

Public Document Pack

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6 May 2022

Pension Advisory Board

A virtual meeting of the Board will be held at **9.30 am** on **Monday, 16 May 2022**.

Note: This meeting will be held virtually with members in remote attendance. Public access is via webcasting.

Items 1 to 14 in Part I of the agenda will be available to watch via the internet at the address below. Items 15 to 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

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 11 February 2022.

3. Urgent Matters

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

4. Part II Matters

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

5. **Progress Statement**

There are no outstanding issues for consideration.

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

The Board is asked to note the confirmed Part I minutes from the meeting of the Pensions Committee on 4 February 2022 and the agenda from the meeting of the Pensions Committee on 29 April 2022.

(a) **4 February 2022 - Part I Pensions Committee Minutes** (Pages 11 - 16)

(b) **29 April 2022 - Pensions Committee Agenda** (Pages 17 - 20)

7. **Actuarial Valuation 2022** (Pages 21 - 26)

The Board is asked to consider the Actuarial Valuation Report from the 29 April 2022 Pensions Committee by the Director of Finance and Support Services.

8. **Business Plan Update** (Pages 27 - 76)

Report by the Chairman of the Pension Advisory Board.

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

9. **Administration procedures and performance** (Pages 77 - 92)

The Board is asked to consider the Administration Report from the 29 April 2022 Pensions Committee by the Director of Finance and Support Services.

10. **Communication Strategy** (Pages 93 - 98)

Report by Director of Finance and Support Services.

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

11. **Regulations and Governance update** (Pages 99 - 104)

Report by the Chairman of the Pension Advisory Board.

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

12. **Policy Documents** (Pages 105 - 124)

Report by Director of Finance and Support Services.

The Board is asked to note the register of Policy Documents and the changes made to the Governance Policy and Compliance Statement approved by the Pensions Committee at their meeting on 29 April 2022.

13. **Cyber Security** (Pages 125 - 128)

The Board is asked to consider the Cyber Security Report from the 29 April 2022 Pensions Committee by the Director of Finance and Support Services.

14. **Date of Next Meeting**

The next meeting of the Board will be held at 9.30 am on Monday 5 September 2022.

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 129 - 130)

To confirm the part II minutes of the meeting of the Board held on 11 February 2022.

17. **Pensions Committee Minutes – Part II** (Pages 131 - 136)

The Board is asked to note the confirmed Part II minutes from the meeting of the Pensions Committee on 4 February 2022 (yellow paper).

18. **Update from ACCESS Joint Committee activity and proposals for change to governance (March 2022)** (Pages 137 - 144)

The Board is asked to consider the following report which went to the Pensions Committee on 29 April 2022.

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

19. **Investment Strategy Implementation** (To Follow)

The Board is asked to consider an extract of the Investment Strategy Implementation report which went to the Pensions Committee on 29 April 2022.

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

To all members of the Pension Advisory Board

Pension Advisory Board

11 February 2022 – At a meeting of the Pension Advisory Board held at 9.30 am at Virtual meeting with restricted public access.

Present: Peter Scales (Chairman)

Richard Cohen, Miranda Kadwell, Kim Martin and Tim Stretton

Apologies were received from Becky Caney and Chris Scanes

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

Part I

32. Declarations of Interests and Conflicts

32.1 None declared.

33. Part I Minutes of the last meeting

33.1 Resolved – That the minutes of the meeting of the Board held on 15 November 2021 be approved as a correct record and signed by the Chairman.

34. Progress Statement

34.1 Resolved – That the Board notes that there are no outstanding issues.

35. Pensions Committee Minutes - Part I

35.1 The Board considered the confirmed Part I minutes from the 25 October 2021 Pensions Committee meeting and the Agenda from the 4 February 2022 Pensions Committee meeting (copies appended to the signed minutes).

35.2 The Chairman highlighted that Annual Benefit Statement Progress was almost at 100%. It was noted that cybercrime had been discussed at the Committee and was also referred to within the Business Plan update.

35.3 Resolved – That the minutes and agenda be noted.

36. Business Plan Update

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

36.2 The Chairman introduced the report and explained that Miranda Kadwell and Becky Caney's terms on the Board were due to end in November 2022. The Chairman had spoken with both members who were

willing to continue being representatives on the Board for another term. Virtual meetings were discussed and that there appeared to be less discussion than in person meetings. The situation would continue to be monitored in line with the County Council's pandemic response with regard to meeting arrangements.

36.3 Rachel Wood confirmed that cybercrime had been discussed at the Pensions Committee and that a report would be coming to their next meeting. This would then come to the following Board meeting.

36.4 The Chairman drew attention to the LGPS On-Line Learning Academy (LOLA) progress and reported that Miranda Kadwell had completed all modules since the publication of the agenda papers.

36.5 Resolved – That the Board:

1. Agrees the performance report for 2021/22 in Appendix A, and that the Pensions Committee and Governance Committee be informed.
2. Notes the Pensions Committee's business plan update report attached as Appendix B.
3. Notes the training log in Appendix C.

