

Public Document Pack

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13 July 2021

Pensions Committee

A meeting of the Committee will be held at **10.30 am** on **Wednesday, 21 July 2021** at **County Hall, Chichester, PO19 1RQ**.

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

Items 1 to 11 in Part I of the agenda will be available to watch via the internet at the address below. Items 12 to 19 in Part II of the agenda contain exempt information, as indicated, and therefore will not be broadcast.:

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

Tony Kershaw
Director of Law and Assurance

Agenda

Part I

10.30 am 1. **Membership**

The West Sussex County Council members of the Pensions Committee were confirmed at the County Council meeting held on 21 May 2021 as follows:

Cllr Hunt (Chairman)
Cllr Baxter
Cllr Condie
Cllr J Dennis
Cllr Elkins
Cllr N Jupp
Cllr Urquhart

There are also 3 representative members on the Committee as set out below

Mr Donnelly - District representative
Mr Kipling - Scheduled Bodies representative
Ms Taylor - Member representative

10.32 am 2. **Declarations of Interests**

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

It is recorded in the register of interests that:

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

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

10.33 am 3. **Part I Minutes of the last meeting** (Pages 5 - 10)

The Committee is asked to agree the Part I minutes of the meeting of the Committee held on 17 March 2021 attached (cream paper).

10.34 am 4. **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.

10.34 am 5. **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.

10.35 am 6. **Pensions Committee Terms of Reference** (Pages 11 - 12)

The Committee is asked to note its terms of reference.

10.40 am 7. **Pension Advisory Board Minutes - Part I**

The Committee is asked to note the confirmed Part I minutes from the meeting of the Pension Advisory Board on 26 February 2021 and the agenda from the meeting of the Pension Advisory Board on 28 April 2021.

(a) **26 February 2021 - Part I Pension Advisory Board Minutes** (Pages 13 - 18)

(b) **28 April 2021 - Pension Advisory Board Agenda** (Pages 19

- 22)

- 10.45 am 8. **Pension Fund Annual Report** (Pages 23 - 70)
- Report by the Director of Finance and Support Services.
- The Committee is asked to comment on and approve the draft annual report.
- 11.10 am 9. **Business Plan** (Pages 71 - 98)
- Report by the Director of Finance and Support Services.
- The Committee is asked to note the updates on Business Plan activities; agree the Training Strategy; and note the risk matrix for the Fund.
- 11.25 am 10. **Pension Administration Performance** (Pages 99 - 110)
- Report by the Director of Finance and Support Services.
- The Committee is asked to note the update with particular attention to the work associated with end of year returns and the publication of Annual Benefit Statements to members. The Committee is also asked to note the approach agreed by the Director of Finance and Support Services in relation to receipt of a Voluntary Scheme Pays election.
- 11.40 am 11. **Date of the next meeting**
- The next meeting of the Pensions Committee will be 10.00 a.m. 25 October 2021 at County Hall.
- Part II**
- 11.41 am 12. **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.
- 11.42 am 13. **Part II Minutes of the last meeting** (Pages 111 - 116)
- To confirm the Part II minutes of the meeting of the Committee held on 17 March 2021, for members of the Committee only (yellow paper).
- 11.43 am 14. **Pension Advisory Board Minutes - Part II** (Pages 117 - 118)

The Committee is asked to note the confirmed Part II minutes from the meeting of the Pension Advisory Board on 26 February 2021 (yellow paper).

11.45 am 15. **Investment Strategy Implementation** (Pages 119 - 126)

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

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

12.00 pm 16. **ACCESS** (Pages 127 - 130)

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 report.

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

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

Break for the Committee

1.00 pm 18. **Presentation by Fund Manager**

The Committee to receive a presentation on portfolio performance.

1.45 pm 19. **Presentation by Fund Manager**

The Committee to receive a presentation on portfolio performance.

To all members of the Pensions Committee

Webcasting

Please note: this meeting is being filmed for live and subsequent broadcast via the County Council's website on the internet. The images and sound recording may be used for training purposes by the Council.

Generally the public gallery is not filmed. However, by entering the meeting room and using the public seating area you are consenting to being filmed and to the possible use of those images and sound recordings for webcasting and/or training purposes.

Pensions Committee

17 March 2021 – At a virtual meeting of the Pensions Committee held at 10.00 am.

Present: Cllr Hunt (Chairman)

Cllr Bradford, Cllr J Dennis (joined at 11.20am.), Cllr Elkins, Cllr N Jupp, Cllr Urquhart, Cllr Walsh and Ms Taylor

Absent: Mr Donnelly

Part I

68. Declarations of Interests

68.1 None declared

69. Part I Minutes of the last meeting

69.1 Resolved – That the Part I minutes of the Pensions Committee held on 25 January 2021 be approved as a correct record, and that they be signed by the Chairman.

70. Pension Advisory Board Minutes - Part I

70.1 The Committee considered the confirmed Part I minutes from the 13 November 2020 Pension Advisory Board meeting; and the Agenda from the 26 February 2021 meeting (copies appended to the signed minutes).

70.2 The Chairman reported that he had attended a recent virtual meeting with the Mr Scales, Chairman of the Pensions Advisory Board (PAB) to discuss pension matters. The Chairman thanked Mr Scales for the Board's good work on behalf of the fund.

70.3 Committee members also supported the work of the PAB and commented that the current separation of the Board and Committee was effective.

70.4 Resolved – That the minutes and agenda be noted.

71. Business Plan 2021/22

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

71.2 Katharine Eberhart, Director of Finance and Support Services, introduced the report and highlighted progress on the work for Additional Voluntary Contributions (AVCs) and Guaranteed Minimum Pension (GMP). The key priorities and training events of the fund were outlined. The work of Internal Audit was also outlined and the areas of focus for the fund that would be covered.

71.3 The Committee made comments including those that follow.

- Queried if the reference to employer risk framework included consideration of the liabilities of insolvent employers. – Katharine Eberhart confirmed that was included. The valuation work would also include work for employer risk tiers and the impact of the pandemic.
- Asked if the risk work was linked to the high number of small admitted bodies in the fund. – Katharine Eberhart confirmed that the work was not limited to admitted bodies, more the consideration of the financial position of all employers.
- Queried who would be completing this work. – Rachel Wood, Pension Fund Strategist, confirmed that the work would be completed by PWC and Hymans Robertson and would have a detailed look at the accounts of higher risk employers. The work would inform the actuarial work and the understanding of how liabilities are funded.
- Sought clarity over the risk rating for data quality. – Katharine Eberhart confirmed that the risk had moved from red to amber within six months due to the data quality improvement work. Processes had been improved and further improvements with employer relationships would help get the risk to a green rating.

71.4 The Chairman clarified that the £250m allocation commitments for private debt and infrastructure were in relation to the 5% allocation agreed by the Committee, rather than a fixed monetary value.

71.5 Resolved – that the Committee:

1. Notes the updates on Business Plan activities for 2020/21.
2. Approves the key priorities within the Business Plan for 2021/22.
3. Notes the full risk matrix for the Fund.
4. Approves the ACCESS Business Plan as recommended by the ACCESS Joint Committee.

72. Investment Strategy Statement

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

72.2 Rachel Wood introduced the report and explained that the Investment Strategy Statement had been updated following an employer consultation. Seventy seven responses had been received and their comments were summarised within the report. Engagement with stakeholders was left open and would be considered as part of the ongoing fund review.

72.3 The Committee made comments including those that follow.

- Sought clarity over the value for money returns for active and passive figures and if they were net of fees. – Rachel Wood explained that the passive fund used the passive index return and could therefore be considered a proxy due to the low fees for passive funds, even though it would be gross of fees. The active

fund was using a net figure. The Chairman added that if gross figures had been used there would have been a larger gap.

- Noted that 57 responders were not satisfied with the strategy and asked if the remaining responders had been satisfied. – Rachel Wood confirmed that the remainder had been satisfied. Rachel Wood reported that 20,000 members and 200 employers had been contacted. Officers looked to reach all possible members via electronic means for the consultation.

72.4 The Committee welcomed how the feedback form employers had been captured and thanked all the employers who had responded to the consultation.

72.5 Resolved – that the Committee approves the revised Investment Strategy Statement which reflects the amendments following the consultation with stakeholders.

73. Scheme Changes

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

73.2 Rachel Wood introduced the report which showed the revised position for the fund following recent changes. The £95k cap had been withdrawn and so the position remained as it had been prior to the proposed changes.

73.3 Resolved – that the Committee notes the update.

74. Treasury Management Strategy

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

74.2 Katharine Eberhart introduced the report and confirmed that there had been no breaches to the strategy. Cash balances were highlighted and the intention to use cash to implement changes to the investment strategy. The Treasury Management Strategy included a proposed amendment concerning money market funds to consider low volatility net assets against negative rates. This would allow more flexibility to move funds if reduced rates occurred.

74.1 The Committee made comments including those that follow.

- Sought clarity of the cash balances and if they should be moved to something else such as gold reserves. – The Chairman confirmed that the cash balance was held in preparation for property, private debt and infrastructure investments. Holding in cash prevented fees from withdrawing from investments. Katharine Eberhart confirmed the need to consider liquidity arrangements for investments.
- Queried if the cash balances highlighted was the total cash for the fund including fund manager portfolios. – Katharine Eberhart confirmed that the figures concerned the cash balances for the fund that were managed by West Sussex County Council. Fund

managers would also hold cash balances for settlement or tactical reasons which would be reflected in their portfolios. Only a small, reasonable proportion of the fund was held in cash.

74.4 Resolved – that the Committee:

1. Approves the 2021/22 Treasury Management Strategy.
2. Notes the treasury activity undertaken during 2020/21 (1 April to 31 December 2020).

75. Date of the next meeting

75.1 The Committee noted that its next scheduled meeting would take place on 21 July 2021.

76. Exclusion of Press and Public

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

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

77. Part II Minutes of the last meeting

The Committee agreed the Part II minutes of the Pensions Committee held on 25 January 2021.

78. Pension Advisory Board Minutes - Part II

The Committee noted the contents of the Part II minutes from the 13 November 2020 Pension Advisory Board meeting.

79. Investment Strategy Implementation

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

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

80. ACCESS

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

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

81. Review of Pension Investment Performance

The Committee considered a paper by the Director of Finance and Support Services and the Independent Adviser relating to fund performance information.

The Committee welcomed the advice.

82. Presentation by Baillie Gifford

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

The meeting ended at 1.15 pm

Chairman

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Pensions Committee

Constitution

A sub-committee of the Governance Committee comprising seven members of the County Council and three representative members.

Quorum: Five members, the majority of whom must be members of the County Council

Note:

The three representative members will comprise the following:

- One representing the borough and district councils
- One representing the scheduled bodies
- One representing members.

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

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

The term of office of representative members will be equivalent to the length of the election cycle of the body of which they are an elected member. The usual maximum length of committee membership will be three terms.

Terms of Reference

To exercise 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 including to be responsible for:

1. Appointment of professional and specialist investment advisers and managers on a consultancy basis.
2. Consideration of the recommendations of the advisers and managers including the Fund's investment strategy.
3. Determination of the Pension Fund's investment strategy and oversight of the delivery of the strategy.
4. Consideration of and response to the recommendations of the LGPS ACCESS Joint Committee.
5. Consideration of and response to key scheme governance, funding and administration issues, including responses to statutory consultations.
6. Monitoring the Fund's performance.
7. Ensuring that arrangements are in place for consultation and communication with stakeholders as necessary.

Agenda Item 6

8. Establishing member groups to review aspects of investment strategy or to undertake work on key themes and to report back to the Committee.
9. 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.

Note:

1. Standing Orders relating generally to committees shall apply to the Pensions Committee, subject to a quorum of five members, the majority of whom must be County Council members.
2. To meet quarterly or as required.
3. 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.

Pension Advisory Board

26 February 2021 – At a virtual meeting of the Pension Advisory Board held at 9.30 am.

Present: Peter Scales (Chairman)

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

Apologies were received from Chris Scanes who experienced technical difficulties

Officers in attendance: Rachel Wood (Pension Fund Strategist), Tara Atkins (Principal Pensions Consultant (Administration & Employers)), Alistair Rush (Interim Deputy Director of Finance), Adam Chisnall (Democratic Services Officer) and Erica Keegan (Democratic Services Officer)

Part I

33. Declarations of Interests and Conflicts

33.1 None declared.

34. Part I Minutes of the last meeting

34.1 Resolved – That the part I minutes of the meeting of the Board held on 13 November 2020 be agreed as a correct record.

35. Progress Statement

35.1 The Board considered the progress report on matters arising from previous meetings (copy appended to the signed minutes).

35.2 Adam Chisnall introduced the report and confirmed that most actions had been completed. Two actions highlighted were the ACCESS Governance training that would follow this meeting and the Internal Audit item that would be included in the Business Plan for the Pensions Committee in March for a report to the Board in April 2021.

35.3 Resolved – That the Board noted the report.

36. Pensions Committee Minutes - Part I

36.1 The Board considered the confirmed Part I minutes from the meetings of the Pensions Committee on the 23 October 2020 and the 17 November 2020; and the agenda from the meeting of the Pensions Committee on 25 January 2021. This also included a note from the Chairman summarising the Pensions Committee webcast from 25 January 2021.

36.2 It was pointed out that the Chairman's Pensions Committee webcast summary incorrectly referred to a £75K cap at the section of the report numbered 9, titled, 'Scheme Changes'. This was noted as a typographical error and amended to £95K cap.

36.3 Resolved – That the minutes and agenda be noted.

37. Election of Scheduled Body Representative

37.1 The Chairman introduced the report on the Election of Scheduled Body Representative from the 25 January 2021 Pensions Committee by the Director of Law and Assurance.

37.2 In noting the criteria for nomination, it was suggested that the reference to a candidate's need to have at least two years left on their expected term of office should be amended to allow for greater flexibility. Rachel Wood agreed to feedback and adjust this wording if necessary.

37.3 Resolved – that the Board noted the report from the 25 January 2021 Pensions Committee by, the Director of Law and Assurance.

38. Business Plan Update

38.1 The Board received a Business Plan Update from the Chairman of the Pension Advisory Board (copy appended to the signed minutes).

38.2 The Chairman introduced the report on the Board's performance that provided a review of the Board's key actions over the past year (2020/21). The review was set against the backdrop of the ongoing pandemic and its impact on the Pensions Advisory Board's processes and national initiatives.

38.3 The Board's attention was drawn to the Pensions Committee Business Plan Update Report which noted the risk position as well as progress made against their action plans. The pandemic had also impacted on the Pensions Committee's operations. Rachel Wood explained that this was the penultimate review, by the Committee, of their 2020/21 plan which would be presented to the Pensions Committee meeting in March with a revised plan for 2021/22, setting objectives for the forthcoming year.

38.4 Resolved – That the Board;

- (1) Agrees the performance report for 2020/21, and that the Pensions Committee and Governance Committee be informed.
- (2) Notes the Pensions Committee business plan update report.

39. Administration procedures and performance

39.1 The Board received the Administration Report from the 25 January 2021 Pensions Committee by the Director of Finance and Support Services, for consideration.

39.2 In presenting the report, Tara Atkins confirmed that, as part of the efforts to drive good data improvements, the administration team reviewed Employer Performance for timeliness, financial control, and data quality as part of the Annual Return process. It was noted that sixty employers had been asked to complete a mid-year check on data validation. Forty-two responses had been received so far.

39.3 It was noted that the Pensions Regulator Scheme Return figures had been reported to the Committee and Board. Data was now available

to allow comparison that showed there had been an improvement on last year's scores. The Board was informed that the Fund was in the process of completing an address trace for members who were showing as a 'lost contact'. Once completed, this was expected to improve the common data score.

39.4 It was reported that use of the Members Portal for access to Annual Benefit Statements online, as well as access and update options on personal details, had increased - which was pleasing. The Portal continued to be promoted for business as usual use.

39.5 The Board discussed whether future reporting to the Pensions Committee should include the number of complaints received. Numbers of complaints, across the whole scheme, were noted as low. It was agreed that any reporting should provide information on resolution outcomes.

39.6 Resolved - That the Board note the report.

40. Regulations and Guidance update

40.1 The Chairman presented his report, Regulations and Guidance Update, to the Board and the following key points were noted;

- the Scheme Advisory Board (SAB) meeting discussed the Good Governance Project. As consultation was required, it was expected that any changes to Governance would emerge later in the summer;
- the £95K cap had been revoked by HM Treasury;
- the Pensions Regulator's 2020 survey had been issued and a response had been submitted on behalf of the Board;
- Appendix A was referred to as the report that was submitted to the Pensions Committee in January 2021 on Scheme Changes.

40.2 Resolved - That the Board notes the current issues relating to Scheme Regulations and Guidance.

41. Communication Strategy

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

41.2 Tara Atkins introduced the report to the Board, confirming that the Communication Policy Statement had been reviewed to reflect the Board's comments at their last meeting.

41.3 The Board was referred to Appendix A which set out the calendar of communication deliverables. The Board's attention was drawn to the Annual Newsletter for pensioners which was scheduled for a full review in 2022. It was anticipated that a digital option would make space available to include both standard information as well as relevant updates such as scam warnings. The Board was asked to feedback their views on the newsletter in advance of the review next year.

41.4 Resolved - That the Board;

- (1) Notes the schedule of Communications drawn from the Communication Policy Statement.
- (2) Notes the updates made to the Communication Policy Statement as set out in paragraph 2.2.

