impact of employer defaults (due to the Fund's high funding level, the Fund would remain in surplus on these measures, so no risk has been raised).
- 2.5 In the context of the above, when considering solvency metrics, GAD has no concerns with the West Sussex positioning.
- 2.6 No LGPS funds required intervention from GAD / DLUCH on solvency issues alone.
- 2.7 GAD also consider the 'long term cost efficiency' of funds. In effect, they are satisfying themselves that contribution rates are appropriate (i.e. this generation of taxpayers are paying for pensions and deficits and not passing undue risk to future generations of taxpayer).
- 2.8 GAD consider a number of measures including the maturity of the Fund, the implied deficit recovery period, the required investment return needed to achieve full funding in 20 years, the repayment shortfall are the contributions in excess of the cost of benefits accruing required to repay a deficit over 20 years, the return scope is the difference between the aforementioned required return and GAD's best estimate investment return for each fund and the deficit recovery plan (where a deficit is being recovered, GAD / DLUHC expects recovery plans to have a fixed end point). All the above are based on the SAB's actuarial assumptions rather than each fund's local assumptions.
- 2.9 The Fund's position under each measure is set out below. There were 88 funds in the analysis.
  - a) **Maturity:** The Fund was 80<sup>th</sup> (i.e. 79 funds are considered more mature under GAD's measurement of maturity)<sup>2</sup>
  - b) **Deficit period:** The Fund was in surplus so no deficit to recover
  - c) **Required return:** The Fund's required return of 1.7% p.a. to achieve full funding in 20 years was ranked second lowest.
  - d) **Repayment shortfall:** The Fund was in surplus so no shortfall
  - e) **Return scope:** The Fund's return scope (the difference between required return and GAD's best estimate of the Fund's future returns was 2.2% (ranked sixth highest).

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<sup>2</sup> It is not clear on the methodology to determine this position

- f) **Deficit recovery plan:** The Fund was in surplus so no deficit recovery plan was required
- 2.10 Based on the above, the Fund did not raise any concerns for long term cost efficiency.
- 2.11 GAD/DLUHC intervention took place for two funds where GAD determined employer contributions were too low.
- 2.12 GAD have made several recommendations which could flow through into the 2022 valuation process. These are shown below along with an initial comment.

<b>GAD Recommendation</b>	<b>Comment</b>
Scheme Advisory Board to “consider whether a consistent approach needs to be adopted for conversions to academies, and for assessing the impact of emerging issues including McCloud.	It is not clear why a particular group of employers has been identified by GAD in this recommendation and all actuarial firms have voiced opposition to this position.
SAB to “consider how all funds ensure that the deficit recovery plan can be demonstrated to be a continuation of the previous plan, after allowing for actual fund experience”.	<p>The Fund’s focus has been on long-term stable contributions, managing any short-term fluctuations and consideration of employer positions based on their status. It is likely that the Fund will remain in surplus at the 2022 valuation – along with many other LGPS’s.</p> <p>The actuarial firms, including Hymans, do not support this belief by GAD. Reducing recovery plan periods can cause significant contribution volatility and are not appropriate for schemes open to new entrants if intergenerational fairness is a key objective for Government.</p>
“Fund actuaries [to] provide additional information about total contributions, discount rates and reconciling deficit recovery plans in the dashboard”	
SAB to “review asset transfer arrangements from local authorities to ensure that appropriate governance is in place around any such transfers to achieve long term cost efficiency”	

<b>GAD Recommendation</b>	<b>Comment</b>
"Climate risk will be a focus in future section 13 reports. GAD will facilitate dialogue and engagement with DLUHC, actuarial advisors and the SAB prior to publication of the 2022 valuations to ensure a consistent approach is adopted."	This is something considered by the Committee as part of the 2019 valuation work and will also feature as a key risk in the 2022 valuation

### **3. 2022 Valuation – Preparation**

- 3.1 Officers have met with the Fund Actuary to consider the milestones for the 2022 Actuarial Valuation exercise. This must be completed by 31 March 2023. The Fund Actuary will provide an update on the valuation process and his consideration of the key drivers and funding risks facing the Fund.
- 3.2 To assist with the preparation, the administration team will provide a data extract for the prior year (31 March 2021) which can then be reviewed by the Fund Actuary. This should highlight data quality issues which could be resolved prior to the valuation data extract in July 2022.
- 3.3 Officers will also engage with Scheme Employers to ensure that the Fund has a full understanding of any contracting arrangements in place with associated admission bodies and that the Scheme Employer is clear on the impact of these on the funding / contribution strategy.
- 3.4 Assumptions will be considered by the Committee in July 2022.
- 3.5 Draft employer results should be available for consultation in October 2022.

### **4. Other options considered (and reasons for not proposing)**

- 4.1 N/A

### **5. Consultation, engagement and advice**

- 5.1 The Fund Actuary, Hymans Robertson, have been consulted on this paper.

### **6. Finance**

- 6.1 N/A

### **7. Risk implications and mitigations**

- 7.1 Risks associated with this report are covered within the Business Plan agenda item.