37. Administration procedures and performance

37.1 The Board received a report by the Director of Finance and Support Services that had been considered at the 4 February Pensions Committee meeting (copy appended to the signed minutes).

37.2 Tara Atkins introduced the report and highlighted that a new category of member had been included to cover preserved refunds for those who had left the service with more than three months service but less than two years of membership and had not transferred their holdings or requested a refund. Portal membership was being carefully monitored, particularly regarding pensioners, where the shift in approach by the Pension Fund would be to make documents digital by default for this membership group – although there would be the option to request hard copies.

37.3 The Board made comments including those that follow.

- Queried the number of members with preserved refunds was particularly high. – Andrew Lowe resolved to look into this and see how West Sussex's figures compared to other funds.
- Asked for details on the time limit to request a refund. – Tara Atkins confirmed that the current legislation was a five-year time limit.
- Noted the progress made with Annual Benefit Statements and queried if the incompleteness was a breach. – Tara Atkins confirmed this was a breach and would be reported to the Director of Finance and Support Services. The materiality was being considered to see if it would meet the Pension Regulator criteria for a breach and require reporting to them.

- Queried if the costs outlined in the report excluded investment costs. – Rachel Wood confirmed that the report excluded Governance and Investment costs and only covered administration.
- Noted that the average cost was lower than the LGPS average, but asked if anything could be done to have similar costs to the Hampshire Pension Fund. – Andrew Lowe felt the costs were as low as they could be and reflected that West Sussex had retained some functions which added to their costs. Rachel Wood added that the West Sussex costs also included the onboarding costs and data improvement activities.
- Sought an update on McCloud progress. – Andrew Lowe reported that there had been as much data collection activity as possible. There were still uncertainties to be resolved before the work could be completed.
- Noted that Hampshire Pension Services seemed to retain staff well.

37.4 Resolved – That the Board notes the update.

38. Communication Strategy

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

38.2 Tara Atkins introduced the report which set out the communication documents that had been updated in the last quarter. The Chairman confirmed that draft pensioner newsletters had been circulated to the Board and that they were happy with the contents.

38.3 The Board made comments including those that follow.

- Sought clarity on the impact of the changes in state pension age arrangements from 2016 concerning split increases. – Tara Atkins explained that was linked to Contracting Out arrangements that ended in April 2016.
- Queried if those who would be impacted by the changes were aware of the impact of the split increase change. – Tara Atkins confirmed that where someone in the fund was impacted, they would always receive a direct letter to explain the situation.

38.4 Resolved – That the Board notes the schedule of Communications drawn from the Communication Policy Statement and that the feedback provided on the pensioner newsletter and the Communication presented at the meeting is noted by officers.

39. Regulations and Governance update

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

39.2 The Chairman introduced the report and confirmed that he had circulated Bulletin 219. The Chairman discussed how CIPFA had stopped its Pensions Panel, but now the Scheme Advisory Board (SAB) had set up a Compliance and Reporting Committee which will be Chaired by a CIPFA

nominee. The Chairman felt it would be important to see how this would impact how regulations would be facilitated.

39.3 The Chairman highlighted that the SAB had updated their statement regarding the lack of Scheme Member representation on the ACCESS Joint Committee following a letter from ACCESS to explain the reasons for the decision.

39.4 Resolved – That the Board notes current issues relating to Scheme Regulations and Governance.

40. Review of Pension Fund Policy Documents

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

40.2 Vickie Hampshire introduced the report which considered two policies. The Governance Policy and Compliance Statement had been previously delayed due to the upcoming Good Governance review by the Scheme Advisory Board, however as there were a number of changes required to reflect the arrangements in West Sussex the policy had been updated prior to the conclusion of this review. It was therefore now being presented to the Board for their feedback.

40.3 The Chairman noted the Treasury Management policy and explained that this was not a regulatory requirement, but a CIPFA financial requirement. Vickie Hampshire added that the guidance showed a policy was required as a separate bank account was held.

40.4 The Board sought clarity on the monetary limits and queried if £5m was low. – Rachel Wood explained that there was an aim for the pension fund to hold minimum cash and so the limit was appropriate.

40.5 Resolved – That the Board notes the register of policy documents and the that the feedback provided on the presented policies is noted by officers.

41. Actuarial Update

41.1 The Board received a report by the Director of Finance and Support Services that had been considered at the 4 February Pensions Committee meeting (copy appended to the signed minutes).

41.2 Rachel Wood introduced the report and confirmed with the Board that they had been provided opportunity to watch a recording of the relevant section of the 4 February Pensions Committee concerning the Section 13 update from the Fund Actuary. The report showed that the fund was in a good place and was ensuring contribution stability.

41.3 The Board made comments including those that follow.

- Sought clarity over the use of the Government Actuary's Department (GAD) and SAB's basis for comparison. – Rachel Wood confirmed these were not used to calculate funding or contribution levels within the West Sussex Pension Fund, but were used to provide a like for like comparison.