42. Review of Pension Fund Policy Documents

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

42.2 Rachel Wood introduced the report and asked members to consider the list of policy documents at Appendix A. The document included within this agenda was the Treasury Management Statement, which was being seen by the Board in advance of being presented to the Pensions Committee in March. CIPFA Guidance had also been circulated.

42.3 The Board made the following key points;

- The Governance Compliance Statement was noted as last reviewed by the Board in November 2018 and had been scheduled for review at this meeting. The governance framework, including the Regulations and guidance underpinning this statement, are being considered as part of the Scheme Advisory Board's (SAB) Good Governance Review. It was pointed out that progress by the SAB has been delayed by the pandemic. The existing Governance Compliance Statement had not changed since last reviewed by the Board and any further review was therefore noted as deferred until new proposals are known;
- The Treasury Management Statement outlined how cash balances are administered. Funds were noted as cash flow positive with no borrowing and asset transition between portfolios a rare occurrence; and
- The CIPFA Code of Practice was highlighted as out to Consultation. Rachel Wood confirmed that this would be reported to the Treasury Management team and an update would be provided to the Board. The Chairman informed that the Ministry of Housing, Communities and Local Government (MHCLG) Guidance was over twelve years old and in need of update but anticipated that this would be a slow process.

42.4 Resolved – That the Board notes the register of Policy Documents.

43. Training

43.1 The Board considered a tabled document outlining the training that had been recorded for Board members (copy appended to the signed minutes).

43.2 Adam Chisnall introduced the report and noted the progress that had been recorded for the Pension Regulator Toolkit modules. Members were asked to ensure accuracy and make sure all training had been included.

43.3 In noting the training record the Board;

- Noted that the Pensions Regulators Toolkit had another module (pension scams) that the Board may be interested in working through. This would be researched and reported back to the Board in terms of its suitability.
- Miranda Kadwell shared a training overview slide with the Board based on the Good Governance Review and the Pensions Regulators Code of Practice 14. The document could help to evidence the Board's training progress and evidence how the Board is working to comply with guidance. It was seen as a useful way to demonstrate the Board's knowledge and could support them in assisting the Scheme Manager in compliance with Regulations and guidance. It was agreed that this would be circulated to Board Members for further discussion (copy appended to the signed minutes).

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

44. Date of Next Meeting

44.1 The Board noted that its next scheduled meeting would take place at 9.30am on Wednesday 28 April 2021.

45. 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.

46. Part II Minutes of the last meeting

The Board agreed the Part II minutes of the 13 November 2020 Pensions Advisory Board meeting.

47. Pensions Committee Minutes – Part II

The Board noted the contents of Part II minutes from the meetings of the Pensions Committee held on the 23 October 2020 and the 17 November 2020.

48. AVC

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

The Board noted the report.

49. ACCESS Update

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

The Board noted the report.

The meeting ended at 11.06 am

Chairman

Tony Kershaw
Director of Law and Assurance

If calling please ask for:

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20 April 2021

Pension Advisory Board

A virtual meeting of the Committee will be held at **9.30 am on Wednesday, 28 April 2021.**

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

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

<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 26 February 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** (Pages 11 - 12)

This report contains updates on matters arising from previous meetings.

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

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

The Board is asked to note the confirmed Part I minutes from the meeting of the Pensions Committee on 25 January 2021 and the agenda from the meeting of the Pensions Committee on 17 March 2021. Also included is a note from the Chairman summarising the Pensions Committee webcast from 17 March 2021.

(a) **25 January 2021 - Part I Pensions Committee Minutes** (Pages 13 - 18)

(b) **17 March 2021 - Pensions Committee Agenda** (Pages 19 - 22)

(c) **17 March 2021 - Chairman's webcast summary** (Pages 23 - 24)

7. **Business Plan Update** (Pages 25 - 64)

Report by the Chairman of the Pension Advisory Board.

The Board is asked to note the recommendations in the report.

8. **Administration Performance Update** (Pages 65 - 78)

Report by Director of Finance and Support Services.

The Board is asked to note the recommendations in the report.

9. **Regulations and Guidance update** (Pages 79 - 82)

Report by the Chairman of the Pension Advisory Board.

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

10. **Communication Strategy** (Pages 83 - 88)

Report by Director of Finance and Support Services.

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

11. **Investment Strategy Statement Report** (Pages 89 - 108)

The Board is asked to consider the Investment Strategy Statement Report from the 17 March 2021 Pensions Committee by the Director of Finance and Support Services.

12. **Review of Pension Fund Policy Documents** (Pages 109 - 130)

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.

13. **Training** (Pages 131 - 132)

The Board is asked to review the training log and provide details of their progress on the Pensions Regulator Toolkit.

14. **Date of Next Meeting**

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

Part II

15. **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).

16. **Part II Minutes of the last meeting** (Pages 133 - 134)

To confirm the part II minutes of the meeting of the Board held on 26 February 2021.

17. **Pensions Committee Minutes – Part II** (Pages 135 - 140)

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

18. **ACCESS Update** (Pages 141 - 148)

The Board is asked to consider the following report which went to the Pensions Committee on 17 March 2021.

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

**Key decision: N/A
Unrestricted**

Pensions Committee

21 July 2021

Pension Fund Annual Report

Report by Director of Finance and Support Services

Summary

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

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

The Pension Fund has therefore prepared an annual report for the period 1 April 2020 to 31 March 2021.

Recommendations

- (1) Comments are provided on the annual report
 - (2) The draft annual report is approved (Figures subject to audit and consideration by the Regulation, Audit and Accounts Committee on 16 September 2021).
-

Proposal

1 Background and context

1.1 The LGPS Regulations (Regulation 57) require the authority to prepare the pension fund annual report in compliance with Statutory Guidance covering:

- the management and financial performance of the pension fund
- the administration arrangements in place
- the net asset statement and supporting notes and disclosures

1.2 The Regulations also require that the annual report includes various policy documents. These have been referred to with appropriate hyperlinks provided within the documents.

1.3 The draft annual report is attached (Appendix A).

1.4 In line with the Business Plan objective to consider the documents published for stakeholders to support the understanding of the management of the Scheme and benefits provided a summary report has also been prepared (Appendix B).

Agenda Item 8

- 1.5 The net asset statement and supporting notes and disclosures are currently subject to external audit and have not yet been considered by the County Council's Regulation, Audit and Accounts Committee.

Katharine Eberhart

Director Finance and Support Services

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

Appendices

Appendix A – Annual Report

Appendix B – Annual Report Summary

Background papers

None

West Sussex Pension Fund

Annual report

1 April 2020 to 31 March 2021

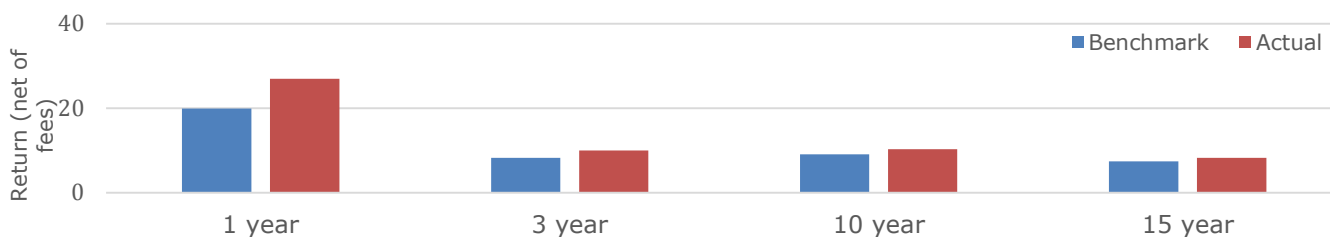


Foreword by the Chairman of the Pension Committee

As Chairman of the West Sussex Pension Committee, and on behalf of the Committee Members, I am pleased to provide an update on the Pension Fund's activities during 2020/21.

This year has seen unprecedented challenges to the way we live and work. However, in the face of such change the Fund has maintained its funding level at over 100% funded, ensured that the administration service has continued with 100% of key performance indicators being met and increased the value of the Fund by 27%. This reflects the effective policies and procedures the Committee had in place.

The West Sussex Pension Fund retains its approach as a long term, active investor with a high degree of commitment to managing the Pension Fund in the best interests of its stakeholders. This year the Committee agreed a revision to its investment strategy reflecting the need to protect the strong funding position and increase diversification and demonstrate its commitment to the principles of Environmental, Social and Governance factors through responsible investment, to deliver sustainable investment and funding outcomes. In implementing this new strategy the Committee have agreed commitments to two private debt funds and to an infrastructure fund to generate a reliable income and provide additional cash flows. This complements the mix of assets already held in the portfolio which are chosen by appointed fund managers based on market opportunities and the managers best ideas to deliver strong relative returns. Overall, the Fund ended the year with investment assets of £5.387bn reflecting consistent outperformance of the market as summarised below.



As members of the ACCESS (A Collaboration of Central, Eastern and Southern Shires) Pool the Committee are pleased to have made its first investment this year (valued at £2.9bn at 31 March 2021, equivalent to 54% of the Fund's investment assets). The Committee are now working to transition the remaining equity and bond portfolio into the ACCESS Pool in 2021/22.

Away from the investments, the Fund has successfully:

- Received an unqualified external audit opinion on its Annual Report and Accounts.
- Developed the administration service to stakeholders through data improvement work, full compliance with its performance timescales and improved online functionality.
- Completed a full review of its AVC provider providing members with lower fees, better services and an improved choice of individual funds.
- Responded appropriately to the developments linked to Government policy and guidance relating to the McCloud Judgement and member exit payments.

During 2021/22 the Committee will continue to improve the way that we communicate with stakeholders, implement further changes to the Fund's investment aligned with the Committee's approach to responsible investment and prepare for the triennial actuarial valuation in 2022, which will set contributions for employer from 1 April 2023 onwards.

Jeremy Hunt, Chairman of the Pension Committee

Foreword by the Chairman of the Pension Advisory Board

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

The Board is required to have a minimum of four members with equal representation of employers and scheme members – six members are appointed currently. Each member has demonstrated their commitment to meeting their responsibilities, to gaining new knowledge and understanding of the issues, by preparing for each meeting and by participating effectively in the Board's discussions.

The Board has continued to operate well during the past year despite the restrictions imposed by the COVID-19 pandemic. However, it was necessary to cancel the meeting planned for June while the technical arrangements for virtual meetings were established. This has also led to occasional problems with the technology. The business for each meeting has been planned by reference to the Business Plan agreed for 2020/21 and is based on the responsibilities of the Board and guidance issued about key issues to be covered. The plan has been comprehensively addressed during the year and there have been no disputes in the decisions reached. Key items covered include administration performance, communications, policy statements, data quality, new regulations and guidance, the new pooling arrangements with ACCESS, and knowledge and skills requirements.

The Board uses the Local Government Pensions Committee (LGPC), the Scheme Advisory Board (SAB) and The Pensions Regulator (tPR) websites as points of reference for the Scheme regulations and guidance, and to track any changes. In particular, the Board has been monitoring progress on the Hymans Robertson Good Governance Review commissioned by the SAB, which is currently awaiting a Government response. Updated regulations and guidance are expected to be published during 2021/22.

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

The Board is satisfied that the West Sussex Pension Fund is operated in compliance with statutory regulations and other legislation, and with guidance issued by Ministry of Housing, Communities and Local Government (MHCLG) and CIPFA. The requirements imposed by tPR are being met and the Board is monitoring the effectiveness and efficiency of the governance and administration arrangements.

Peter Scales, Chairman of the Pension Advisory Board

The West Sussex Local Government Pension Scheme

The Scheme

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



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



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



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



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



The rate of contributions a member will pay is set nationally and range from 5.5% to 12.5%, dependent on a members pay the average contribution from employees is 6.5% nationally).

Employer contributions are set by the Fund Actuary every three years. The employer contribution rates range from 0.0% to 60.8% of pensionable pay for the financial year ending 31 March 2021.

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

Scheme Management

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

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

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

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

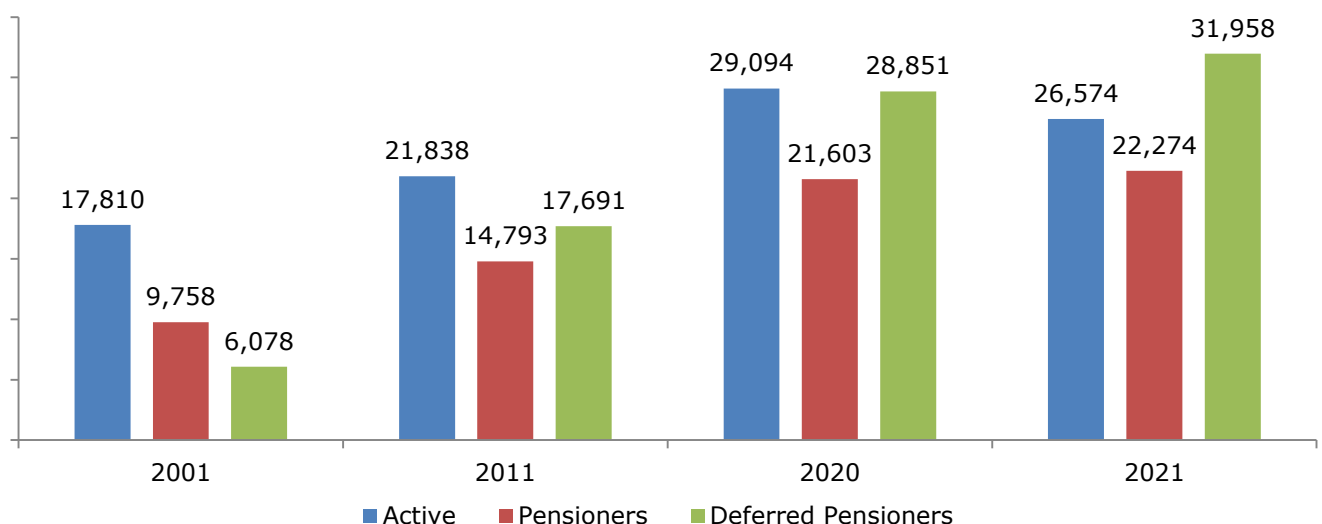
Scheme Participation

There are 287 employers and 80,806 members within the West Sussex Scheme, analysed below.

Employers

Type	Description	Active	Ceased	Total
Scheduled	This includes local councils, academies and the Police.	160	30	190
Admitted	This includes private sector bodies where a service has been outsourced or where there is a community of interest.	47	50	97
Total		207	80	287

Membership



The Pension Fund and its Performance

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

The table below summarises the Pension Fund's accounts for 2019/20 and 2020/21.

Net Assets		2019/20 £'000	2020/21 £'000
Net assets of the Scheme at the start of the year		4,374,121	4,301,419
Income	Member contributions	29,142	31,134
	Employer contributions	108,941	111,955
	Transfers in	17,562	8,861
	Other	2	0
Investments	Investment income	72,276	49,135
	Net increase/decrease in investments	-153,114	1,139,207
Payments	Benefits paid	-114,575	-118,365
	Management expenses	-17,075	-38,138
	Payment to and on account of leavers	-15,861	-10,123
Net assets of the Scheme at the end of the year		4,301,419	5,475,085

NOTE: Figures subject to audit and consideration by the Regulation and Audit Committee on 16 September 2021.

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

Investment Assets




West Sussex County Council has responsibility for determining and implementing the investment strategy of the Fund to pay benefits and to manage the cost of the Scheme. The Fund has put in place a strategy which includes assets which:

- Provide returns in line with equity markets (growth assets)
- Provide an additional income stream (income assets)
- Store value and reduce volatility the of funding levels relative to variations in interest rates and inflation pricing (protection assets)

Integral to the Pension Fund’s long-term approach to investment is the integration of Environmental, Social and Governance (ESG) issues in investment processes and ownership practices. This is achieved through investing responsibly, rather than divesting or restricting the investment opportunities, invested in the best performing companies that are financially and environmentally sustainable, adopt high standards of governance and provide financial benefit alongside maintaining a dialogue with companies on a variety of environmental, social and governance issues. Through engagement on strategy, performance, business ethics, corporate governance, climate change, human capital and supply chain management and by building relationships with management and board members, the Fund, through its managers, has the opportunity to understand and influence less tangible aspects of a company, such as corporate culture. The Fund also uses its voting rights actively, and has consistently voted at 100% of UK meetings, and over 90% of overseas meetings, of companies within its portfolio. Some examples of active engagement are shown below:

Company	Comment
Service Corp	Last year, our managers requested greater board refreshment and changes to executive remuneration. The company has made progress on both fronts. Average director tenure has fallen from 24 to 16 years and a balance is being struck between fresh challenge and industry expertise. There remains more to go for with the long term incentive plan and our managers have requested further recommendations to be put to the compensation committee
Equinor	The company is strongly committed to increase capacity and investments in renewables and Carbon Capture, Storage and Utilisation (CCSU). Our managers met with the new Chief Executive as part of a collaborative initiative with other investors (Climate Action 100). The company has recently accelerated its 2050 ambitions in carbon reduction but our fund managers would like to see more details on the roadmap to achieve them and more transparency on Scope 3 emissions coming from third party products.
Nestle	Our managers met with the Chief Executive to discuss the company's Net Zero Roadmap. Nestle committed to halve their greenhouse gas emissions by 2030 and achieve net zero by 2050. Our managers requested detailed information about the underlying components of achieving their goals and financing as they see Nestle's initiative as best practice and will encourage their peers to adopt similar commitments.