### **8. Policy alignment and compliance**

- 8.1 The Fund has published its Funding Strategy Statement.

Katharine Eberhart  
**Director of Finance and Support Services**

**Contact Officer:** Rachel Wood, Pension Fund Strategist, 033 022 23387,  
rachel.wood@westsussex.gov.uk

**Appendices**

Appendix A – Section 13 Report Extracts

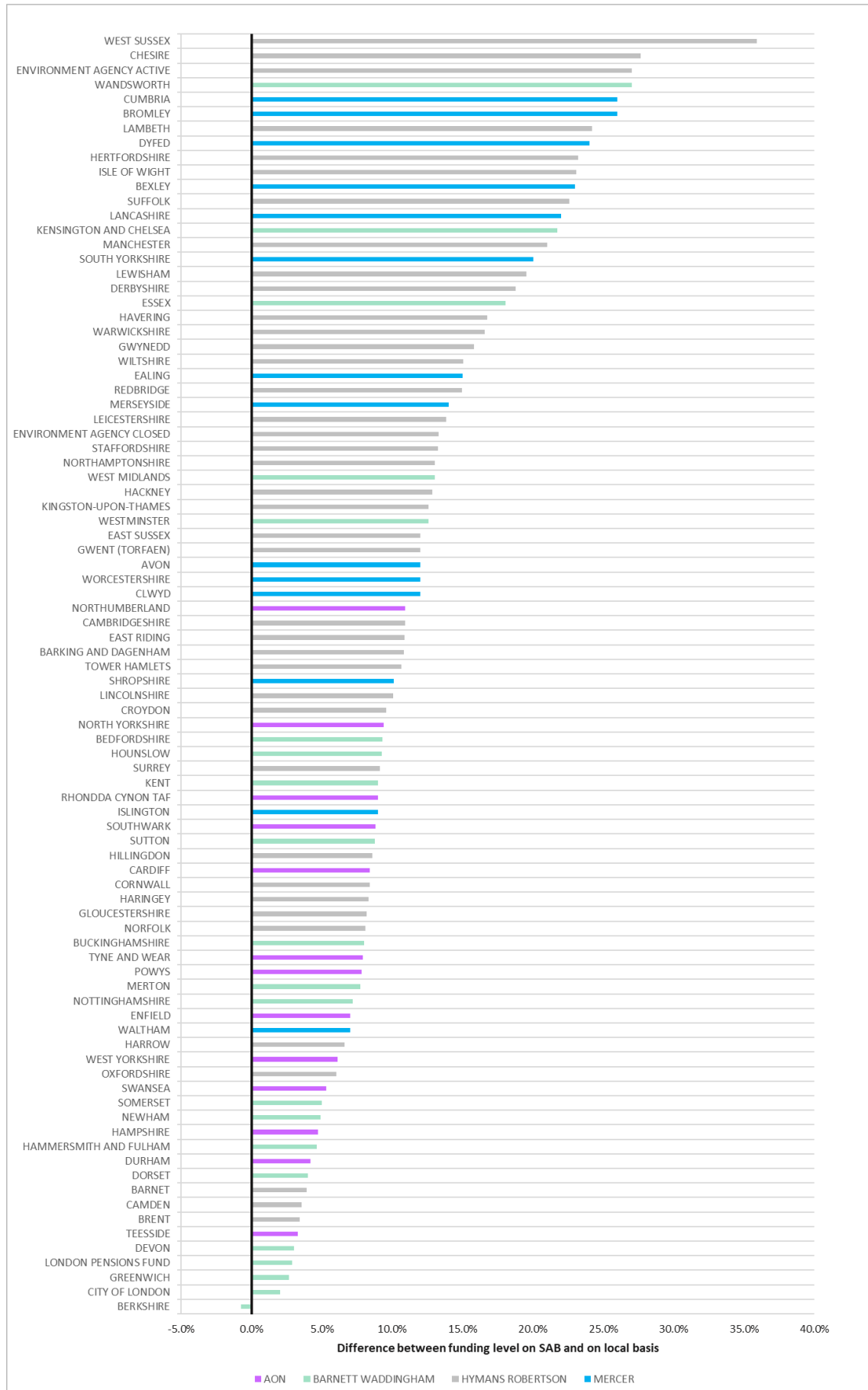
**Background papers**

None

Standardising Local Valuation Results

2019 LOCAL BASES		SAB STANDARD BASIS	
125%	KENSINGTON AND CHELSEA	WEST SUSSEX	148%
115%	TEESSIDE	KENSINGTON AND CHELSEA	147%
114%	NORTH YORKSHIRE	BROMLEY	136%
112%	WEST SUSSEX	ENVIRONMENT AGENCY ACTIVE	133%
110%	BROMLEY	WANDSWORTH	132%
109%	EAST RIDING	DYFED	129%
108%	GWYNEDD	CUMBRIA	125%
107%	EAST SUSSEX	CHESHIRE	125%
106%	TYNE AND WEAR	BEXLEY	124%
106%	ENVIRONMENT AGENCY ACTIVE	GWYNEDD	124%
106%	WEST YORKSHIRE	NORTH YORKSHIRE	124%
106%	LONDON PENSIONS FUND	MANCHESTER	123%
105%	DYFED	LANCASHIRE	123%
105%	WANDSWORTH	SUFFOLK	122%
103%	CAMDEN	HERTFORDSHIRE	121%
103%	ENFIELD	EAST RIDING	121%
103%	SOUTHWARK	EAST SUSSEX	120%
103%	MERTON	SOUTH YORKSHIRE	119%
102%	TOWER HAMLETS	TEESSIDE	119%
102%	MANCHESTER	ISLE OF WIGHT	118%
102%	GLOUCESTERSHIRE	DERBYSHIRE	118%
101%	MERSEYSIDE	ESSEX	116%
101%	BEXLEY	MERSEYSIDE	115%
100%	HARINGEY	TYNE AND WEAR	115%
100%	CAMBRIDGESHIRE	TOWER HAMLETS	114%
100%	LANCASHIRE	WEST YORKSHIRE	113%
99%	NORFOLK	STAFFORDSHIRE	112%
99%	OXFORDSHIRE	SOUTHWARK	112%
99%	CUMBRIA	WILTSHIRE	112%
99%	NORTHUMBERLAND	WESTMINSTER	112%
99%	SOUTH YORKSHIRE	CAMBRIDGESHIRE	111%
99%	HAMPSHIRE	MERTON	111%
99%	SUFFOLK	ENFIELD	111%
99%	WESTMINSTER	GLOUCESTERSHIRE	110%
99%	STAFFORDSHIRE	NORTHUMBERLAND	110%
98%	RHONDDA CYNON TAF	LEWISHAM	110%