- Queried the assumptions that had been used in the calculations for contribution rates and if they would likely be revised to reduce contribution rates. – Rachel Wood explained that the Fund Actuary would consider this as part of the valuation cycle. Prudence was considered to align with the long-term contribution strategy to ensure lower and stable rates.
- Asked if climate risks would be consistent for all funds. – Rachel Wood confirmed that GAD wanted consistency, but it was not clear how this would be applied across all funds and strategies.
- Queried the consistency of the funding plan. – Rachel Wood explained that the twenty-year funding plan would be at seventeen years at the next valuation. The fund actuary focussed on a long-term open pension fund.
- Sought clarity on the recommendation that the SAB should review asset transfer arrangements and if this would apply to West Sussex. – Rachel Wood explained that transfers out needed to pay reasonable amounts to hit this threshold. The fund sought advice from the Fund Actuary for transfers.
- Queried the appropriate distance with the actuary and how often they should be changed. – Rachel Wood confirmed that the Hymans Robertson was subject to review and that National guidance was sought for frequency.
- Discussed the onus for the Administration Authority to challenge actuary reports and asked how reports were checked for bias. – Rachel Wood explained that there was no independence checks but confirmed that reports were checked for conflicts. Hymans Robertson also submitted assurance reports.

41.4 Resolved – That the report be noted.

42. Date of Next Meeting

42.1 The Board noted that its next scheduled meeting would take place on Monday 16 May 2022 at 9.30 a.m.

43. 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.

44. Part II Minutes of the last meeting

The Board agreed the Part II minutes of the 15 November 2021 meeting and they were signed by the Chairman.

45. Pensions Committee Minutes – Part II

The Board noted the contents of Part II minutes from the 25 October 2021 Pensions Committee meeting.

46. ACCESS Update

The Board considered the report by the Director of Finance and Support Services from the 4 February 2022 Pensions Committee (copy appended to the signed minutes).

The Board noted the report.

47. Extract of the Investment Strategy Implementation Report from Pension Committee meeting on 4 February 2022

The Board considered an extract from the Investment Strategy Implementation Report by the Director of Finance and Support Services from the 4 February 2022 Pensions Committee (copy appended to the signed minutes).

The Board noted the report.

The meeting ended at 11.05 am

Chairman

Pensions Committee

4 February 2022 – At a meeting of the Pensions Committee held at 10.00 am at County Hall, Chichester, PO19 1RQ.

Present: Cllr Hunt (Chairman)

Cllr Condie, Cllr J Dennis (left at 1.55pm), Cllr Elkins, Cllr N Jupp, Cllr Turley, Cllr Urquhart, Mr Kipling and Ms Taylor (left at 1.00pm)

Part I

31. Declarations of Interests

31.1 The Chairman opened the meeting and announced that Ms Taylor would be standing down as the Member representative on the Committee at the end of March. The Chairman thanked Ms Taylor for her time on the Committee.

31.2 None declared.

32. Part I Minutes of the last meeting

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

33. Pension Advisory Board Minutes - Part I

33.1 The Committee considered the confirmed Part I minutes from the 26 July 2021 Pension Advisory Board meeting; and the Agenda from the 15 November 2021 meeting (copies appended to the signed minutes).

- a. Queried if the November minutes were available for consideration.
– Adam Chisnall, Democratic Services Officer, explained that the minutes were only shared once they had been confirmed. The same principle was applied to the Pension Advisory Board considering the Pensions Committee minutes.
- b. The Chairman noted the items on the November agenda and commented that the Regulation and Guidance update would be useful for the Pensions Committee Members. – Adam Chisnall confirmed that the report was available on the Pension Advisory Board webpage.
- c. Sought clarity on the minor amendments that were mentioned in minute 10.2. – Rachel Wood, Pension Fund Strategist, confirmed that the amendments referred to illiquid assets which had been updated in the final version of the Financial Statements. The amendments were minor in nature and were all anticipated variants due to the timing of the valuations being received.

33.2 Resolved – That the minutes and agenda be noted.

34. Business Plan

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

34.2 Rachel Wood introduced the report and highlighted the training opportunities that were available. Later in the meeting the Committee were due to receive a presentation from the fund actuary on the upcoming valuation. Training would also be developed after this.

34.3 The Committee made comments including those that follow.

- a. Sought clarity on the progress of the McCloud progress. – Rachel Wood explained that there was continuing engagement with employers to highlight the importance of data. Officers were still waiting on government guidance for some elements of the project.
- b. Queried if there was a particular employer type that was not engaging on the McCloud project. – Rachel Wood explained there were only two employers who were not engaging, and they had been contacted to escalate the importance.
- c. Commented that the titles of some of the training were the same and enquired if they had different content. – Rachel Wood resolved to circulate clarity on the items.
- d. Queried if the introduction of the Pensions Dashboard would cause additional resource requirements. – Rachel Wood confirmed that officers were looking into the dashboard to understand the potential impact.
- e. Asked how cybersecurity was approached and how systems were checked for resilience. – The Chairman confirmed that the Chief Information Officer & Head of IT had recently attended the Regulation, Audit and Accounts Committee (RAAC) to explain the approach taken to safeguard against cyberattacks. RAAC members had been reassured by the actions taken. The risk remained red to reflect the nature of the cybercrime environment. Andrew Lowe, Head of Pensions, Investments and Borrowing, Hampshire County Council, agreed that this was an important topic. Mitigations from attacks were considered by the administration team and penetration tests had been undertaken.
- f. Commented that cyberattack risks for third parties concerned more than just member data and felt more emphasis could be required for all risk impacts. – The Chairman resolved to develop the wording for the next meeting.
- g. Sought clarity on the timescales for the accounting system implementation. – The Chairman resolved to ensure details were circulated to the Committee.