The table below summarises the Pension Fund's assets at 31 March 2021 compared to the prior year.²

		31/03/2020	31/03/2020	31/03/2021	31/03/2021	Strategy
		£m	%	£'m	%	%
	Listed equities ³	1,984.5	47	2,896.4	54	45
	Private equity	91.1	2	77.9	1	5
	Property	366.1	9	380.5	7	10
	Private Debt			60.2	1	5
	Infrastructure			0	0	5
	Bonds	1,656.1	40	1,886.0	35	30
	Cash	87.4	2	81.8	2	0
	Net investment assets/liabilities ⁴	-5.9	-	6.1	-	-
	Total	4,179.3	100	5,388.9	100	100

NOTE: Figures subject to audit and consideration by the Regulation and Audit Committee on 16 September 2021.

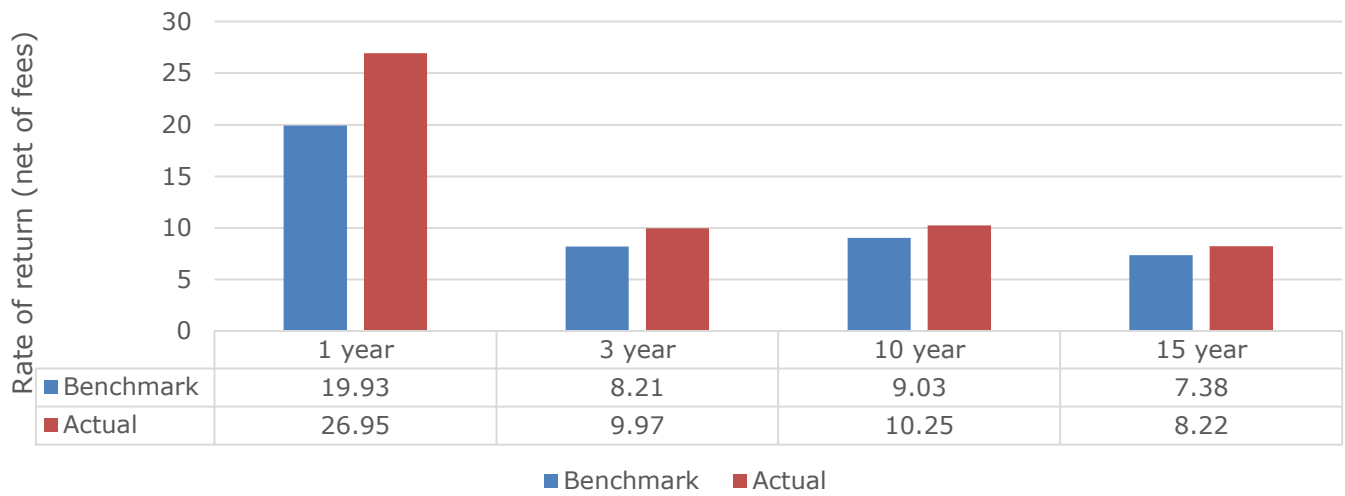
The Fund's assets have grown by £1,159.6m over the year. This is primarily driven by the return on the Fund's investments, as illustrated on the next page:

² The total does not include cash internally managed by WSCC on behalf of the Pension Fund of £102.3m (31 March 2020: £119.1m).

³ To maximise the returns it can achieve on its investments, the Pension Fund has implemented a stock lending programme. This relates to the equity portfolio. Stock lending is a market practice where securities are temporarily transferred by one party (in this case the Pension Fund) to another (the borrower). Over the year £0.252m income, net of fees, was generated from the Funds stock lending programme. Further information about the performance of this programme has been set out in Appendix 4 – Stock Lending

⁴ This relates to sales, purchases and income not received at year end

Overall Fund Performance



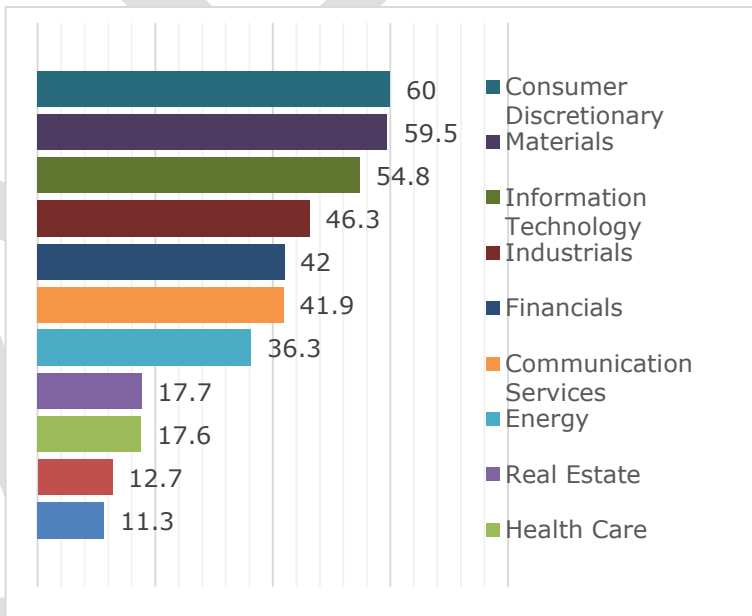
Further detail about performance by individual manager can be found in [Appendix 5 – Investment Performance](#), and in the following pages.

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Growth assets

The Fund has allocated 45% of its portfolio to listed equities and 5% to private equity to provide portfolio growth and reduce the contribution required from employers.

The last 12 months have seen a remarkable recovery across global equity markets, following the initial coronavirus-related sell-off which began in February 2020. This recovery has been led by companies which saw their growth rates accelerate because of the pandemic. Technology-enabled businesses operating in areas such as ecommerce, gaming, entertainment, food delivery and online education (which were already delivering extremely attractive rates of growth prior to the pandemic) enjoyed 'demand binges' from locked down consumers. In many cases competitive positions are likely to have been enhanced as less nimble competitors struggled, and trends which may have been expected to play out over the next five to ten years have been condensed to less than a year. The chart below shows the market return by sector over the year, whilst the table shows the Fund's exposure to different industries. By choosing stocks in sectors which performed well, such as consumer discretionary, financials and communications, the Fund's portfolio provided a strong return.



Sector	Weighting
Financials	18%
Consumer Discretionary	17%
Information Technology	15%
Health Care	13%
Communication Services	10%
Industrials	9%
Materials	7%
Consumer Staples	5%
Energy	4%
Property	1%

Markets ended the year on a high note. The better-than-expected vaccine rollouts and US fiscal stimulus drove expectations of a faster economic recovery and further gains in equity markets.

End of year returns on our investment portfolios are summarised below. Given the strong equity market, being overweight relative to its strategic allocation (54% v 45%) provided the Fund with additional return relative to its overall benchmark over the period.

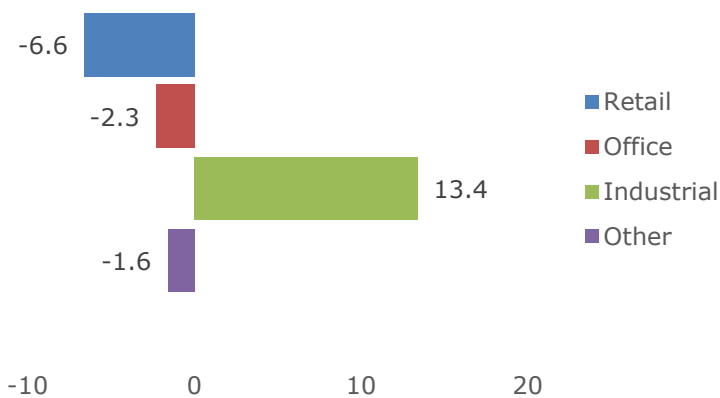
Portfolio	1 year	3 years	5 years	10 years
UK Equities	35.0%	-1.0%	6.0%	6.5%
FTSE AllShare	26.7%	3.2%	6.3%	6.0%
Global Equities	51.4%	14.1%	16.0%	10.8%
Global Equities	56.3%	19.3%	21.3%	16.0%
Private Equity	22.8%	18.6%	15.4%	
MSCI ACW	39.6%	13.3%	14.7%	11.3%



Income assets

The Fund has allocated 10% of its portfolio to property, a 5% allocation to private debt and a 5% to infrastructure investments. These are all expected to provide a steady income source and to assist with fund cashflow requirements.

Within the property market, the outbreak of Covid-19 saw a reduction in transactional activity and liquidity because of travel and operational restrictions. As the lockdown continued, so did the pressure on tenants to meet rental payments as revenues are down in the service and retail sectors. The chart below shows the market return by sector over the year, whilst the table shows the Fund's exposure to different industries.



Sector	Weighting
Retail	28
Office	14
Industrial	34
Other	24

Whilst factors associated with a few individual assets drove the underperformance over the year, the portfolio more generally has benefited from its holdings in properties with long secure income, lower void rate to market comparators and the active management initiatives of the fund managers to reduce high street retail weightings, where uncertainty surrounding Covid 19 restrictions has affected the occupational demand, towards investments in the industrial sector - which should perform better in the current crisis.

Within the private debt market, there were attractive opportunities to deploy in terms of risk and return profiles, and good opportunities in sectors such as healthcare, pharmaceuticals, technology, business services and more defensive areas of consumer services such as education and childcare. Managers were able to take advantage of the market dislocation caused by Covid 19 to achieve some very attractive returns alongside strong risk profiles (in terms of the size of borrower, and ability to secure good covenant packages).

End of year returns on our investment portfolios are summarised below. It is too early to provide performance on the private debt portfolios. The infrastructure allocation is not yet invested.

Portfolio	1 year	3 years	5 years
Property	1.4%	2.3%	4.9%
IPD Benchmark	2.2%	2.3%	4.2%

Protection

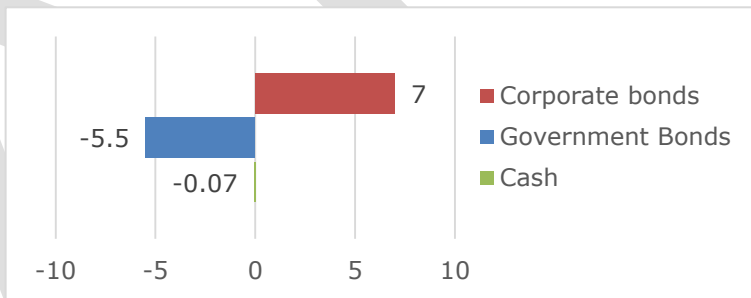
The Fund has allocated 30% of its portfolio to bonds, to reduce year on year volatility and reduce the chances of poorer funding outcomes over the medium / long term.

Governments around the world responded to the pandemic by providing fiscal support for companies and employees. Central banks also acted to reverse the tightening in financial conditions associated with the pandemic, with the Bank of England lowering interest rates and boosting its bond purchase programme.

Government bond yields collapsed and the additional yield spread offered by corporate bonds started to fall, having risen sharply in March 2020.

The spread on corporate bonds initially fell over the period, boosted by a recovery in economic activity alongside support from central bank quantitative easing programmes.

Towards the end of the period, government bond yields quickly moved higher again. As the vaccine rollout accelerated and the easing of restrictions approached, forward-looking economic indicators became increasingly upbeat and markets believed that the previous monetary policy was coming to an end. This rise in yields caused bond prices to fall, offsetting positive returns earlier in period. The chart below shows the market return by sector over the year, whilst the table shows the Fund's exposure to different industries.



Sector	Weighting
Corporate Bonds	64%
Government Bonds	34%
Cash	2%

Over 12 months the overweight position in corporate bonds has been the largest contributor to performance with the Fund delivering healthy outperformance over the period since the height of the crisis.

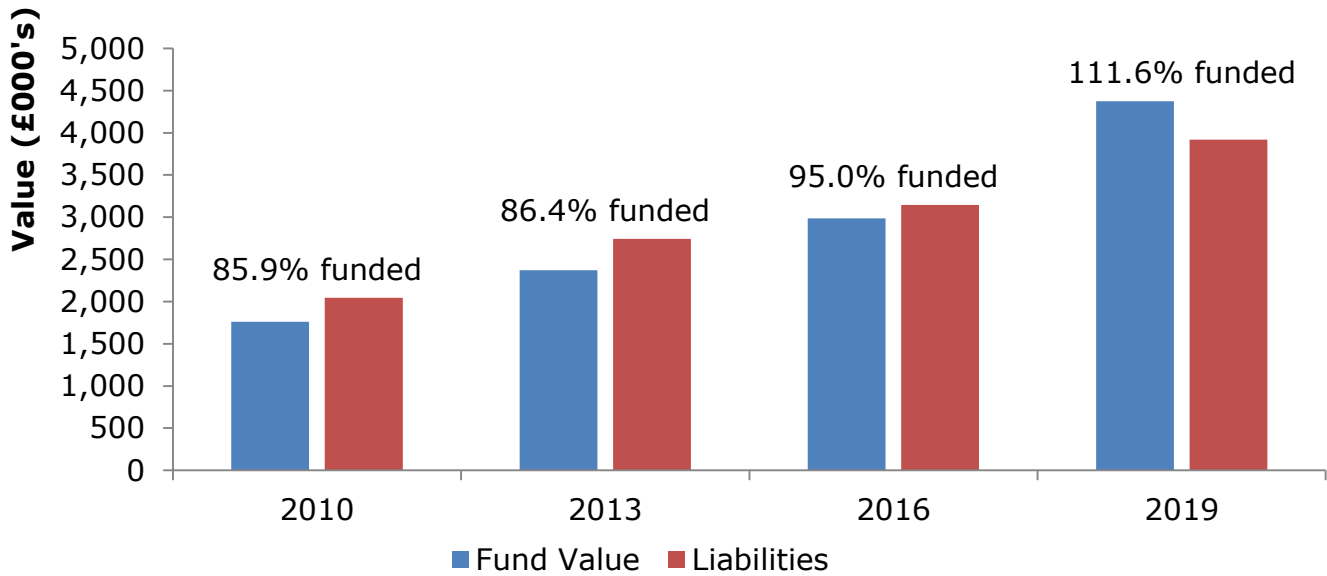
End of year returns on our investment portfolios are summarised below:

Portfolio	1 year	3 years	5 years	10 years
Fixed Interest	9.1%	4.9%	5.3%	6.2%
Composite ⁵	4.1%	3.7%	4.0%	5.2%
Fixed Interest	3.6%	3.9%	4.4%	5.9%
Composite	1.2%	3.4%	3.8%	4.8%

⁵ FTSE Actuaries Gov't Securities All-Stocks Gilts (22%) plus iBoxx Sterling Non-Gilt (78%)

Funding Position

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



At 31 March 2021 the Fund was estimated to be 123% funded.

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Administration Performance

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

Hampshire County Council has provided the Pension Administration service for the Fund since 4 March 2019. The equivalent of 24 full time members of staff are assigned to the administration of the Fund. The average number of cases per staff in 2020/21 was 774 and the ratio of staff to fund members is 1 to 3,376.⁶ It is considered that the Fund demonstrates Value for Money through its performance over the year, particularly.

- **The substantial reduction in number of complaints:** Members and employers of the Fund are able to provide feedback about their experiences of dealing with the Fund, to help with improving the service. The Pension Fund has a compliments and complaints process which is available on its [website](#). During 2020/21, eight complaints were received, compared to 54 in 2019/20. There were no trends in the complaints, and they were not considered to identify a consistent failure or poor service. As part of the complaint resolution process, actions to prevent recurrence are considered and put in place if necessary.
- **CSE Accreditation:** The administration team continue to meet the required Customer Service Excellence (CSE) standard and continue to meet the required CSE standards across the 57 areas assessed. Key Strengths highlighted were the development of accessible and user-friendly online services and the work completed with West Sussex colleagues to improve the data quality of West Sussex member records.
- **Use of Technology:** The Fund believe that the effective use of technology and self-service will improve the administration service to members and employers. An increase in registrations for the Member Portal, the total number of registrations since March 2019 is 21,892, this is 27% of total membership and an increase of 8,658 since 31 March 2020.
- **Performance against Administration Strategy:** The administration team have achieved 100% compliance in the performance indicators as listed in the case type table on the next page

⁶ Analysis based on 18,574 cases, compared to 19,404 cases in 2019/20. This includes all cases listed in the Administration Strategy analysis plus changes of address, bank details and death grant nominations, refund quotes, general record maintenance and all Payroll related work but excludes bulk processing (such as applying pensions increase, processing annual returns, producing annual benefit statements) and the handling of phone calls and emails. The reduction of cases compared to last years is due to members using the online services to update their own details and complete forms. Also the reduction in processing historic casework.

Case Type	No. Cases	Target working days	% on Target
Additional Voluntary Contributions ⁷ - to notify the AVC provider when a new AVC application is received.	83	10	100%
Change in Member Details -updating the member records to reflect informed change of details.	761	15	100%
Death Benefits -- to acknowledge in writing that we have been notified of the death of a member and include claim forms.	740	5	100%
Death Benefits – notification to beneficiaries and advise of their entitlements including method of calculation.	555	15	100%
Divorce Estimates – to provide estimates/actuals for pension sharing.	153	15	100%
Leaver Forms – notification of benefits and rights to deferred member upon receipt of all necessary information.	2947	30	100%
Leavers – repay contribution with less than two years membership upon receipt of all necessary information.	515	20	100%
Leavers – payment of individual transfers out upon receipt of all necessary information.	40	15	100%
Leavers – bulk transfers out will be agreed between the Administering Authority, its Actuary the Administrator and the Receiving Scheme.	0	Individual case basis	n/a
New Starters – set up member record once new starter form received.	4296	20	100%
New Starters – notification to member of transfer in of pension payment and update the members pension record.	78	10	100%
New Starters – bulk transfers the performance level will be agreed between the Administering Authority, its Actuary the Administrator and the Predecessor Scheme.	0	Individual case basis	n/a
Payment of Retirement Benefits once receipt of all necessary paperwork has been received.	1100 ⁸	10	100%
Retirement Estimates once accurate pensionable pay detail have been received from an Employer.	895	15	100%

Employer Performance

To ensure the Administering Authority can ensure compliance of the statutory regulations, timely and accurate information is necessary from Scheme Employers, this includes a timely Annual return being needed by Employers. As part of the efforts to drive data improvements, the administration team now review Employer Performance for timeliness, financial control and

⁷ These figures are from April 2020 to February 2021, From February 2021 and going forward, AVC's being set up within 10 working days as the transfer to Legal & General has meant a change in process, whereby the employer will now be responsible for ensuring the AVC contract is set up for members so this indicator will no longer be reported on.