98%	HERTFORDSHIRE	WARWICKSHIRE	110%
98%	KENT	HARINGEY	109%
97%	CHESHIRE	LONDON PENSIONS FUND	109%
97%	DERBYSHIRE	KINGSTON-UPON-THAMES	109%
97%	ESSEX	RHONDDA CYNON TAF	108%
97%	GREENWICH	NORFOLK	107%
97%	HAMMERSMITH AND FULHAM	KENT	107%
97%	WILTSHIRE	WEST MIDLANDS	107%
96%	NEWHAM	LAMBETH	107%
96%	CARDIFF	CAMDEN	107%
96%	SURREY	NORTHAMPTONSHIRE	107%
95%	KINGSTON-UPON-THAMES	AVON	106%
95%	ISLE OF WIGHT	EALING	106%
94%	HARROW	HACKNEY	106%
94%	AVON	OXFORDSHIRE	105%
94%	BUCKINGHAMSHIRE	SURREY	105%
94%	SHROPSHIRE	CARDIFF	105%
94%	WEST MIDLANDS	SHROPSHIRE	104%
94%	HOUNSLOW	HAMPSHIRE	104%
94%	DURHAM	HOUNSLOW	104%
93%	POWYS	CLWYD	103%
93%	NOTTINGHAMSHIRE	LINCOLNSHIRE	103%
93%	NORTHAMPTONSHIRE	LEICESTERSHIRE	103%
93%	LINCOLNSHIRE	WORCESTERSHIRE	103%
92%	HACKNEY	BUCKINGHAMSHIRE	102%
92%	WARWICKSHIRE	HAMMERSMITH AND FULHAM	102%
92%	DORSET	NEWHAM	101%
92%	SWANSEA	POWYS	101%
91%	CLWYD	HARROW	101%
91%	DEVON	BARKING AND DAGENHAM	101%
91%	EALING	NOTTINGHAMSHIRE	100%
90%	CITY OF LONDON	GREENWICH	100%
90%	SUTTON	SUTTON	99%
90%	CORNWALL	REDBRIDGE	99%
90%	WORCESTERSHIRE	CORNWALL	99%
90%	LEWISHAM	CROYDON	99%
90%	BARKING AND DAGENHAM	GWENT (TORFAEN)	98%
89%	LEICESTERSHIRE	DURHAM	98%
88%	CROYDON	SWANSEA	98%
87%	HILLINGDON	DORSET	97%
86%	GWENT (TORFAEN)	HILLINGDON	96%
86%	SOMERSET	DEVON	95%
86%	BARNET	ISLINGTON	94%
85%	ISLINGTON	CITY OF LONDON	94%
84%	REDBRIDGE	SOMERSET	92%
82%	LAMBETH	BARNET	91%
80%	BEDFORDSHIRE	BEDFORDSHIRE	90%
80%	WALTHAM	WALTHAM	89%
78%	BERKSHIRE	HAVERING	87%
70%	HAVERING	BERKSHIRE	81%
51%	ENVIRONMENT AGENCY CLOSED	ENVIRONMENT AGENCY CLOSED	77%

**Difference Between Funding Level on SAB Standardised Basis and Funding Level on Local Bases**





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