34.4 The Chairman highlighted the 7 April training in London that would be of benefit to Committee members.

34.5 Resolved – that the updates on Business Plan activities and risk matrix be noted.

35. Pension Administration Performance

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

35.2 Rachel Wood introduced the report and confirmed that all casework had been completed on time. Pensioners had been asked to register for the Member Portal to receive their payslips going forward.

35.3 Andrew Lowe confirmed that 39 employers had been written to where there were concerns with data quality. 36 of these had responded and were engaging with the administration team.

35.4 The Committee made comments including those that follow.

- a. Queried the stopping of hard copy documents for pensioner members and how this could impact those without portal access. – Rachel Wood explained that whilst the policy was now electronic by default, members could still opt for hard copies.
- b. Sought clarity on the contact approaches for pensioners on the opt in options for receipt of hard copy payslips. – Andrew Lowe confirmed that an online only approach had been deemed inappropriate for this.
- c. Queried the reasoning behind the electronic by default decision and if gaps would be monitored. – Andrew Lowe confirmed that the administration team would be monitoring the coverage and confirmed that no one was being forced to go digital. Rachel Wood explained that decision was not cost based, but about improving communications and encouraging portal usage which would help with maintaining accurate data.
- d. Asked if the cost benchmarking was for administration and also fund management costs. – Rachel Wood confirmed that the report only concerned administration costs.
- e. Queried why administration costs had dropped from 2019/20 to 2020/21. – Rachel Wood explained that 2019/20 had included onboarding costs for the administration transfer and also costs for data improvements. As data improved it was forecasted that costs would reduce.
- f. Sought clarity over the materiality of complaints received. – Andrew Lowe confirmed that the materiality of complaints was low.
- g. Queried the criteria for what constituted a complaint. – Andrew Lowe confirmed that the team were diligent on this and that the tone of all messages were considered and logged as complaints accordingly.
- h. Asked if the progress table showed there was a trend of cases slipping. – Rachel Wood explained that the table showed where cases were in progress. Cases were only timed where they were with the team to process, the clock was paused where the team were waiting on information from members or employers.

35.5 Resolved – That the update be noted.

36. Treasury Management Report

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

36.2 Rachel Wood introduced the report and explained that this was an annual report to provide confirmation of compliance.

36.3 The Chairman confirmed that the Treasury Management Strategy would also be considered with the budget at the February County Council meeting.

36.4 Resolved – that the Committee approves the 2022/23 Treasury Management Strategy and notes the treasury activity undertaken during 2021/22.

37. Actuarial Valuation 2022

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

37.2 Rachel Wood introduced the report which outlined the Government's Section 13 report from the 2019 valuation of the fund.

37.3 Steven Law, Fund Actuary, gave a presentation on the Section 13 report of the 2019 Valuation, and the plans for the 2022 valuation (copy appended to the signed minutes).

37.4 The Committee made comments including those that follow.

- a. Queried if Hymans Robertson had been too cautious with their assumptions. – Steven Law explained that all assumptions had been considered, with the aim to keep things stable. This would ensure funding level and contribution rates were as stable as possible. The plan built in prudence and resilience to achieve the 18% contribution rate for the long term.
- b. Noted the graph outlining long term cost efficiencies at 2019 and queried if it was possible to compare with previous years. – Steven Law reported that it would be possible to look back to 2010.
- c. Queried the 148% solvency level for West Sussex and how this related to the percentage de risking factor. – Steven Law explained that the Scheme Advisory Board basis was for National comparison only. De risking would be considered with each valuation.
- d. Noted that West Sussex had the highest funding level and queried which fund had the next highest level. – Steve Law confirmed that the current funding level was 148% on the Scheme Advisory Board basis and that the next highest level belonged to Kensington and Chelsea.
- e. Noted that Government Actuary's Department's (GAD) rating for the fund's maturity level and queried if this could be challenged. Steven Law's opinion was that the fund's maturity level was high. GAD did not give details on how their measurement was derived and it is unlikely the Fund would be able to influence the criteria.
- f. Raised concerns with the consumer prices risk. – Steven Law confirmed that this was monitored and is a key risk and assumption for the 2022 valuation.

37.5 Resolved – That the update be noted.

38. Date of the next meeting

38.1 The Committee noted that its next scheduled meeting would take place on 29 April 2022 at County Hall, Chichester.

39. 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.