⁸ The figures shown are the number of cases processed during the year. However there were 1,035 actual retirements between 1 April 2020 and 31 March 2021. Of these 38 were ill health early retirements, 47 were as a result of redundancy and 950 were voluntary retirements (i.e. a member reaching normal retirement age).

data quality as part of the Annual Return process. As a result of their activities, Hampshire Administration Team have seen improvements in both the quality and timeliness of data provided by their employers.

The definition of the performance categories are shown below along with the number of employers in each section for the 2019/20 exercise:

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

The following points are highlighted:

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

Data Quality

Key to the administration of the Scheme is good quality member data to ensure we keep track of each employer's position, collect the right contributions, invest appropriately and pay benefits to members as and when they fall due. The Pension Regulator requires that the Fund carries out checks against the presence of "common data" which is necessary for basic pension administration (e.g. surname, National Insurance number, date of birth) and "conditional data" which is specific for the administration of the LGPS (e.g. employment records and history). The results for 2020/21 for the Fund are shown below:

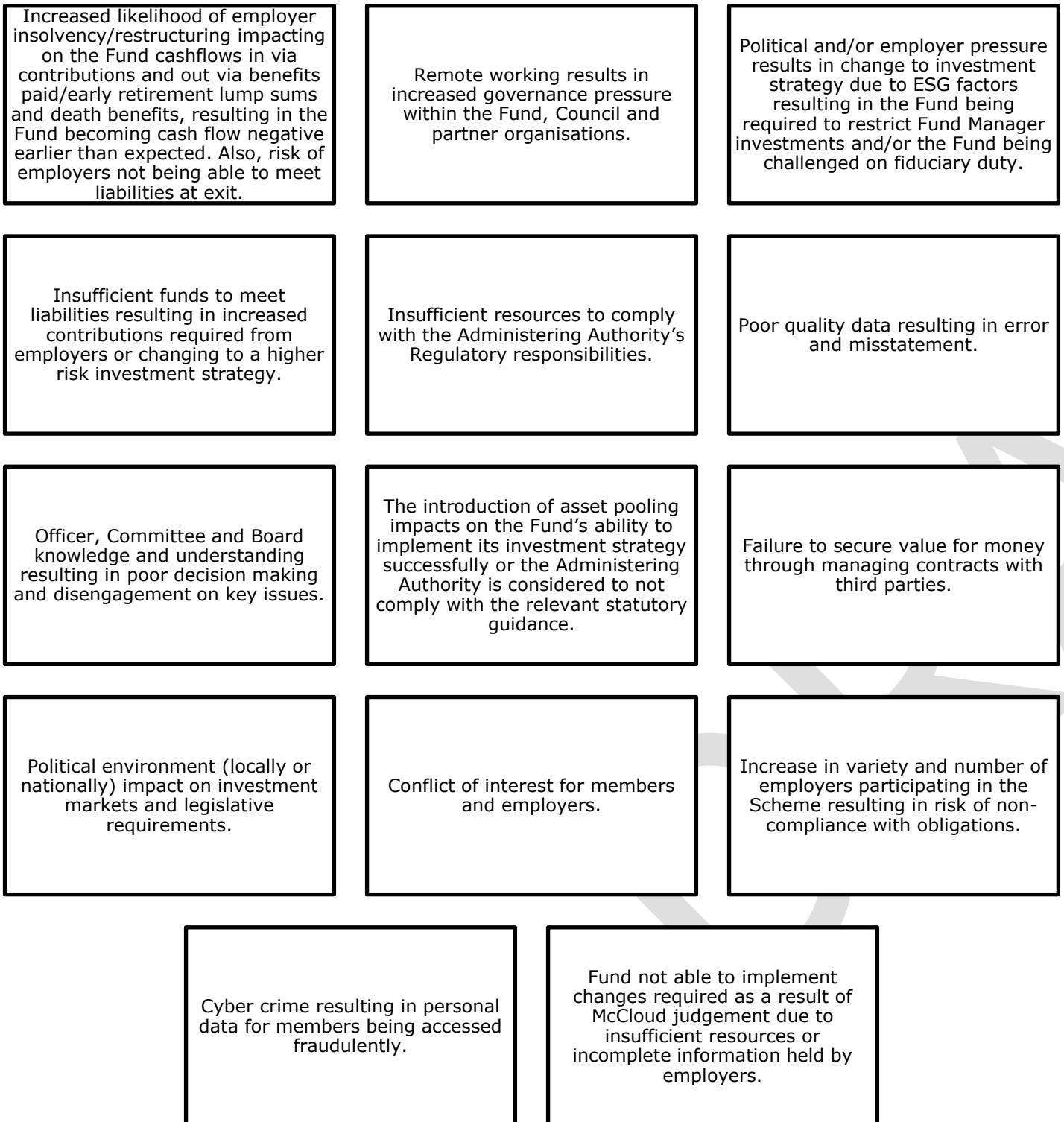
	Target	2019/20	2020/21
Common Data	100%	95%	95%
Conditional Data	N/A	89%	90%

By March 2021 the Fund had substantially completed its initial Data Improvement Plan. This has been reflected in the compliance with the publication of Annual Benefit Statements for members compared to prior years (99.9% of deferred statements and 95.1% of active statements had been published by the statutory deadline).

Risk and Control

Risk Register

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



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

Audit

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

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









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

Title	Comments
<ul style="list-style-type: none"> ○ National Fraud Initiative Update to October 2020 	<p>The Cabinet Office's National Fraud Initiative ran in October 2020. This project provides potential inappropriate payment as a result of a member being deceased. Of the 199 cases identified from this exercise the pensions administration team had suspended the pensions payments and so no overpayments had occurred.</p>
<ul style="list-style-type: none"> ○ Employer Contributions/ Relationships 2019/20 	<p>The scope was to ensure all pension contributions were fully & promptly received and correctly recorded. Also Employing bodies joining/leaving the Fund were administered correctly and pensioner payments were correctly recorded.</p> <p>Reasonable assurance was given. Generally, a sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.</p>
<ul style="list-style-type: none"> ○ Pension Payroll and benefit calculations, Deaths, Accounting for pension receipts 	<p>These areas have been audited at Hampshire Pension Services by SIAP and have all received Substantial ratings This means that a sound framework is in place and operating effectively, With no risks to the achievement of the system objectives identified.</p>
<ul style="list-style-type: none"> ○ Pension Refunds 	<p>The scope of this audit was to ensure that members requesting a refund of contributions from pension schemes were refunded accurately, in a timely manner and in line with current legislative requirements.</p> <p>A substantial assurance opinion was given. This means a sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied.</p>

Appendices


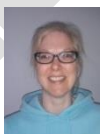





Appendix 1A – Committee and Board Membership and Attendance

Pension Committee

		Member of Committee Since	Meetings Attended	Internal Training Sessions Attended	External Training Sessions Attended
Jeremy Hunt <i>Chairman County Councillor</i>		2016	6/6	2/2	9
David Bradford <i>County Councillor</i>		2017	6/6	0/2	2
Joy Dennis <i>County Councillor</i>		2017	6/6	2/2	4
Brian Donnelly <i>District Councillor</i>		2015	3/6	2/2	0
Roger Elkins <i>County Councillor</i>		2018	5/6	1/2	0
Nigel Jupp <i>County Councillor</i>		2017	6/6	2/2	0
Judith Taylor <i>Member Rep</i>		2016	6/6	1/2	0
Deborah Urquhart <i>County Councillor</i>		2013	6/6	0/2	4
James Walsh <i>County Councillor</i>		2012	6/6	2/2	0

Internal training sessions offered to the Committee covered financial statements and pooling. External training sessions attended included events hosted by Aberdeen Standard Investments, Baillie Gifford, CIPFA, Hymans, Local Government Association and SPS Conferences.

Pension Advisory Board

		Member of the Board Since	Meetings Attended⁹	tPR Toolkit	Internal Training	External Training
Peter Scales <i>Chairman</i> <i>Independent</i>		2015	3/3	Complete	2/2	4
Becky Caney <i>Member</i> <i>Representative</i>		2018	3/3	Complete	2/2	6
Richard Cohen <i>Employer</i> <i>Representative</i>		2015	3/3	Complete	2/2	3
Miranda Kadwell <i>Employer</i> <i>Representative</i>		2018	3/3	Complete	2/2	7
Kim Martin <i>Employer</i> <i>Representative</i>		2016	3/3	Complete	2/2	1
Christopher Scanes <i>Member</i> <i>Representative</i>		2015	1/3	Complete	0/2	1
Tim Stretton <i>Member</i> <i>Representative</i>		2017	2/3	Complete	2/2	0

Internal training sessions offered to the Pension Advisory Board in 2020/21 covered AVC s and pooling.

External events were hosted by AON, CIPFA and Hymans.

⁹ Due to the pandemic, one meeting was cancelled

Appendix 1B – Officers and Advisers

Officers of the Fund

Scheme Manager (and s151 officer) - Katharine Eberhart

Scheme Manager - Tony Kershaw



Pension Administration

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



Investment Managers

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

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



LGPS Asset Pool

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

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

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



Fund Actuary

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



Independent Adviser

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



Internal Auditor

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



External Auditor

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



Custodian

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



Legal Adviser

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



AVC Provider

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



Appendix 2A – Net Asset Statement

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

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Appendix 2B – Further financial Information

NOTE: Figures subject to audit and consideration by the Regulation and Audit Committee on 16 September 2021.

Ongoing Investment Management Costs

The table below shows the analysis of the Investment management costs by type and also between Pooled Assets and Non- asset Pools

Category	Asset Pool			Non Pooled Assets			Fund Total
	Direct	Indirect	Total	Direct	Indirect	Total	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Investment Management Fee	2,018		2,018	7,387	3	7,389	9,407
Performance Fees	-	-	-	24,347	-	24,347	24,347
Operator Fees	127	-	127	-	-	-	127
Transaction Costs	-	-	-	1,875	-	1,875	1,875
Custody	71	-	71	121	17	138	209
Total £000	2,216	-	2,216	33,729	20	33,749	35,965

Management fees include £24m relating to the performance fee payable to Baillie Gifford (0.8% for the achieved outperformance). In monetary terms Baillie Gifford has added £360m above benchmark over the nine-month period from 31 March 2020 until the assets transferred into the ACCESS pool on 14 December 2020. For the period of their management of the fund from 31 December 2002 to 14 December 2020, the added value was £888m after fees.

A Code of Transparency covering investment management fees and costs was developed and approved by the national Scheme Advisory Board (SAB) and launched in May 2017. Fund managers to the LGPS are being encouraged to sign up to this Code. Each of the West Sussex Pension Fund managers are signatories to the Code. Further information about the Code can be found on the SAB's website.

Recovery of Overpayments

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

	2019/20 £'000	2020/21 £'000
Brought Forward	97	82
Overpayment	44	66
Recovered*	-47	-40
Adjustments	-7	-2
Written Off**	-5	-32
Carry Forward	82	74

* £11,000 of these recoveries are on a repayment plan.

**The majority of write offs, £30,000, were for invoices raised between 2015 and 2018.

Administration and Management Costs

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

This SF3 benchmark comparator is available for the prior year. Therefore the table below compares the Pension Fund's costs per member for 2019/20 against other Local Authorities SF3 Return alongside comparative information for WSCC only for 2019/20.¹⁰

Type of cost	2018/19 SF3 £	2018/19 WSCC £	2019/20 SF3 £	2019/20 WSCC £
Administrative, oversight, governance and investment management	222.27	237.20	245.41	216.15
Administrative, oversight and governance costs only (excluding investment management)	32.68	31.13	35.70	31.15

Member Contribution Rates

The rate of contributions a member will pay is set nationally and is based on their pay. The contribution table for 2020/21 and 2021/22 for the Main Scheme is below.¹¹ The contribution rates and / or pay bands are reviewed periodically and may change in the future. This is to maintain an average contribution from employees of 6.5% nationally and to ensure the long term costs of the LGPS are managed.

Pay Bands 2020/21 Actual pay for employment	Contribution Rate	Pay Bands 2021/22 Actual pay for employment
Up to £14,600	5.5%	Up to £14,600
£14,601 - £22,800	5.8%	£14,601 to £22,900
£22,801 - £37,100	6.5%	£22,901 to £37,200
£37,101 - £46,900	6.8%	£37,201 to £47,100
£46,901 - £65,600	8.5%	£47,101 to £65,900
£65,601 - £93,000	9.9%	£65,901 to £93,400
£93,001 - £109,500	10.5%	£93,401 to £110,000
£109,501 - £164,200	11.4%	£110,001 to £165,000
More than £164,200	12.5%	£165,001 or more

¹⁰ The 2019/20 information can be found on the [website](#)

¹¹ The LGPS offers a member the flexibility to pay half their normal contribution rate and build up half their normal pension

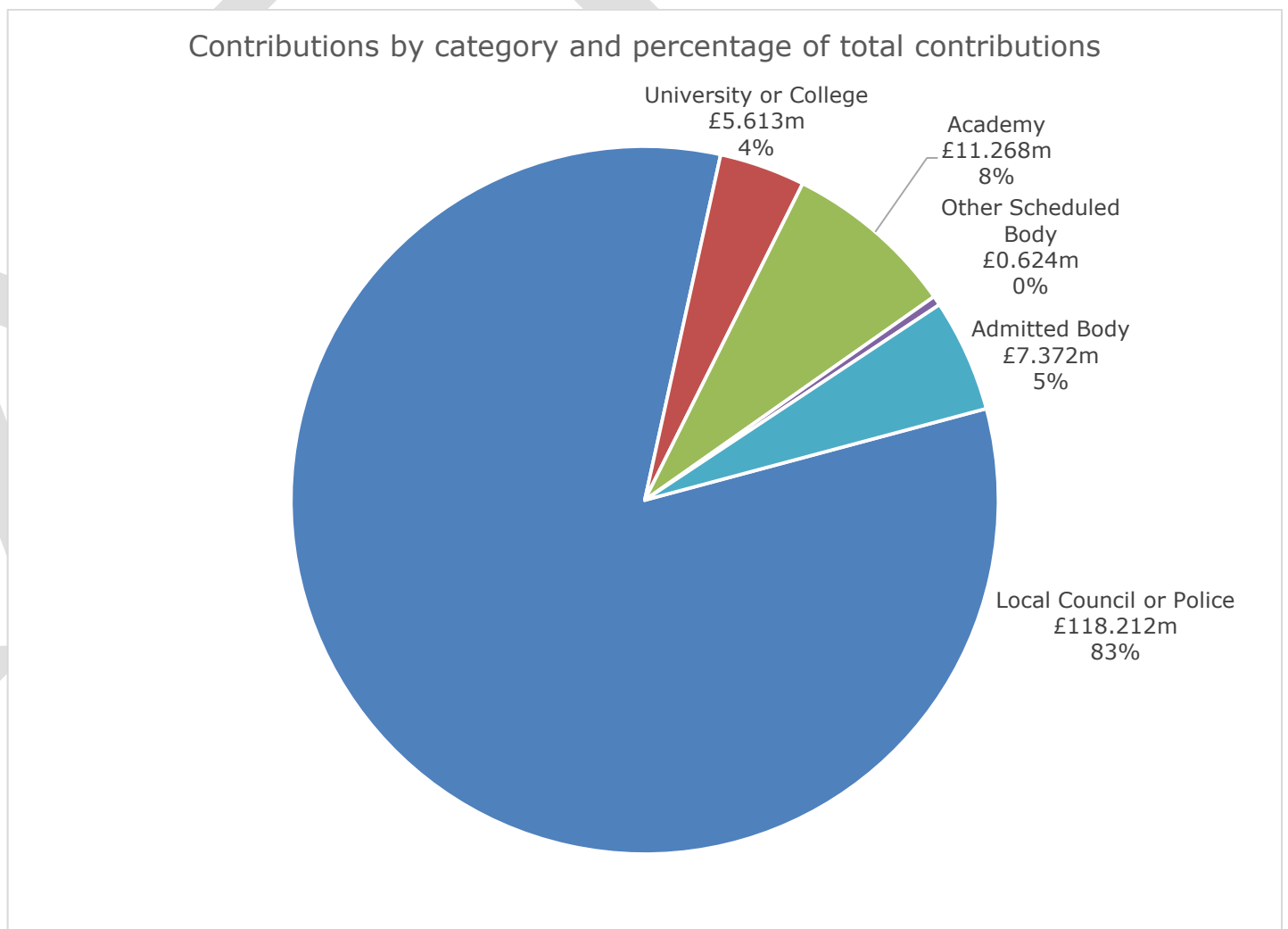
Appendix 3 – Contributions by Employer

Contribution Receipts

The table below shows some key statistics for contribution receipts for 2020/21. Contributions must be received by the Fund by the 22nd of the month following the deduction from pay.