40. Part II Minutes of the last meeting

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

41. Pension Advisory Board Minutes - Part II

The Committee noted the contents of the Part II minutes from the 26 July 2021 Pension Advisory Board meeting.

42. Update from ACCESS Joint Committee activity (6 December 2021)

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

The Committee considered the report and agreed the report recommendations.

43. Investment Strategy Implementation

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

The Committee considered the report and agreed the report recommendations.

44. Review of Pension Investment Performance

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

The Committee welcomed the advice.

45. Presentation by ABRDN

The Committee received an update from Matthew Cunliffe, Mark McKelvey, Laura Hughes and Georgie Nelson from ABRDN on the portfolio performance for the quarter.

46. Presentation by JP Morgan

Agenda Item 6a

The Committee received an update from Richard Bannister and Gilly Zimmer from JP Morgan on the portfolio performance for the quarter.

The meeting ended at 2.40 pm

Chairman

Tony Kershaw
Director of Law and Assurance

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21 April 2022

Pensions Committee

A meeting of the Committee will be held at **10.00 am** on **Friday, 29 April 2022** at **County Hall, Chichester, PO19 1RQ**.

Tony Kershaw
Director of Law and Assurance

Agenda

Part I

10.00 am 1. **Declarations of Interests**

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

It is recorded in the register of interests that:

- Cllr Elkins is a Member of Arun District Council
- Cllr Hunt is a Member of the Chichester Harbour Conservancy
- Cllr Jupp is a Member of Horsham District Council

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

10.02 am 2. **Part I Minutes of the last meeting** (To Follow)

The Committee is asked to agree the Part I minutes of the meeting of the Committee held on 4 February 2022 attached (cream paper).

10.04 am 3. **Urgent Matters**

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

10.04 am 4. **Part II Matters**

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

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

The Committee is asked to note the confirmed Part I minutes from the meeting of the Pension Advisory Board on 15 November 2021 and the agenda from the meeting of the Pension Advisory Board on 11 February 2022.

(a) **15 November 2021 - Part I Pension Advisory Board Minutes** (Pages 5 - 10)

(b) **11 February 2022 - Pension Advisory Board Agenda** (Pages 11 - 14)

10.10 am 6. **Business Plan** (Pages 15 - 46)

Report by the Director of Finance and Support Services.

The Committee is asked to note the updates on Business Plan activities for 2021/22 and the full risk matrix. The Committee is also asked to approve the priorities for 2022/23.

10.30 am 7. **Governance Policy and Compliance Statement Review** (Pages 47 - 64)

Report by the Director of Finance and Support Services.

The Committee is asked to approve the Governance Policy and Compliance Statement for publication. The Committee is also asked to invite the Pension Advisory Board to consider the approved text.

10.45 am 8. **Pension Administration Performance** (Pages 65 - 80)

Report by the Director of Finance and Support Services.

The Committee is asked to note the report.

11.05 am 9. **Cyber Security** (Pages 81 - 84)

Report by the Director of Finance and Support Services.

The Committee is asked to recommend that officers continue to monitor cyber security and risk; and that Pension Committee Members and Pension Advisory Board members undertake to complete the LOLA training and the tPR toolkit training.

11.20 am 10. **Actuarial Valuation 2022** (Pages 85 - 90)

Report by the Director of Finance and Support Services.

The Committee is asked to note the report.

11.50 am 11. **Date of the next meeting**

The next meeting of the Pensions Committee will be 10.00 a.m. 27 July 2022 at County Hall.

Part II

11.50 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.

11.50 am 13. **Part II Minutes of the last meeting** (To Follow)

To confirm the Part II minutes of the meeting of the Committee held on 4 February 2022, for members of the Committee only (yellow paper).

11.55 am 14. **Pension Advisory Board Minutes - Part II** (Pages 91 - 92)

The Committee is asked to note the confirmed Part II minutes from the meeting of the Pension Advisory Board on 15 November 2021 (yellow paper).

12.00 pm 15. **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).

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

The Committee to receive a presentation on portfolio performance.

1.00 pm **Break for the Committee**

1.45 pm 17. **Presentation by Goldman Sachs**

The Committee to receive a presentation on portfolio performance.

2.30 pm 18. **Update from ACCESS Joint Committee activity and proposals for change to governance (March 2022)** (Pages 93 - 100)

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

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

2.45 pm 19. **Investment Strategy Implementation** (Pages 101 - 112)

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

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

To all members of the Pensions Committee

Key decision: Not applicable**Unrestricted**

Report to Pensions Committee**29 April 2022****Actuarial Valuation 2022****Report by Director of Finance and Support Services**

Summary

Under the Regulations, the Administering Authority must obtain an actuarial valuation of the assets and liabilities of the pension fund. Work has started to obtain an updated position from the Fund Actuary as at 31 March 2022. However, as with 2019 the valuation exercise will be undertaken during a period of significant uncertainty.

Amending Regulations in relation to the December 2018 the Court of Appeal judgement, that found the protections introduced in some public service pension schemes during their reform in 2015 discriminated on grounds of age (McCloud), are expected later this year. Currently the Public Service Pensions and Judicial Offices Bill is at the Public Bill Committee stage and various amendments have been proposed. Prior to any Regulations coming into force, and because of Authorities needing to complete their valuation exercises, the Department for Levelling Up, Housing and Communities (DLUHC) have suggested that all Authorities should (primarily) value members' benefits as required by the various Regulations in force on 31 March 2022.

In addition, a judicial review of whether the impact of the McCloud case should be included in the Cost Control Mechanism is expected to be heard in May or June 2022. The outcome of this is likely to determine whether certain member borne costs have caused employer costs of the schemes to increase/decrease by more than 2% from a predetermined cost envelope – and therefore whether changes are required to member to benefits or employee contributions.

Recommendation: That the Pensions Committee notes the report.

1 Background

- 1.1 Under Regulation 62, the Administering Authority must obtain an actuarial valuation of the assets and liabilities of the pension fund as at 31st March 2016 and on 31st March in every third year afterwards (ie 2019, 2022 etc) and a report by an actuary in respect of the valuation.¹

¹ The Government consulted on "Local government pension scheme: changes to the local valuation cycle and management of employer risk" in May 2019. There has not been a response from Government on proposed amendments to the local fund valuations from the current 3-year (triennial) to a 4-year (quadrennial) cycle.

2 Funding Update

- 2.1 In reaction to Russia's invasion of Ukraine, equity markets fell, with some particularly volatile movements in individual sectors and stocks, and sharp rises in the price of some commodities. This has exposed the fund to some short-term volatility. However, market volatility is expected, and the Fund Actuary has indicated this will not have a significant impact on the expected results of the valuation.
- 2.2 Assumptions are still to be reviewed (particularly in relation to future inflation) but on a like for like basis with the 2019 valuations the funding level is estimated to have increased from around 112% to 120%. Higher inflation will dampen the increase in the funding level.
- 2.3 It is best practice to review all the Fund's financial and demographic assumptions at each valuation to take account of how the Fund's membership and investment strategy have changed, and to reflect any changes in the environment within which the Fund operates (economic, demographic, political etc.). Officers are discussing the financial and demographic assumptions with the Fund's Actuary and will provide an update for the Committee's consideration in July 2022.

3 2022 Valuation – McCloud

- 3.1 In December 2018, the Court of Appeal found that the transitional protections introduced to the judicial and firefighters' schemes during the reform of public service pensions in 2015 discriminated on grounds of age. On 15 July 2019 the UK Government issued a written ministerial statement to confirm that as transitional protection was provided in all public service schemes, the ruling (generally referred to as the McCloud judgment) had implications for all those schemes, including the LGPS in England and Wales. Whilst proposals to address the specific discrimination in the LGPS have been set out in a written ministerial statement on 13 May 2021, changes have not yet been made to regulations. The amending regulations are expected to be made later this year.
- 3.2 The Public Service Pensions and Judicial Offices Bill began its Public Bill Committee stage on 27 January. Amendments proposed by MPs which are of relevance to the LGPS include those set out on the following page:

Proposed Amendment	Context	Impact
Increasing the scope	To include members who were not active on 31 March 2012 but have LGPS membership before that date. For example, someone who was a deferred LGPS member on 31 March 2012 but who re-joined and aggregated sometime before 1 April 2022 and did not have a disqualifying break, will now be in scope. In addition, broadly comparable schemes will now not count as part of a disqualifying break, meaning staff who were TUPE transferred out to such a scheme are not penalised.	The administration team have collected McCloud data for all members with CARE membership. The Fund Actuary has advised the impact of this increased scope will be de minimus on funding levels and contribution rates.
Final salary benefits	To allow regulations to provide final salary benefits for transferred-in service from different public service schemes where the service benefitted from final salary protection in the other scheme.	Additional data may need to be requested from other public service schemes in these instances.
Requirement to aggregate	To require members to aggregate service in order to qualify for underpin protection.	It is unclear how this will be accomplished (e.g. by member choice or through automatic aggregation).
Pension credits and debits	To allow an adjustment of pension credits and debits (which arise in divorce proceedings or on termination of a civil partnership) to reflect the remedy.	The fund's administrators may need to recalculate credits and debits. It is currently unclear how any over/underpayments would be dealt with.
Interest	To allow interest in connection with amounts owed as a result of the remedy.	The fund will need to pay compensation in some instances (where benefits have already been paid out). Interest will be applied to any payments. Fund officers to be mindful of the potential impact on cashflow.