	2019/20	2020/21
Number of Contribution Payments Received	2,308	2,427
Payments received on time	99.96%	98.33%
Interest Charged	£0	£0

The Fund received a total of £143.1m in contributions during the year (£112m from employers and £31.1m, from employees). This is analysed by employer type below:



Of the Fund's total 207 active employers, the Fund received contributions from 16 employers in excess of £1m during the year – this equates to 87% of the total contributions received. The employers paying in excess of £1m per annum in contributions are listed below.

Employer	Employer and Employee Contributions £'000	% of Total Contributions to the Pension Fund
West Sussex County Council	61,934	43.3
Sussex Police & Crime Commissioner	22,203	15.5
Adur/Worthing Joint Committee	4,832	3.4
Crawley Borough Council	4,557	3.2
Arun District Council	3,967	2.8
Chichester District Council	3,844	2.7
Chichester College	3,790	2.6
Mid-Sussex District Council	3,412	2.4
Horsham District Council	3,330	2.3
Greater Brighton Metropolitan College	2,723	1.9
University of Chichester	2,455	1.7
Worthing Borough Council	1,806	1.3
Saxon Weald Homes	1,628	1.1
Adur District Council	1,564	1.1
South Downs National Park	1,257	0.9
Shoreham Port Authority	1,220	0.9
All other active employers	18,565	13.0
Total	143,089	

The total employer contribution receipts are shown below split by Scheduled Bodies (including the County Council, local district and borough councils, academies, the Police and Crime Commissioner and Office of the Chief Constable) and Admitted Bodies (including private sector bodies where a local authority has outsourced a service or a community interest company has been created):

Scheduled Body	Employee Contributions £	Employer Contributions £	Total £
Adur District Council	120,114	1,444,075	1,564,189
Adur/Worthing Joint Committee	1,232,351	3,599,706	4,832,057
Aldingbourne Parish Council	1,908	6,811	8,719
Angmering Parish Council	8,610	28,236	36,846
Ansty/Staplefield Parish Council	1,099	3,921	5,020
Ardingly Parish Council	1,242	4,507	5,749
Arun District Council	698,634	3,268,099	3,966,733
Ashington Parish Council	925	3,302	4,227
Ashurst Wood Village Council	1,598	5,826	7,424
Balcombe Parish Council	933	3,330	4,263
Baldwins Hill Primary School	9,809	40,152	49,961
Barnham & Eastergate Parish Council	2,291	8,571	10,862
Barnham Primary School	16,858	66,820	83,678
Bersted Parish Council	3,959	12,668	16,627
Bewbush Primary Academy	39,098	152,504	191,602
Billingshurst Parish Council	10,023	34,654	44,677
Bishop Luffa School	62,079	224,413	286,492
Blackthorns Primary School	11,731	52,175	63,906
Blackwell Primary School	10,120	41,860	51,980
Bognor Regis Town Council	22,048	70,237	92,285
Bohunt School Horsham	7,217	27,790	35,007
Bohunt School Worthing	26,772	97,554	124,326
Bolney Parish Council	619	2,331	2,950
Broadbridge Heath Parish Council	1,524	5,673	7,197
Broadfield Primary Academy	32,593	130,966	163,559
Burgess Hill Academy	39,627	169,035	208,662
Burgess Hill Town Council	33,402	87,691	121,093
Central C of E Junior School	7,816	29,989	37,805
Chichester City Council	21,134	61,554	82,688
Chichester College	968,161	2,822,329	3,790,490
Chichester District Council	948,209	2,895,472	3,843,681
Chichester Free School	53,447	195,113	248,560
Chichester Harbour Conservancy	47,048	144,386	191,434
Chichester High School	54,854	197,966	252,820
Churchill Bishop Tufnell	1,817	9,351	11,168

Scheduled Body	Employee Contributions £	Employer Contributions £	Total £
Churchill Lancastrian Infant School	171	882	1,053
Clapham & Patching C of E Primary School	1,519	6,438	7,957
Colgate Parish Council	470	1,771	2,241
Collyers College	93,273	341,196	434,469
Crawley Borough Council	1,107,637	3,449,612	4,557,249
Cuckfield Parish Council	6,577	22,311	28,888
Desmond Anderson Primary Academy	32,934	140,989	173,923
Donnington Parish Council	377	1,419	1,796
Downsbrook Primary School	10,652	44,028	54,680
Downview Primary School	24,925	93,111	118,036
Durrington High School	81,787	325,901	407,688
Earnley Parish Council	368	1,399	1,767
Easebourne Parish Council	630	2,369	2,999
East Grinstead Town Council	33,286	98,206	131,492
East Preston Junior School	9,982	41,165	51,147
East Preston Parish Council	3,947	12,952	16,899
East Wittering & Bracklesham Parish Council	2,095	6,995	9,090
Eastbrook Primary	24,306	95,376	119,682
Edward Bryan Primary	28,849	120,366	149,215
Fernhurst Primary School	10,333	42,456	52,789
Ferring Parish Council	1,553	4,945	6,498
Fire Service Charity	1,722	6,014	7,736
Fishbourne Parish Council	702	2,640	3,342
Fittleworth Parish Council	1,947	2,812	4,759
Forge Wood Academy	14,542	61,697	76,239
Gossops Green Community Primary School	28,985	106,699	135,684
Greater Brighton Metropolitan College	511,066	2,212,310	2,723,376
Greenway Academy	14,911	54,764	69,675
Halsford Park Primary School	25,718	97,160	122,878
Harlands Education Trust	14,737	57,810	72,547
Hassocks Parish Council	6,641	22,176	28,817
Haywards Heath Town Council	14,122	46,819	60,941
Hazelwick Academy	85,530	297,454	382,984
Henfield Parish Council	1,853	6,625	8,478
Hilltop Academy	28,795	109,642	138,437
Holmbush Primary School	14,122	61,352	75,474
Horsham District Council	873,662	2,456,631	3,330,293
Hunston Parish Council	818	2,957	3,775
Hurstpierpoint Parish Council	5,970	19,733	25,703

Scheduled Body	Employee Contributions £	Employer Contributions £	Total £
Kilnwood Vale Primary School	10,602	45,765	56,367
Kingsham Primary School	20,129	83,600	103,729
Lancastrian Infant School	1,810	9,163	10,973
Lancing Parish Council	9,531	29,603	39,134
Lindfield Parish Council	3,288	11,159	14,447
Lindfield Primary School	21,167	94,249	115,416
Lindfield Rural Parish Council	1,278	4,560	5,838
Littlegreen School	18,574	80,889	99,463
Littlehampton Academy	94,303	319,379	413,682
Littlehampton Town Council	29,837	99,736	129,573
Medmerry Academy	10,465	43,926	54,391
Midhurst Town Council	3,859	13,301	17,160
Midhurst Rother College	52,061	175,896	227,957
Mid-Sussex District Council	650,713	2,761,597	3,412,310
Milton Mount Primary School	13,427	58,456	71,883
Muntham House School	102,740	330,081	432,821
National Southdowns Park	334,201	923,108	1,257,309
New Horizons Multi Academy Trust	984	4,019	5,003
North Horsham Parish Council	13,367	40,536	53,903
North Mundham Parish Council	670	2,327	2,997
Northlands Wood Primary School	21,019	75,311	96,330
Chief Constable Sussex Police	4,985,628	17,217,599	22,203,227
Orchards Junior School	25,301	95,197	120,498
Ormiston Six Villages Academy	33,976	124,736	158,712
Pagham Parish Council	914	3,263	4,177
Plaistow & Ifold Parish Council	1,885	6,004	7,889
Sussex Police & Crime Commissioner	97,837	274,718	372,555
Portfield Academy	18,097	73,292	91,389
Pound Hill Infant School	15,207	65,963	81,170
Pulborough Parish Council	4,780	16,541	21,321
Pyecombe Parish Council	207	778	985
River Beach Primary	43,147	177,049	220,196
Rose Green Junior School	16,737	68,517	85,254
Rudgwick Parish Council	2,279	8,446	10,725
Rumboldswyke C of E Infant School	2,591	9,713	12,304
Rustington Academy	24,625	101,514	126,139
Rustington Parish Council	8,634	27,222	35,856
Schoolworks Academy Trust	28,099	80,584	108,683
Seal Primary Academy	19,616	79,990	99,606
Seaside Primary School	26,283	110,828	137,111

Scheduled Body	Employee Contributions £	Employer Contributions £	Total £
Selsey Academy	17,124	70,895	88,019
Selsey Town Council	10,550	35,776	46,326
Seymour Academy	23,430	87,630	111,060
Shermanbury Parish Council	485	1,825	2,310
Shipley Parish Council	615	2,316	2,931
Shoreham Academy	90,191	302,922	393,113
Singleton & Charlton Parish Council	498	1,873	2,371
Sir Robert Woodard Academy	60,832	205,344	266,176
Slaugham Parish Council	2,330	7,420	9,750
Slinfold Parish Council	1,096	3,489	4,585
Sodexo Chichester High School	697	-	697
Southgate Primary School	18,941	77,504	96,445
Southwater Infants	16,516	64,570	81,086
Southwater Juniors	17,433	65,891	83,324
Southwater Parish Council	8,557	29,115	37,672
Southway Academy	31,556	115,871	147,427
St Josephs Catholic Primary School	13,137	57,415	70,552
St Lawrence Primary	28,703	111,836	140,539
St Mary's Catholic Primary School	15,407	66,932	82,339
St Philip Howard Catholic High School	52,584	219,557	272,141
Steyning Grammar School	46,860	189,642	236,502
Steyning Parish Council	5,081	15,665	20,746
Storrington and Sullington Parish Council	4,326	14,595	18,921
Tangmere Parish Council	1,723	6,297	8,020
Tangmere Primary	11,962	46,947	58,909
The Gatwick School	37,657	130,629	168,286
The Globe Academy	28,823	114,849	143,672
The Laurels Primary School	8,120	30,846	38,966
The March C of E Primary School	7,161	30,648	37,809
The Mill Primary School	25,634	93,314	118,948
The Oaks Academy	23,286	99,933	123,219
The Regis Academy	133,788	463,505	597,293
Thomas Bennett Community College	51,634	186,595	238,229
Turners Hill Parish Council	1,734	6,583	8,317
Twineham Parish Council	207	778	985
University of Chichester	632,122	1,822,694	2,454,816
Upper Beeding Parish Council	2,533	8,441	10,974
Warden Park Academy	90,685	303,287	393,972
Warden Park Primary Academy	27,994	101,389	129,383
Waterfield Primary School	17,930	72,748	90,678

Scheduled Body	Employee Contributions £	Employer Contributions £	Total £
West Chiltington Parish Council	1,708	5,440	7,148
West Grinstead Parish Council	1,785	5,685	7,470
West Hoathly Parish Council	1,218	4,616	5,834
West Itchenor Parish Council	474	1,870	2,344
West Sussex Council Council	13,466,194	48,467,626	61,933,820
Westbourne Parish Council	1,098	4,331	5,429
White Meadows School	44,175	167,927	212,102
Woodard Academies Trust	19,396	40,251	59,647
Worthing Borough Council	22,140	1,783,737	1,805,877
Worthing High School	63,197	208,507	271,704
Total	29,582,379	106,134,420	135,716,799

Admitted Body	Employee Contributions £	Employer Contributions £	Total £
Aspire Sussex Ltd	27,619	132,211	159,830
Balfour Beatty 2020	28,923	105,931	134,854
BAM UK Ltd	4,162	1,025	5,187
Caterlink Bourne Community College	2,103	2,927	5,030
Capita	154,312	468,277	622,589
Capita (SSO)	164,212	665,694	829,906
Carers Support 2017	1,624	6,054	7,678
Churchill Bognor Regis Nursery School	381	1,960	2,341
Churchill Central C of E Academy	227	721	948
Churchill Coastal Enterprises	242	1,246	1,488
Churchill Northolmes Junior School	219	1,125	1,344
Churchill Steyning Grammar School	8,370	40,920	49,290
Churchill Bersted Green Primary School	1,080	5,558	6,638
Churchill The Forest	1,019	5,245	6,264
Care Quality Commission	2,997	-	2,997
Crime Reduction Initiatives/Change, Grow, Live	4,493	20,097	24,590
Energy Kidz Ltd (Chichester Free School)	-	533	533
Essex Cares Ltd 2017	17,209	78,798	96,007
Freedom Leisure - Arun DC Leisure Facilities	19,472	152,463	171,935
Freedom Leisure 6V	131	473	604
Grace Eyre Northern	4,694	18,239	22,933
Grace Eyre Western	5,069	27,396	32,465
Homes & Communites Agency	40,081	187,491	227,572

Admitted Body	Employee Contributions £	Employer Contributions £	Total £
Impact Initiatives (Henfield CP)	80	528	608
Impluse Leisure	4,550	11,207	15,757
Innovate Services Ltd	1,472	7,377	8,849
Littlehampton Harbour	12,656	33,978	46,634
Martlet Homes	108,016	359,476	467,492
Mears Ltd	6,375	20,693	27,068
Medisort	1,004	4,812	5,816
Mitie Ltd	1,500	4,869	6,369
NSL Ltd 2018	3,203	15,228	18,431
Places for People	36,260	284,818	321,078
PPP Taking Care	19,848	67,779	87,627
Ridge Crest Cleaning Ltd Littlehampton Academy	1,086	6,436	7,522
Ridge Crest Cleaning Ltd Sir Robert Woodard	1,270	8,465	9,735
Ridge Crest Manor Field Primary School	628	2,716	3,344
RSPB	1,889	7,790	9,679
Saxon Weald Homes	325,687	1,302,081	1,627,768
Schoolsplus	507	3,149	3,656
Shaw Homes	26,357	109,665	136,022
Caterlink Shoreham Academy	660	2,496	3,156
Shoreham Port Authority	315,974	904,414	1,220,388
SLM Community Leisure	27,251	114,553	141,804
SLM Food & Beverage	1,851	10,256	12,107
SLM Health & Fitness	5,857	28,492	34,349
Southdowns Leisure	58,259	245,626	303,885
The Music Trust	11,956	35,166	47,122
Tivoli Group Limited	2,585	8,050	10,635
Worthing Theatres & Museums	85,711	296,606	382,317
Total	1,551,131	5,821,110	7,372,241

Appendix 4 – Stock Lending

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

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

	2019/20	2020/21	Benchmark for 12 months to 31 March 2021
Stock available to market at year end	£1,961m	£1,180m	
Stock on loan			
Average amount on loan	£121.9m ¹²	£152.1m	
Amount on loan as at 31 March	£201.7m ¹³	£87.2m	
Percentage on loan as at 31 March	10.29%	7.39%	
Utilisation	6.1%	7.8%	11.7%
Income			
Gross	£0.339m	£0.297m	
Net	£0.282m	£0.252m	
Net Return in Basis Points	1.4	16.7	25.2

For the period of the loan collateral is held against the borrower defaulting. The Fund requires that the collateral held exceeds the amount borrowed. The amount on loan as at 31st March 2021 was £87.2m and the collateral held was £91.6m which equates to 105% of the amount on loan. The amount of collateral held can vary throughout the duration of the loan. The custodian will liaise with the borrower to ensure that sufficient collateral is always held. The table below shows the type of collateral held as at 31st March 2021.

	£m
Obligations issued or guaranteed by the United States and United Kingdom	45.3
Obligations issued by other OECD member states or their local government agencies, instrumentalities or authorities provided they have a long term rating of AA- or higher	13.3
Equity from major indices	33.0
Total	91.6

¹² This figure was shown as £91m in last year’s report and has since been revised to £121.9m following revisions previously reported from Custodian.

¹³ This figure was reported as £203m in last year’s report and has since been revised to £201.9m

Appendix 5 – Investment Performance





The table below shows the long term performance of the Pension Fund and its underlying managers. All figures are to 31 March 2021.

	12 months	3 years pa	10 years pa	15 years pa
Fund	26.95 %	9.97 %	10.25 %	8.22 %
Benchmark	19.93 %	8.21 %	9.03 %	7.38 %
<i>Difference</i>	7.02 %	1.76 %	1.22 %	0.84 %
<i>By fund manager</i>				
UBS	30.51 %	8.20 %	9.19 %	7.24 %
UBS Benchmark	21.20 %	7.97 %	8.71 %	7.27 %
<i>Difference</i>	9.31 %	0.23 %	0.48 %	-0.03 %
Link (Baillie Gifford) ¹⁴	30.66 %	12.37 %	12.35 %	10.07 %
Link Benchmark	20.43 %	9.00 %	9.35 %	7.69 %
<i>Difference</i>	10.45 %	1.20 %	3.00 %	2.38 %
Aberdeen Standard	1.47 %	2.50 %	5.12 %	-
Aberdeen Standard Benchmark	2.18 %	2.34 %	4.21 %	-
<i>Difference</i>	-0.71 %	0.16 %	0.91 %	-
Private Equity	22.83 %	18.57 %	15.44 %	-
Private Equity Benchmark	39.93 %	13.48 %	14.77 %	-
<i>Difference</i>	-17.10 %	5.09 %	0.67%	-

¹⁴ Performance reflects Baillie Gifford performance since 2002 (directly held and within the ACCESS Pool).

Custodian Performance

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

		2020	2021	2021	Trend
		Fund	Fund	B’Mark	
The average monthly activity was 236 trades with a value of £176m (2019/20: 219 trades £117m). The analysis is based on late settlement as a % of average monthly income.	Value of all late settlement	5.62%	2.78%	3.96%	
	Value of outstanding settlement	0.38%	0.71%	0.22%	
Over the year, the fund received 489 income receipts with a total value of £76.9 million (2019/20: 604 income receipts totalling £64.6m). The analysis is based on late receipt as a % of average monthly income.	Value of all late income	2.34%	0.06%	4.51%	
	Value of outstanding income	0.00%	0.00%	0.00%	
The number of tax reclaims as a percentage of total average monthly tax reflects the restrictions and time periods in local jurisdictions.	Value of tax outstanding	1,388%	2,816%	2,409%	
	Number of tax reclaims outstanding	1,251%	2,071%	1,731%	
The analysis is based on small FX deals such as dividend payments which are less than \$200,000 are measured.	FX cost in basis points ¹⁵	0	-3	8	
The average credit balance during the year was £31.9m which is swept to a liquidity fund. The custodian also holds fractional balances in foreign currency on behalf of the Fund for short periods. Analysis is on credit interest by currency.	GDP	0.54%	0.05%	-0.00%	
	EUR	-0.71%	-0.80%	-0.75%	
	USD	0.41%	0.00%	0.00%	

¹⁵ Basis points are used to measure movement of less than 1%. One hundred basis points equal 1%, or put another way, one basis point equals one hundredth of a percent.

Appendix 6 – Risk Register

The Pension Fund maintains a risk register to identify key risks, consider and assess the significance, likelihood of occurrence and potential impact of the risk. The 2020/21 key risks and actions taken to mitigate these have been set out below:

Risk Theme	Action	Status
Insufficient funds to meet liabilities resulting in increased contributions required from employers or changing to a higher risk investment strategy	Prudent assumptions adopted by the Fund Actuary. Monitor, maintain and review the Investment Strategy Statement and Funding Strategy Statement. Regularly review investment performance and funding levels. Monitor and review the cash flow of the Fund.	Green
Insufficient resources to comply with the Administering Authority's Regulatory responsibilities.	Develop and monitor Business Plan on a regular basis. Ensure service contracts are clearly specified and obligations met. Implement appropriate remote working to ensure business continuity and review third party business continuity plans.	Amber
Poor quality data resulting in error and misstatement.	Implement and monitor the Data Improvement Plan to completion. Work proactively with administration team and employers as part of the end of year process. Maintain robust accounting records. Data improvement plan largely completed.	Amber
Officer, Committee and Board knowledge and understanding resulting in poor decision making and disengagement on key issues.	Develop, implement and monitor a Training Strategy. Work with external organisations to understand how training is going to be delivered in current circumstances and communicate with Committee and Board members. Training strategy under review to ensure fit for purpose. Training plan for the year to be included in 21/22 Business Plan. Induction training for potential new committee members has confirmed. Successful joint (Committee & Board) training session on ACCESS Governance held.	Green
The introduction of asset pooling impacts on the Fund's ability to implement its investment strategy successfully or the Administering Authority is considered to not comply with the relevant statutory guidance.	Continued strong involvement in the work of the ACCESS Group at officer and at Fund Chairman level. Working closely with the Access Support Unit and Operator in respect of future requirements.	Amber

Risk Theme	Action	Status
Failure to secure value for money through managing contracts with third parties	Strong contract management Compliance with procurement requirement and standing orders for provision of services to the Fund.	Green
Political environment (locally or nationally) impact on investment markets and legislative requirements.	Work closely with investment managers, other suppliers and advisers to understand potential impacts and responses. Implement and monitor the Training Strategy.	Amber
Conflict of interest for members and employers	Clearly defined roles and responsibilities for those working for the Pension Fund. Maintenance of Conflict of Interest policy and register by the County Council. Specific Pension Fund Conflict of Interest Policy will be required following implementation of SAB Good Governance project.	Green
Increase in variety and number of employers participating in the Scheme resulting in risk of non-compliance with obligations.	Clear Admission Agreements in place. Guidance published and reviewed relating to the Scheme requirements. Proactive engagement with employers. Development of employer risk framework to monitor and take steps to mitigate risk presented to the Fund in respect of participating employer liabilities.	Amber
Cybercrime resulting in personal data for members being accessed fraudulently.	Strong IT environment for administration system and web-based Portals. Officers are taking appropriate advice in considering how risk can be managed/mitigated.	Amber
Increased likelihood of employer insolvency/restructuring impacting on the Fund cashflows in via contributions and out via benefits paid/early retirement lump sums and death benefits, resulting in the Fund becoming cash flow negative earlier than expected. Also, risk of employers not being able to meet liabilities at exit.	Communication with employers to ensure they are aware of Deferral of Employer Contributions policy and to invite early discussion with regards to any workforce changes. Implement cashflow monitor and projections and review on a monthly basis. Review employer covenant and take appropriate action. Liaising with Legal team to understand actions following insolvency.	Amber
Remote working results in increased governance pressure within the Fund, Council and partner organisations.	Discuss governance arrangements with partner organisations to ensure they meet expectations and requirements. Scheme of delegation under review to ensure fit for purpose in current climate. Impact of restrictions on end of year processes and staff availability being assessed and reviewed.	Amber

Risk Theme	Action	Status
<p>Political pressure results in change to investment strategy due to ESG factors resulting in the Fund being required to restrict Fund Manager investments and/or the Fund being challenged on fiduciary duty.</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 to reflect RI strategy. Consultation with members and employers to get feedback on ISS.</p>	<p>Amber</p>
<p>Fund not able to implement changes required as a result of McCloud judgement due to insufficient resources or incomplete information held by employers</p>	<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.</p> <p>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.</p> <p>The team continue to engage with the LGA and SAB to keep up to date with developments and best practice guidance.</p>	<p>Amber</p>

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Appendix 7 – Audit Assurance

External Audit Certificate to follow



Appendix 8 – Pension Fund Documents

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

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

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

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

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

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

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

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

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

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

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

Appendix 9 – Contact and Services

Key services provided to pensioners, members and employing bodies:

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

Self-service portal

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

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

Key information sources for members

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

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

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

Contacting us

Email: pensions@hants.gov.uk

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

Or by writing to:

Hampshire Pensions Services
The Castle
Winchester
Hampshire
SO23 8UB

Ensuring accuracy and confidentiality

The website address below will lead to the Fund Privacy notice

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

LGPS Member and Employer site

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

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

The Pensions Advisory Service & Pensions Ombudsman

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

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

Phone: 0800 011 3797

Address: Money and Pensions Service
120 Holborn
London
EC1N 2TD

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

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

Email: enquiries@pensions-ombudsman.org.uk

Phone: 0800 917 4487

Address: 10 South Colonnade
Canary Wharf
E14 4PU

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The Local Government Pension Scheme (LGPS) is a valuable part of the pay and reward package for employees. The LGPS is a national Scheme. West Sussex County Council has responsibility for managing and administering the LGPS for the local area.

22,274
Pensioners



26,574
active members

31,958
deferred members

The oldest member ever in the Fund is **108yrs 206 days old**

£112m
paid in by employers

£31m
paid in by members

The LGPS is funded. Contribution from members and employers are invested by the Fund. However, as a 'defined benefit' Scheme pension benefits are guaranteed, based on a members' pensionable pay and are not dependent on the returns achieved by the Fund on its investments.

207
employers actively paying into the scheme

£143m
received in contributions

£118m
benefits paid

£5.5bn
pension fund value

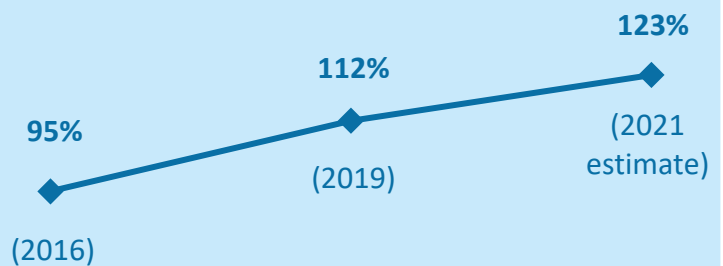
The Fund has a key objective to ensure the accuracy and completeness of the information held to deliver a good administration service to all stakeholders.

Hampshire County Council has provided the Pension Administration service for the Fund since 4 March 2019.

6,894 key member processes were completed in 2020/21 and 100% of Key Performance Indicators were met.

Members can find out information about their benefits via the Portal <https://upmliveportal.hants.gov.uk/>

A key health check of the Pension Fund's performance is the Pension Fund's valuation which is carried out by the Fund's actuary every three years.



This has allowed the Pension Fund to reduce contribution rates for its major employers where appropriate.

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**Key decision: N/A
Restricted/Unrestricted**

Report to Pensions Committee

21 July 2021

Business Plan

Report by Director of Finance and Support Services

Summary

The Pensions Committee approved its Business Plan for 2021/22 in March 2021. The Business Plan sets out the aims and objectives of the fund over the coming year, its core work and how the objectives will be achieved.

The Pensions Committee's approach, historically, has been to review its business plan annually at the start of the year and consider the risks faced by the Fund.

The following are noted as updates to priorities within the 2021/22 Business Plan:

- Officers have been working to implement the agreed investment arrangements and the benchmarking principles from the Investment Strategy Statement.
- The main Data Improvement Project has been completed. Work in relation to the 2022 Valuation will be critical to provide assurance on the completeness of this work.
- The Pension Fund completed its draft Statement of Accounts for the Fund's auditors, EY, on 18 May 2021 and the Fund's Annual Report has been provided to this Committee for their feedback and approval.

In terms of risk:

- The Pension Fund team currently has a vacancy (1 FTE) and is therefore managing work priorities within the resource available.
- The ability for the Fund to implement its investment strategy successfully through the asset pool arrangement will be reviewed over the next few months in line with the implementation of the agreed investment arrangements.
- Proven effective arrangements in relation to remote working has resulted in this risk theme being moved to green.
- A consultation response in relation to Guaranteed Minimum Pension (GMP) Indexation and a High Court judgement in relation to Exit Credits have been provided during the quarter. The outcome of these have been considered by officers.

Recommendations

- (1) To note the updates on Business Plan activities for 2021/22.

- (2) To agree the Training Strategy as set out in Appendix A.
- (3) To note the risk matrix for the Fund as set out in Appendix B.

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.
- 1.2 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:

2021/22 Actions	30 June 2021 Update
<p>Investment Strategy Statement: Implement strategy and develop reporting and monitoring framework.</p>	<p>A detailed report has been provided to the Committee on the progress to implement its new investment arrangements.</p> <p>The Investment Strategy Statement also includes a principle relating to its monitoring and review. Aberdeen (property) have confirmed that the Fund’s portfolio will be included as part of the GRESB ESG benchmarking with results expected in the Autumn. In addition, Officers are working with third parties to review the Responsible Investment approach by the appointed investment managers.</p>
<p>Changes required as a result of the McCloud judgement: 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>The team have requested that employers provide data required for them to apply anticipated legislative changes to member benefits. The information provided is being worked on by the team, and employers who are yet to provide the required information are being contacted.</p>

2021/22 Actions	30 June 2021 Update
<p>2022 Valuation preparation: Work with advisers to integrate employer risk framework into the 2022 valuation and future monitoring arrangements.</p>	<p>A project plan will be developed over the next quarter for activities from 1 October onwards. It is anticipated that employer meetings will be held by March 2022.</p>
<p>Communications: 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 and Hampshire Pension Services are working to update areas of the website, particularly focused on the employer area.</p> <p>Officers have made representation to the Pensions Regulator (tPR) to confirm that the Fund will follow the principles of the Pension Scams Industry Group Code of Good Practice through the information it provides to members and the process which support tPR's expectations.</p>
<p>Data: 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 main Data Improvement Project has been completed but the team continue to work through outstanding historic leaver cases in anticipation of this being complete by 31 October 2021. Preparation for and the 2022 Valuation will be critical to provide assurance on the completeness of this work. Data improvement work will then be considered as a Business as Usual activity with projects scoped as appropriate.</p>
<p>Robust Accounting: Complete the Pension Fund's Statement of Accounts by the statutory deadline and work with the external auditors on their review.</p>	<p>Draft Statement of Accounts were provided to the Fund's auditors, EY, on 18 May 2021. It is anticipated that the audit work will complete by 31 July and the accounts will be considered by the Regulation and Audit Committee in 16 September 2021.</p>
<p>Annual Report: 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 has been provided to the Committee for their comments and approval, subject to the ongoing audit work and Regulation and Audit Committee consideration on 16 September 2021.</p>
<p>Accounting System: 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. This has been attached (Appendix A).

3.2 The Fund 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 modules should be completed before the October Committee meeting or November PAB meeting. The below shows percentage completed up to 30 June 2021:

Module	1	2	3	4	5	6
	Intro	Gov.	Admin	Funding	Invest.	Current Issues
Cllr Donnelly						
Cllr Baxter						
Cllr Urquhart	50	7				
Cllr Hunt	33					
Cllr Dennis						
Ms. Taylor						
Mr. Kipling	100	100	58	100	100	100
Cllr Jupp						
Cllr Elkins						
Cllr Condie						

3.3 Key additional training for the Committee have been summarised below.

Internal

- September 2021 – RAAC Financial Accounts Briefing
- October 2021 – LINK Fund Solutions
- October 2021 – Completion of LOLA modules
- November/December 2021 – The Actuarial Valuation process
- January 2022 – Employer Risk / Employer Management

External

- 7th July 2021 – Scheme Advisory Board LGPS Live (Virtual)
- 1st September 2021 – Scheme Advisory Board LGPS Live (Virtual)
- 9th-10th September 2021 – LGC Investments and Pensions Summit (Leeds)
- 6th October 2021 - Scheme Advisory Board LGPS Live (Virtual)
- 12th October 2021 – LGA Fundamentals I (London or Virtual)
- 9th November 2021 – LGA Fundamentals II (London or Virtual)

- 2nd December 2021 – LGA Fundamentals III (London or Virtual)
- 18th November 2021 – SPS Local Authority Pension Funds Sustainable Investment Strategies (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 following are highlighted:
- a) The register includes the risk of insufficient resources to comply with the Administering Authority's Regulatory responsibilities. The Fund currently has a vacancy and is therefore managing work priorities within the resource available. Currently the risk score remains amber.
 - b) The register includes the risk of asset pooling impacting on the Fund's ability to implement its investment strategy successfully. This will be reviewed over the next few months in line with the implementation of the agreed investment arrangements. Currently the risk score remains amber.
 - c) The register includes the risk that remote working results in increased governance pressure within the Fund, Council and partner organisations. Proven effective arrangements in relation to remote working has resulted in this risk theme being moved to green.
 - d) The register includes the risk that the political environment (locally or nationally) impact on investment markets and legislative requirements. In its response to the Guaranteed Minimum Pension (GMP) Indexation in Public Service Pension Schemes consultation the Government have directed public service pension schemes to provide full indexation to members with a guaranteed minimum pension, reaching state pension age beyond 5 April 2021. This will increase the Fund's liability for these members and some minor additional work by the administration team. However, it is not considered that this is material and the risk score remains amber.
 - e) The register includes the risk of an increase in variety and number of employers participating in the Scheme resulting in risk of non-compliance with obligations. On 27 May 2021, the High Court provided its judgement in the case of [EMS & Amey v Secretary of State for MHCLG](#). The case relates to the non-payment of a £6.5m exit credit by the Northamptonshire Pension Fund. Whilst the judge agreed with the position taken by Northamptonshire he provided instructions about what an Administering Authority can and cannot do when considering an exit credit, particularly around pre-determination and giving primacy to any single factor. In line with its risk mitigations, the Fund has sought actuarial advice on the current Funding Strategy Statement, and it is considered that the Fund's Strategy to consider "representations" from parties avoids the issues associated with this case. It is considered that the mitigations in place remain appropriate and the risk score remains amber.

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

Agenda Item 9

Council receives internal audit reports from its administration provider, Hampshire County Council.

5.2 Audit work completed and planned for the year has been summarised below:

Key area	Update
<p>Pensions, payroll and benefit calculations: 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>Audit work completed for 2020/21 providing a "substantial assurance" opinion. This reflects the sound system of governance, risk management and control, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited. There were no suggested areas for improvement recommended.</p> <p>The audit for 2021/22 will be underway by 31 December 2021.</p>
<p>Pension Starters: 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>Audit outline provided. It is anticipated that work will be completed by the end of September 2021.</p>
<p>National Fraud Initiative: Full exercise undertaken October 2020 and completed within 6 months and to be undertaken again in October 2022.</p>	<p>The Cabinet Office's National Fraud Initiative ran in October 2020. This project provides potential inappropriate payment because of a member being deceased. Of the 199 cases identified from this exercise the pensions administration team had suspended all pensions payments and so no overpayments had occurred.</p>

5.3 Additional internal audit work is also proposed to include accounting for pension payroll, recoveries and contribution receipts, employer assets and cashflows, governance and investments.

6 Consultation, engagement and advice

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

N/A

9 Policy alignment and compliance

N/A

Katharine Eberhart

Director of Finance and Support Services

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

Appendices

Appendix A – Training Strategy

Appendix B – Risk Themes

Background papers

None

Recommended Training

Hymans LGPS Online Learning Academy – Module 2 – Business Planning

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West Sussex Pension Fund

Training Strategy



Training Strategy

This is the training strategy for the West Sussex Pension Fund.

The training strategy is established to aid the Pension Committee and Pension Advisory Board members in performing and developing personally in their individual roles and to equip them with the necessary skills and knowledge to act effectively in line with their responsibilities. This is in the context of:

The Pensions Regulator's Code of Practice relating to the requirements of the knowledge and understanding of the Pension Advisory Board (see Annex 1 for more information).