- 3.3 In addition, the Department for Levelling Up, Housing and Communities (DLUHC) has written to all LGPS's on the current position on McCloud remedy for administering authorities to consider whilst undertaking the 2022 valuations in an attempt to avoid differences in approach between funds.
- 3.4 DLUHC have suggested that for the purpose of the 2022 triennial valuation all administering authorities should value members' benefits as required by the

various Regulations in force on 31 March 2022 except for the following assumptions:

- It should be assumed that the current underpin (which only applies to those members within 10 years of their NPA at 31 March 2012) will be revised and apply to all members who were active in the scheme on or before 31 March 2012 and who join the post 1 April 2014 scheme without a disqualifying service gap.
- The period of protection will apply from 1 April 2014 to 31 March 2022 but will cease when a member leaves active service or reaches their final salary scheme normal retirement age (whichever is sooner).
- Where a member remains in active service beyond 31 March 2022 the comparison of their benefits will be based on their final salary when they leave the LGPS or when they reach their final salary scheme normal retirement age (again whichever is sooner).
- Underpin protection will apply to qualifying members who leave active membership of the LGPS with an immediate or deferred entitlement to a pension.
- The underpin will consider when members take their benefit so they can be assured they are getting the higher benefit.

3.5 The Fund Actuary has reviewed these suggestions and considers that they are reasonable.

3.6 However, this does not preclude final Regulations taking a different approach to McCloud remedy to that outlined above. Therefore, the Funding Strategy Statement will make it clear that employer contributions may need to be revisiting if the actual outcome is materially different.

4 Cost Control Mechanism

4.1 The Government Actuary's Department (GAD) has recently released their 2016 valuations in respect of the Cost Control Mechanism for the civil service, police and fire schemes. The LGPS is also exposed to the Cost Control Mechanism, but GAD have not released their valuation yet but the outcomes for the other public sector schemes provide an indication for the LGPS. Under the Cost Control Mechanism, if certain member borne costs are determined to have caused employer costs of the schemes to increase/decrease by more than the cost envelope tolerance, then the benefits or employee contributions of those schemes must be changed to bring the employer costs back to the predetermined cost envelope. However, it is not yet clear whether the impact of the McCloud remedy should be included within the Cost Control Mechanism valuations and this determination of this is likely to be meaningful in terms of the cost envelope and adjustments to benefits/contributions. Therefore, there is a significant amount of uncertainty as to what the outcome will be. Any changes would likely be backdated to 1 April 2019.

5 Academy Conversions

- 5.1 As part of its Levelling Up agenda, the Government has issued a white paper on education in England which confirms plans to permit councils to establish their own Multi Academy Trusts (MATs) and for the remaining 12,000 local authority schools to convert to academy status by 2030. West Sussex has approximately 200 local authority schools who have not yet converted, so this will create a significant increase in employers in the Scheme and affect the Council payroll and membership.
- 5.2 The increase in employers (as a result of Academy conversions and any outsourcing arrangements they put in place) has been reflected on the risk register. This is considered to have an administrative rather than funding impact.

6 2022 Valuation – Progress

- 6.1 The administration team has provided a data extract for the prior year (31 March 2021) which has been reviewed by the Fund Actuary. This indicated that (at whole fund level) there had been good improvements to the quality of data held by the Fund. Although the improvements by employer has not been reviewed, overall this should reduce the level of assumptions that the Fund Actuary needs to make as part of the main valuation exercise.
- 6.2 Officers are intending to attend a meeting of Finance Officers from the District and Borough Councils, and the Police Authority over the next quarter. This will provide opportunity to speak with Scheme Employers about the valuation in general but also look to ensure that the Fund has a full understanding of any contracting arrangements in place with associated admission bodies and that the Scheme Employer is clear on the impact of these on the funding / contribution strategy.
- 6.3 Assumptions will be considered by the Committee in July 2022.
- 6.4 Draft employer results should be available for consultation in October 2022. Employers will be invited to a meeting with the Fund Actuary to discuss their individual results.

7 Other options considered (and reasons for not proposing)

N/A

8 Consultation, engagement and advice

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

9 Finance

N/A

10 Risk implications and mitigations

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

11 Policy alignment and compliance

The Fund has published its Funding Strategy Statement.

Katharine Eberhart

Director of Finance and Support Services

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Appendices

None

Background papers

None

Recommended Training

N/A

**Key decision: Not applicable
Unrestricted**

Report to Pension Advisory Board

16 May 2022

Business Plan 2022/23

Report by the Chairman of the Pension Advisory Board

Summary

The Pension Advisory Board (PAB) is required to review its performance over the past year and report to the Governance Committee and to the Pensions Committee. The Board has reviewed its performance for 2021/22 and is asked now to agree the relevant information to be included in the Pension Fund Annual Report.

The Board agrees a Business Plan for each year and is asked in this report to agree the draft Plan for 2022/23, which is consistent with that of the Pensions Committee. The Board receives regular update reports on its own Plan during the year and receives update reports of the Committee's Plan as submitted to each of their meetings and which include a review of risks.

Recommendations

The Board is asked to:

- i. agree the performance information for inclusion in the pension fund annual report for 2021/22 as set out in **Appendix A**;
 - ii. to agree the draft PAB Business Plan for 2022/23 in **Appendix B**, and that the Pensions and Governance Committees be informed accordingly; and
 - iii. to note the Pensions Committee's business plan report attached as **Appendix C**.
-

Proposal

1. Background and context

1.1 The Board agreed its Business Plan for 2021/22 on 28 April 2021. As part of its core business activity, the Board reviews progress on achieving the key tasks and activities at each meeting. Similarly, the Board considers updates on progress for the Pensions Committee's Business Plan at each meeting, including their review of the risk matrix for the fund.