The Knowledge and Skills Framework developed by CIPFA (see Annex 2 for more information).

Guidance covering the knowledge and understanding of the Pension Advisory Board issued by the Scheme Advisory Board (SAB) (see Annex 3 for more information).

Although the legal requirements in relation to the Pension Advisory Board are more stringent than any obligations enforceable on Pension Committee members or Officers, the expectation is that the same knowledge and understanding requirements should apply. Therefore this strategy applies equally.

This strategy was approved by the Pension Committee on [July 2021] and is effective from that date. This strategy is expected to be appropriate for the long-term but it will be reviewed annually, and if necessary, more frequently to ensure it remains accurate and relevant.

Background

It is appropriate for the Pension Fund to establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding to support Pension Advisory Board, Pension Committee and Officers. The responsibility for ensuring that a framework is developed and implemented is ultimately the Scheme Manager, supported by Finance Manager – Pension Fund Governance.

Notwithstanding the above, it is ultimately the members' responsibility to ensure that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their function as a member of the Committee or Board.

It is also a requirement that to maintain the Funds professional investor status under MiFID II that all Committee members attend regular training events and conferences, ensuring their investment knowledge is up to date.

Strategy Objectives

The West Sussex Pension Fund's objectives relating to knowledge and skills are to:

- a. Ensure that the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise;
- b. Ensure the Pension Fund is effectively governed and administered; and
- c. Ensure decisions are robust, are well founded and comply with regulatory requirements or guidance from the Pensions Regulator, the Scheme Advisory Board and the Secretary of State for Communities and Local Government.

To assist in achieving these objectives, the County Council will aim for full compliance with the areas of knowledge and understanding set out by the Pensions Regulator in their Code of Practice (No. 14) and CIPFA Knowledge and Skills Framework. Attention will also be given to the guidance issued by the Scheme Advisory Board and guidance issued by the Secretary of State. Members of the Pension Committee, members of the Pension Advisory Board and Officers require a knowledge and understanding of:

- The **relevant Pensions Legislation** including LGPS Regulations and any other regulations governing the LGPS;
- Public Sector **governance** including responsibilities delegated by West Sussex County, the roles and responsibilities and duties of the scheme manager and other committees and effective decisions in the management of the Pension Fund including risk assessments / management and risk registers.
- The fundamental requirements relating to **financial markets and pension fund investments** including investment performance, risk management and the Investment Strategy Statement;
- The **operation and administration** of the Pension Fund including any document recording policy / scheme-approved policy about the administration of the Pension Fund and Pensions Accounting and Auditing Standards;
- **Actuarial methods, standards and practices** and controlling and monitoring the funding level including the Funding Strategy Statement; and
- Pensions Services **procurement and relationship management**;

- Such other matters as may be prescribed.

To support this, members of the Pension Committee, members of the Pension Advisory Board and Officers will:

- Have their knowledge measured and assessed;
- Receive appropriate training to fill any knowledge gaps identified; and
- Seek to maintain their knowledge.

Further details on how this will be achieved are set out in the next section (Delivery of Training).

Given the importance of the roles of Chairman of the Pension Committee and Chairman of the Pension Advisory Board in leading and shaping the direction of their respective bodies, it is expected that they will both be able to demonstrate an additional level of knowledge and skills to that required by the other members of the Pension Committee and Pension Advisory Board.

How the strategy meets West Sussex Pension Fund objectives

The strategy meets the following objectives of the West Sussex Pension Fund as set out in the Business Plan –

- Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance;
- Manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers;
- Ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment;
- Continually monitor and measure clearly articulated objectives through business planning; and
- Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.

Delivery of Training

Training Plans and Resources

To be effective, training must be recognised as a continual process and will be centred on three key points –

- The individual;
- The general pensions environment;
- Coping with change and current talking points.

All members and officers should commit sufficient time in their learning and development and be aware of their responsibilities immediately when they take up their position.

Members of the Pension Committee, members of the Pension Advisory Board and Officers will have their knowledge measured and assessed at least annually via a questionnaire.

Training plans will be developed by officers at least on an annual basis following a review of the above assessments to ensure as far as possible individual members receive appropriate training to fill any knowledge gaps identified. These will be updated as required taking account of the identification of any knowledge gaps, changes in legislation, key events (e.g. the triennial valuation) and receipt of updated guidance. However it is recognised that a rigid training plan can be detrimental. Learning programmes will therefore be flexible to deliver the appropriate level of detail required.

Members of the Pensions Committee, Pension Advisory Board and Officers will be expected to maintain their knowledge through continuing attendance at training events, reading material and conferences as appropriate.

Consideration will be given to various training resources available in delivering training to the Pension Committee, members of the Pension Advisory Board and officers. These may include but are not restricted to:

Delivery	Commentary	Board	Committee	Officers
Induction training	This will involve covering the requirements of the training strategy alongside guidance and information on the requirements of their roles.	✓	✓	✓
LGPS Online Learning Academy (LOLA)	On line tool covering six modules: <ul style="list-style-type: none"> • An introduction to the LGPS • LGPS Governance & Oversight Bodies • Administration and Fund Management • Funding and Actuarial Matters • Investments • Current Issues It is expected that all modules are completed.	✓	✓	✓

Delivery	Commentary	Board	Committee	Officers
The Pension Regulator's e-learning programme	<p>On line tool covering eight short modules:</p> <ul style="list-style-type: none"> • Conflicts of Interests; • 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. <p>The toolkit is designed specifically with Pension Advisory Board members in mind but the material covered is of equal relevance to members of the Pension Committee and Officers.</p> <p>It is expected that all modules are completed.</p>	✓	✓	✓
Attending courses, seminars and external events	<p>Notification of appropriate training events will be sent on receipt and a log will be included within the Business Plan updates to each of the relevant meetings.</p> <p>After attendance at an external event, Members and Officers will be asked to provide feedback via a feedback form which will be issued by Officers covering the following points:</p> <ul style="list-style-type: none"> • Their view on the value of the event and the merit, if any, of attendance; • A summary of the key learning points gained from attending the event; and • Recommendations of any subject matters at the event in relation to which training would be beneficial to other Pension Committee, Pension Advisory Board members or other Officers. <p>This will assist with ensuring relevant training is offered in the future and enable Officers to ensure that the Fund is meeting the requirements of the Pension Regulator.</p>	✓	✓	✓

Delivery	Commentary	Board	Committee	Officers
Internally developed training days and pre/post meeting sessions or in collaboration with other Funds or frameworks	Owing to the changing world of pensions, it will also be necessary to have ad hoc training on emerging issues or on a specific subject on which a decision is to be made by the Committee in the near future or is subject to review by the Board.	✓	✓	✓
Regular updates from officers and/or advisers including circulated reading material	This can be provided as necessary depending on the topical issues arising which the Fund is facing, to ensure up to date knowledge.	✓	✓	✓
Self-improvement and familiarisation with regulations and documents	Formal training can be used to highlight sources of further information for supplementary reading. Information held on the internet – such as webinars – can be used as a source of further information.	✓	✓	✓
Training for qualifications from recognised professional bodies (e.g. CIPFA, CIPP, PMI)	As agreed by the Director of Finance, Performance and Procurement, to meet the needs of the service and where necessary in keeping with the requirements of apprenticeship training			✓

Risk

Risk Management

The compliance and delivery of this training strategy is at risk in the event of:

- Frequent changes in membership of the Pension Committee or Pension Advisory Board;
- Poor individual commitment;
- Resources not being available;
- Poor standards of training;
- Inappropriate training plans.

These risks will be monitored by officers within the scope of this training strategy and be reported where appropriate.

ANNEX 1

Pension Regulators Area of Knowledge and Understanding

Legal requirements

A member of the pension board of a public service pension scheme must be conversant with:

- the rules of the scheme, and
- any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme.

A member of a pension board must have knowledge and understanding of:

- the law relating to pensions, and
- any other matters which are prescribed in regulations.

The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the pension board

Practical guidance

The legislative requirements about knowledge and understanding only apply to pension board members. However, scheme managers should take account of this guidance as it will support them in understanding the legal framework and enable them to help pension board members to meet their legal obligations

Schemes should establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding to support their pension board members. Schemes should designate a person to take responsibility for ensuring that a framework is developed and implemented.

However, it is the responsibility of individual pension board members to ensure that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the pension board.

Areas of knowledge and understanding required

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. Being 'conversant' means having a working knowledge of the scheme regulations and policies, so that pension board members can use them effectively when carrying out their duties.

They must also have knowledge and understanding of the law relating to pensions (and any other matters prescribed in legislation) to the degree appropriate for them to be able to carry out their role, responsibilities and duties.

In terms of documented administration policies, specific documents recording policy about administration will vary from scheme to scheme. However, the following are examples of administration policies which the regulator considers to be particularly pertinent and would expect to be documented where relevant to a pension scheme, and with which pension board members must therefore be conversant where applicable. This list is not exhaustive and other documented policies may fall into this category:

- any scheme-approved policies relating to:
 - conflicts of interest and the register of interests
 - record-keeping
 - internal dispute resolution
 - reporting breaches
 - maintaining contributions to the scheme
 - the appointment of pension board members
- risk assessments/management and risk register policies for the scheme
- scheme booklets, announcements and other key member and employer communications, which describe scheme policies and procedures
- the roles, responsibilities and duties of the scheme manager, pension board and individual pension board members
- terms of reference, structure and operational policies of the pension board and/or any sub-committee
- statements of policy about the exercise of discretionary functions
- statements of policy about communications with members and scheme employers
- the pension administration strategy (or equivalent), and
- any admission body strategy (or equivalent)

For pension board members of funded pension schemes, documents which record policy about the administration of the scheme will include those relating to funding and investment matters. For example, where relevant they must be conversant with the statement of investment principles and the funding strategy statement.

Pension board members must also be conversant with any other documented policies relating to the administration of the scheme.

Where DC or DC AVC options are offered, pension board members should also be familiar with the requirements for the payment of member contributions to the providers, the principles relating to the operation of those arrangements, the choice of investments to be offered to members, the provider's investment and fund performance report and the payment schedule for such arrangements.

Schemes should prepare and keep an updated list of the documents with which they consider pension board members need to be conversant. This will enable them to effectively carry out their role. They should make sure that both the list and the documents are available in accessible formats.

Degree of knowledge and understanding required

The roles, responsibilities and duties of pension boards and their individual members will vary between pension schemes. Matters for which the pension board is responsible will be set out in scheme regulations. Clear guidance on the roles, responsibilities and duties of pension boards and the members of those boards should be set out in scheme documentation.

Schemes should assist individual pension board members to determine the degree of knowledge and understanding that is sufficient for them to effectively carry out their role, responsibilities and duties as a pension board member.

Pension board members must have a working knowledge of their scheme regulations and documented administration policies. They should understand their scheme regulations and

policies in enough detail to know where they are relevant to an issue and where a particular provision or policy may apply.

Pension board members must have knowledge and understanding of the law relating to pensions (and any other prescribed matters) sufficient for them to exercise the functions of their role. Pension board members should be aware of the range and extent of the law relating to pensions which applies to their scheme, and have sufficient understanding of the content and effect of that law to recognise when and how it impacts on their responsibilities and duties.

Pension board members should be able to identify and where relevant challenge any failure to comply with:

- the scheme regulations
- other legislation relating to the governance and administration of the scheme
- any requirements imposed by the regulator, or
- any failure to meet the standards and expectations set out in any relevant codes of practice issued by the regulator.

Pension board members' breadth of knowledge and understanding should be sufficient to allow them to understand fully and challenge any information or advice they are given. They should understand how that information or advice impacts on any issue or decision relevant to their responsibilities and duties.

Pension board members of funded pension schemes should ensure that they have the appropriate degree of knowledge and understanding of funding and investment matters relating to their scheme to enable them to effectively carry out their role. This includes having a working knowledge of provisions in their scheme regulations and administration policies that relate to funding and investment, as well as knowledge and understanding of relevant law relating to pensions.

All board members should attain appropriate knowledge so that they are able to understand the relevant law in relation to their scheme and role. The degree of knowledge and understanding required of pension board members may vary according to the role of the board member, as well as the expertise of the board member. For example, a board member who is also a pensions law expert (for instance, as a result of their day job) should have a greater level of knowledge than that considered appropriate for board members without this background.

Acquiring, reviewing and updating knowledge and understanding

Pension board members should invest sufficient time in their learning and development alongside their other responsibilities and duties. Schemes should provide pension board members with the relevant training and support that they require. Training is an important part of the individual's role and will help to ensure that they have the necessary knowledge and understanding to effectively meet their legal obligations.

Newly appointed pension board members should be aware that their responsibilities and duties as a pension board member begin from the date they take up their post. Therefore, they should immediately start to familiarise themselves with the scheme regulations, documents recording policy about the administration of the scheme and relevant pensions law. Schemes should offer pre-appointment training or arrange for mentoring by existing pension board members. This can also ensure that historical and scheme specific knowledge is retained when pension board members change.

Pension board members should undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses. They should use a personalised training plan to document and address these promptly.

Learning programmes should be flexible, allowing pension board members to update particular areas of learning where required and to acquire new areas of knowledge in the event of any change. For example, pension board members who take on new responsibilities will need to ensure that they gain appropriate knowledge and understanding relevant to carrying out those new responsibilities.

The regulator will provide an e-learning programme to help meet the needs of pension board members, whether or not they have access to other learning. If schemes choose alternative learning programmes they should be confident that those programmes:

- cover the type and degree of knowledge and understanding required
- reflect the legal requirements, and
- are delivered within an appropriate timescale.

Demonstrating knowledge and understanding

Schemes should keep appropriate records of the learning activities of individual pension board members and the board as a whole. This will help pension board members to demonstrate steps they have taken to comply with legal requirements and how they have mitigated risks associated with knowledge gaps. A good external learning programme will maintain records of the learning activities of individuals on the programme or of group activities, if these have taken place.

ANNEX 2

CIPFA Requirements

CIPFA Knowledge and Skills Framework

In January 2010 CIPFA launched technical guidance for Elected Representatives on s101 Pension Committees and non-executives in the public sector within a knowledge and skills framework. The framework covers six areas of knowledge identified as the core requirements:

- Pensions legislative and governance context;
- Pension accounting and auditing standards;
- Financial services procurement and relationship development;
- Investment performance and risk management;
- Financial markets and products knowledge; and
- Actuarial methods, standards and practice.

The Knowledge and Skills Framework sets the skills required for those responsible for pension scheme financial management and decision making under each of the above areas in relation to understanding and awareness of regulations, workings and risk in managing LGPS funds.

Local Pension Boards: A Technical Knowledge and Skills Framework

In August 2015 CIPFA extended the Knowledge and Skills Framework to specifically include members of Local Pension Boards, albeit there exists an overlap with the original Framework. The Framework identifies the following areas as being key to the understanding of local pension board members;

- Pensions Legislation;
- Public Sector Pensions Governance;
- Pensions Administration;
- Pensions Accounting and Auditing Standards;
- Pensions Services Procurement and Relationship Management;
- Investment Performance and Risk Management;
- Financial markets and product knowledge;
- Actuarial methods, standards and practices.

CIPFA's Code of Practice on Public Sector Pensions Finance, Knowledge and Skills (the "Code of Practice")

CIPFA's Code of Practice, issued in 2013, embeds the requirements for the adequacy, acquisition, retention and maintenance of appropriate knowledge and skills required. It recommends (amongst other things) that LGPS administering authorities:

- formally adopt the CIPFA Knowledge and Skills Framework in its knowledge and skills
- ensure the appropriate policies and procedures are put in place to meet the requirements of the Framework (or an alternative training programme);
- publicly report how these arrangements have been put into practice each year

The West Sussex Pension Fund fully supports the intentions behind CIPFA's Code of Practice and has agreed to formally adopt its principles. This training strategy formally sets out the

arrangements the West Sussex Pension Fund will take in order to comply with the principles of the Code of Practice.

ANNEX 3

Guidance from the Scheme Advisory Board

General Principles

The Scheme Advisory Board has taken note of the regulatory requirements and the principles of the Pension Regulator's Code of Practice and in January 2015 published Guidance for administering authorities to support them in establishing their Local Pension Board. The Guidance includes a section designed to help Pension Advisory Board members to understand their knowledge and understanding obligations.

Knowledge and understanding must be considered in the light of the role of a local pension board and West Sussex County Council will make appropriate training available to assist and support PAB members in undertaking their role.

Committee Members

Although the CIPFA Knowledge and Skills Framework complements the Code of Practice that should be adopted by administering authorities there is no legal requirement for knowledge and understanding for members of an s101 Pension Committee. However, it is proposed that members of the Pension Committee should have no less a degree of knowledge and skills than those required in legislation by the Local Pension Board.

Degree of Knowledge and Understanding

The role of the Pension Advisory Board is to assist the Scheme Manager i.e. the administering authority. To fulfil this role, Pension Advisory Board members should have sufficient knowledge and understanding to challenge failure to comply with regulations, any other legislation or professional advice relating to the governance and administration of the LGPS and/or statutory guidance or Codes of Practice.

Pension Advisory Board members should understand the regulatory structure of the LGPS and the documentary recording of policies around the administration of the West Sussex Pension Fund in enough detail to know where they are relevant and where it will apply.

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Ref	Risk Theme	Action	Mar-21	Jul-21
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.	Communication with employers to ensure they are aware of Deferral of Employer Contributions policy and to invite early discussion with regards to any workforce changes. Communication with ceding employers to understand the impact and support being provided to pass through employers. Implement cashflow monitor and projections and review on a monthly basis. Review employer covenant and take appropriate action.	Amber	Amber
RT2	Remote working results in increased governance pressure within the Fund, Council and partner organisations.	Discuss governance arrangements with partner organisations to ensure they meet expectations and requirements. <i>Impact of restrictions on all processes and staff availability including third parties continues to be assessed and reviewed. Review of Scheme of Delegation concluded, and changes approved by Governance Committee.</i> <i>Review of Onward Scheme of Delegation underway.</i>	Amber	Green
RT3	Political and/or employer pressure results in change to investment strategy due to ESG factors resulting in the Fund being required to restrict Fund Manager investments and/or the Fund being challenged on fiduciary duty.	Ensure active engagement by Fund Managers with companies in all areas. Regular dialogue with Fund Managers regarding reasoning behind the stock being held. Keep up to date with Scheme Advisory Board and Government guidance. Engagement with employers to inform them of the Fund approach to ESG and RI and to enable them to respond to any queries. <i>Updated ISS approved and published.</i> <i>Review of communication with stakeholders regarding Fund ESG approach.</i> <i>Consultation due from MHCLG with regards to responsible investment.</i> <i>Consultation due on TCFD reporting.</i>	Amber	Amber
RT4	Insufficient funds to meet liabilities resulting in increased contributions required from employers or changing to a higher risk investment strategy	Prudent assumptions adopted by the Fund Actuary. Monitor, maintain and review the Investment Strategy Statement and Funding Strategy Statement. Regularly review investment performance and funding levels. Monitor and review the cash flow of the Fund.	Green	Green

Ref	Risk Theme	Action	Mar-21	Jul-21
RT5	Insufficient resources to comply with the Administering Authority's Regulatory responsibilities.	Develop and monitor Business Plan on a regular basis. Ensure service contracts are clearly specified and obligations met. Implement appropriate remote working to ensure business continuity and review third party business continuity plans. <i>Current vacancy being managed within the team.</i>	Amber	Amber
RT6	Poor quality data resulting in error and misstatement.	Implement and monitor the Data Improvement Plan to completion. Work proactively with administration team and employers as part of the end of year process. Maintain robust accounting records. Data improvement plan largely completed. <i>Risk status to be reviewed following full Actuarial Valuation.</i>	Amber	Amber
RT7	Officer, Committee and Board knowledge and understanding resulting in poor decision making and disengagement on key issues.	Develop, implement and monitor a Training Strategy. Work with external organisations to understand how training is going to be delivered in current circumstances and communicate with Committee and Board members. Training strategy under review to ensure fit for purpose. Training plan for the year to be included in 21/22 Business Plan. <i>Induction training for Committee and Board members completed.</i> <i>LGPS online learning academy to be completed by all Committee and Board members and all officers by October 2021.</i>	Green	Green
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.	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. <i>54% of Fund invested in ACCESS. All equities and bonds to be in pool by end of financial year.</i>	Amber	Amber
RT9	Failure to secure value for money through managing contracts with third parties	Strong contract management. Compliance with procurement requirement and standing orders for provision of services to the Fund.	Green	Green
RT10	Political environment (locally or nationally) impact on investment markets and legislative requirements.	Work closely with investment managers, other suppliers and advisers to understand potential impacts and responses. Implement and monitor the Training Strategy. <i>See update on RT3</i>	Amber	Amber

Ref	Risk Theme	Action	Mar-21	Jul-21
RT11	Conflict of interest for members and employers	Clearly defined roles and responsibilities for those working for the Pension Fund. Maintenance of Conflict of Interest policy and register by the County Council. <i>Specific Pension Fund Conflict of Interest Policy being developed following Good Governance project recommendations.</i>	Green	Green
RT12	Increase in variety and number of employers participating in the Scheme resulting in risk of non-compliance with obligations.	Clear Admission Agreements in place. Guidance published and reviewed relating to the Scheme requirements. Proactive engagement with employers. Development of employer risk framework to monitor and take steps to mitigate risk presented to the Fund in respect of participating employer liabilities.	Amber	Amber
RT13	Cyber-crime resulting in personal data for members being accessed fraudulently.	Strong IT environment for administration system and web-based Portals. Officers are taking appropriate advice in considering how risk can be managed/mitigated. <i>Officers working with partners to codify arrangements.</i>	Amber	Amber
RT14	Fund not able to implement changes required as a result of McCloud judgement due to insufficient resources or incomplete information held by employers	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. <i>Team is working with employers where data has not been provided.</i> <i>Regulations and guidance pending from Government.</i>	Amber	Amber

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**Key decision: N/A
Unrestricted**

Report to Pensions Committee

21 July 2021

Pension Administration

Report by Director of Finance and Support Services

Summary

At 30 June 2021 the Scheme had 81,255 members, an increase of 1.8% since 31 March 2021.

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

The Data Improvement Plan was closed with effect from 31 March 2021. The remaining historic leaver forms continue to be worked on and tracked each month. It is envisaged that this will be complete by 31 October 2021.

In terms of key projects with the team, as at 30 June 2021,

- all active employers (207) had returned their annual return. The receipt of this information from employers is a critical milestone in the production of the Annual Benefit Statements.
- 98.7% of deferred annual benefit statements had been produced. Active annual benefit statements will be produced by the team through July and August in compliance with the statutory deadline of 31 August.
- As at 31 May 2021, 150 of 212 data sets had been received to assist the team in completing updating membership records following the McCloud judgement.

Recommendations

- (1) The update is noted with particular attention to the work associated with end of year returns and the publication of Annual Benefit Statements to members.
 - (2) To note the approach agreed by the Director of Finance and Support Services in relation to receipt of a Voluntary Scheme Pays election.
-

Proposal

1 Background and context

- 1.1 Hampshire County Council provides the Pension Administration Service for West Sussex County Council. The administration team are based in Winchester and the County Council work closely with Hampshire County Council.
- 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 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.
- 1.3 At 30 June 2021 the Scheme had 81,255 members as analysed below.

	31/03	30/06	Movement
Active	26,574	26,118	-1.7% (456)
Deferred	31,958	32,710	+2.3% (752)
Pensioner	22,274	22,427	+0.7% (153)
Total	80,806	81,255	+1.8% (449)

2 Administration Performance – Business as Usual Activity

- 2.1 Case work An Administration Strategy sets out performance expectations for employers and the Administering Authority. The current Authority's performance against service standards for key processes are summarised below and shown in detail in Appendix A. With some exceptions the expectation is that most cases work is completed within 15 working days of receipt of accurate details.

Case Type	Quarter Total Cases	Quarter Completed on Time (%)	12 Month Total Cases	12 Month Completed on Time (%)
Active Retirement	101	100%	495	100%
Deferred Retirement	150	100%	619	100%
Estimates	483	100%	1,169	100%
Deferred Benefits	685	100%	3,065	100%
Transfers In/Out	36	100%	130	100%
Divorce	36	100%	157	100%
Refunds	104	100%	481	100%
Rejoiners	65	100%	291	100%
Interfunds	71	100%	268	100%
Death Benefits	101	100%	511	100%
Total	1,832		7,112	

- 2.2 For the last 12 months, the Pensions Team have been performing at 100% in all areas.
- 2.3 The main Data Improvement Plan was closed with effect from 31 March 2021 following work on issues identified through work undertaken by the team

following transfer. The remaining historic leaver forms continue to be worked on and tracked each month. It is envisaged that this will be complete by 31 October 2021.

Contribution Receipt

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

Promotion of Portal

- 2.5 LGPS members can register for a pensions account on the member portal so that they can see their annual benefit statements online, as well as access and update their personal details. Pensioner members can view their payslips and P60s. It is now mandatory for an employer to provide an email address for all new joiners as part of the new starter notification process. The member portal is also promoted in all deferred and retirement letters and was promoted as part of the Annual Benefit Statement process.
- 2.6 Since 31 March 2021 there has been a 4% increase in registrations. Registrations at 30 April 2021 have been tabulated below:

	Number	% of population
Active	13,735	51.63%
Deferred	6,983	21.55%
Pensioner	2,848	12.74%
Total	22,696	28.96%

3 Administration Performance – Project Work

End of Year Returns

- 3.1 As at 30 June 2021, all employers (207) had returned their annual return. Of these 206 annual returns have been reconciled and uploaded to the system resulting in data queries generated for 74 employers. The receipt of this information from employers is a critical milestone in the production of the Annual Benefit Statements.

Annual Benefit Statements

- 3.2 As at 31 May 2021, 98.6% (31,538 out of 31,966) of deferred annual benefit statements have been produced. The statutory deadline is 31 August and the team will continue to work on the outstanding deferred statements.
- 3.3 Active annual benefits are being published over July and August. As with deferred statements, the statutory deadline is 31 August.

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.
- 3.5 As at 31 May 2021, 150 of 212 data sets had been received to assist the team in completing updating membership records following the McCloud judgement. The team are in contact with those employees who have outstanding data sets, to understand if there is any reason for the delay and encourage them to return the information requested as soon as possible.

4 Complaints

- 4.1 Hampshire Pension Services report complaints received on a monthly basis. This allows officers to consider lessons learnt and any service improvements to be implemented.
- 4.2 The table below sets out the number and themes of complaints received within the quarter and the last twelve months (1 July 2020 to 30 June 2021).

Theme	No. Complaints (Quarter)	No. Complaint (12 months)
Response Times	1	2
Error in Pension Figures	1	2
Delay in retirement benefits	1	1
Unhappy with wording on Member Portal		1
Loss of Investment with AVC, following a transfer into the Scheme from another Local Authority		1
Unhappy with cheque payment being stopped	1	1
Discrepancy between Member portal estimated figures and estimate received		1
Delay in set up of UPM record		1
Enrolment Complaint (Employer)	1	1

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 March there has been two low risk data breaches reported, which have been logged through the County Council’s IT Security Incident Report. The breaches were caused by a member’s payslip being incorrectly included within the envelope of another member. The causes of the incidences have been investigated. The move to electronic payslips reduces the risk associated with bulk mailings going forwards.

6 Administering Authority Discretions – Addition

Voluntary Scheme Pays

- 6.1 The Annual Allowance is the amount by which the value of a members' pension benefits (including pension savings outside the LGPS) may increase in any one year without them having to pay a tax charge. The value has been set at £40,000 per annum. Most members will not be affected by the Annual Allowance tax charge but if a member receives a significant pay increase each year or is a higher earner they may be impacted. The Fund has a statutory duty to write to scheme members who breach the annual allowance (solely because of pension savings within the Fund) by 6 October each and every year (a Pensions Saving Statement) and anyone who has exceeded the Annual Allowance is required to report this to HMRC by completing a self-assessment tax return.
- 6.2 If a member incurs a tax liability for exceeding their annual allowance, they are normally required to pay their tax charges directly to HMRC but they can request that their annual allowance charge is met by the pension scheme (the "Scheme Pays"). Under the Scheme Pays method, the Fund will pay the tax charge directly to HMRC and will reduce the member's future pension benefits to account for this payment. This can be accessed via two routes:
- i. **Mandatory Scheme Pays:** This is available to most active members where a member's annual allowance charge in a tax year exceeds £2,000. If a member makes an election to use Mandatory Scheme Pays the Fund has no discretion to refuse provided that the election is made by HMRC's deadline. The Fund then becomes jointly liable for the charge and must pay the tax due. Members benefits are then reduced to reflect the payment.
 - ii. **Voluntary Scheme Pays:** There are some limited circumstances where the member does not have the right to make a 'Mandatory Scheme Pays' election. In these circumstances the Fund has a discretion to pay a scheme member's annual allowance tax charge on a voluntary basis with a corresponding reduction to the member's benefits. There is no statutory requirement for an Administering Authority to agree to Voluntary Scheme Pays requests and they do not become jointly liable for the charge. This means that the liability for the annual allowance charge would remain with the member.
- 6.3 To ensure that it is clear to members when the Fund may consider a request for Voluntary Scheme Pays, the Director of Finance and Support Services has agreed the following approach to the matter, which will be added to the Administering Authority's Discretions Policy.

*The Director of Finance and Support Services will consider a request for Voluntary Scheme Pays where **each** of the conditions below are met:*

- *the member is subject to the tapered annual allowance*
- *the member exceeds the standard annual allowance*
- *a member is not able to utilise Mandatory Scheme pays*
- *their AA calculation relates solely to the West Sussex LGPS*
- *where the AA charge is above £2,000*
- *the Fund is notified by the end of November following the tax year.*

OR

- *In exceptional circumstances where the member was not provided with the necessary information and has missed the Mandatory Scheme Pays deadline due to administrative difficulties caused by the Administering Authority, and*
- *following identification of the administrative error and the Fund notifying the member of the availability of Voluntary Scheme Pays, the member notifies the Fund within a reasonable time of their request to use Voluntary Scheme Pays.*

7 Other options considered (and reasons for not proposing)

N/A

8 Consultation, engagement and advice

N/A

9 Finance

The Pension Fund continues to finance the data improvement work being completed by the administration team.

10 Risk implications and mitigations

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

Risk	Mitigating Action (in place or planned)
<p>Poor quality data resulting in error and misstatement.</p>	<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. Maintain robust accounting records.</p> <p>Data improvement plan largely completed.</p> <p>Risk status to be reviewed following full Actuarial Valuation.</p>
<p>Increase in variety and number of employers participating in the Scheme resulting in risk of non-compliance with obligations.</p>	<p>Clear Admission Agreements in place.</p> <p>Guidance published and reviewed relating to the Scheme requirements.</p> <p>Proactive engagement with employers.</p> <p>Development of employer risk framework to monitor and take steps to mitigate risk presented to the Fund in respect of participating employer liabilities.</p>

Risk	Mitigating Action (in place or planned)
Cybercrime resulting in personal data for members being accessed fraudulently.	<p>Strong IT environment for administration system and web-based Portals.</p> <p>Officers are taking appropriate advice in considering how risk can be managed/mitigated. Officers working with partners to codify arrangements.</p>

11 Policy alignment and compliance

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

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Appendices

Appendix A - Administration Performance Previous 12 Months (1 July 2020 to 30 June 2021)

Appendix B – Contribution Receipts Previous 12 Months (1 June 2020 to 31 May 2021)

Background papers

None

Training

Hymans LGPS Online Learning Academy - Module 2 – Introduction to Administration | Module 6 – Understanding McCloud

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Administration Performance Previous 12 Months (1 July 2020 to 30 June 2021)

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

	Q2 2020/21	Q2 2020/21	Q3 2020/21	Q3 2020/21	Q4 2020/21	Q4 2020/21	Q1 2021/22	Q1 2021/22	12 Month	12 Month
	No on time	% on time	No on time	% on time	No on time	% on time	No on time	% on time	No on time	% on time
Active Retirement	73	100%	129	100%	118	100%	101	100%	495	100%
Deferred Retirement	160	100%	158	100%	151	100%	150	100%	619	100%
Estimates	279	100%	235	100%	172	100%	483	100%	1169	100%
Deferred Benefits	920	100%	724	100%	736	100%	685	100%	3065	100%
Transfers in / out	31	100%	34	100%	29	100%	36	100%	130	100%
Divorce	41	100%	37	100%	43	100%	36	100%	157	100%
Refunds	135	100%	150	100%	92	100%	104	100%	481	100%
Rejoiners	62	100%	71	100%	93	100%	65	100%	291	100%
Interfunds	56	100%	76	100%	65	100%	71	100%	268	100%
Death Benefits	143	100%	139	100%	128	100%	101	100%	511	100%
Total	1,900		1,753		1,627		1,832		7,112	

The table below shows work in progress as at 30 June 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 work on under the historic leavers and interfunds project, which forms part of the data improvement plan.

	Cases in progress 0-5 days from receipt	Cases in progress 6-10 days from receipt	Cases in progress 11-15 days from receipt	Cases in progress 16-20 days from receipt	Cases in progress 21-30 days from receipt	Cases in progress 31 + days from receipt	Cases in progress Total
Active Retirement	9	25	8	0	0	0	42
Deferred Retirement	20	18	8	1	1	0	48
Estimates	43	65	45	22	8	4	187
Deferred Benefits	49	85	97	63	78	0	372
Transfers in / out	1	1	0	1	0	1	4
Divorce	13	4	4	1	0	4	26
Refunds	4	0	2	0	0	0	6
Rejoiners	10	7	3	0	3	10	33
Interfunds	10	4	3	5	2	2	26
Death Benefits	8	3	0	4	2	4	21
Total	167	212	170	97	94	25	765

Contribution Receipts Previous 12 Months (1 June 2020 to 31 May 2021)

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

It should be noted:

- All payments have now been received
- One employer has paid late in April and May

	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	April	May	12 Mth
Late	1	1	1	2	3	0	2	2	2	1	5	3	2
On time	199	196	197	199	201	205	204	204	205	206	199	201	201
% Late of Active Employers	0.5%	0.5%	0.5%	1.0%	1.5%	0.0%	1.0%	1.0%	1.0%	0.5%	2.5%	1.5%	1.0%
Average Days Late	173	12	31	1	7	0	22	5	6	12	15	3	24
Total Amount Late (£)	5,195	2,024	1,054	8,317	79,858	0	116,760	8,226	20,112	645	10,678	12,516	22,115
% Late of Total c'butions	0.05%	0.02%	0.00%	0.07%	0.64%	0.00%	1.00%	0.07%	0.17%	0.01%	0.09%	0.11%	0.19%

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