1.2 Performance in 2021/22 was reviewed at the Board's meeting in February and was viewed in the context of the COVID-19 pandemic and the

continuing impact that has had on national governance initiatives which are a significant driver to the Board's business. Inevitably, this will impact on business planning for 2022/23 as progress on many issues is uncertain.

2. Business Plan performance report for 2021/22

2.1 The Board agreed a report on performance at the meeting on 11 February based on a series of one-to-one review meetings. The information to be included in the Pension Fund Annual Report is set out in **Appendix A**.

3. Business Plan for 2022/23

3.1 A draft plan for 2022/23, in a similar format to past years is set out in **Appendix B**.

3.2 The Pensions Committee agreed a business plan for 2022/23 at their meeting on 29 April and a copy of the report, including the full risk matrix for the Fund is set out in **Appendix C**.

3.3 Both these Plans will be better informed once progress is made on national initiatives, particularly those relating to the Good Governance Review.

4. Other options considered (and reasons for not proposing) N/A

5. Consultation, engagement and advice

N/A

6. Finance

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

7. Risk implications and mitigations

7.1 ***Failure to manage work efficiently and effectively*** – The use of virtual meeting arrangements has enabled the Board to continue to work as efficiently and effectively as possible.

7.2 ***Failure to account for activities and performance*** – updates to each meeting monitor performance on a regular basis.

8. Policy alignment and compliance

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

Peter Scales

Chairman of the Pension Advisory Board

Contact Officer:

Adam Chisnall, Democratic Services Officer, 033022 28314

Appendices

[A] Performance information for inclusion in the annual report for 2021/22

[B] Pension Advisory Board Business Plan for 2022/23

[C] Pensions Committee's Business Plan 2022/23

Background papers – None

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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; 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. I act as the independent chairman and do not have voting rights. Each member has demonstrated their commitment to meeting their responsibilities, by maintaining a suitable level of 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 and has become accustomed to holding meetings in a virtual environment, although it is hoped that at least some meetings can be held in person. The business for each meeting has been planned by reference to the business plan agreed for 2021/22 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. However, there is some frustration that new initiatives affecting governance have stalled centrally over the past year.

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 response from the Government. Consultations on updated regulations and guidance are now expected to be issued during 2022 which will need to be monitored closely.

The Board has formulated its training plan, in conjunction with the Pensions Committee, to cover the individual requirements of each member based on guidance issued by CIPFA, using the suggested framework to ensure coverage of all items over a reasonable period. Training sessions form part of each Board meeting and the Hymans Robertson Online Learning Academy (LOLA) was introduced in 2021 for Board and Committee 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 the Department for Levelling Up, Communities and Housing (DLUHC) and the Chartered Institute of Public Finance and Accountancy (CIPFA). The requirements imposed by tPR are being met and their proposed new combined code of practice is expected in the summer. The Board continues to monitor the effectiveness and efficiency of the governance and administration arrangements.

Peter Scales
Chairman of the Pension Advisory Board

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Pension Advisory Board Business Plan 2022/23

Background

This is the Business Plan for the West Sussex Pension Advisory Board. The Business Plan is an important document which sets out the aims and objectives of the Board over the coming year, its core work and how the objectives will be achieved.

The County Council is responsible for the administration of the West Sussex County Council Pension Fund and as the Administering Authority, is required under S106 of the LGPS Regulations 2013 to establish a local pension board and has established the Pension Advisory Board for this purpose.

The County Council acts as the Scheme Manager, as defined by the Public Service Pensions Act 2013, in respect of the management of the Scheme and its functions in this respect are discharged in accordance with the Council's scheme of delegation by the:

- Governance Committee (delegated to the Pensions Committee); and
- Officers (Director of Finance and Support Services and the Director of Law, Assurance & Strategy)

The Board is supported by the officers, by the appointment of an independent chairman, and by assurance statements and information provided by external service providers. The costs of the Board's operations are charged to the Pension Fund and a budget is included in the Business Plan.

The Board's approach has been to establish a core programme of work based on guidance received from the Pensions Regulator, the Scheme Advisory Board and from CIPFA in the form of advisory guidance.

The Business Plan has been developed to be more consistent with and complimentary to the Pensions Committee's business plan. The Plan is reviewed annually and progress monitored at each meeting. New priorities that might arise can be introduced at each meeting and new action identified where progress has not been as expected.

Details of how the Board's objectives will be met, together with key priorities and an indication of key risks are included in the Plan. The achievement of the objectives and key tasks are reviewed at the end of each year and reported to the Pensions Committee. A brief report is also approved for inclusion in the Pension Fund Annual Report and is made available to scheme employers and to scheme members.

STATUTORY RESPONSIBILITIES

1. The statutory responsibilities of the Board are similar to those set out in the Regulations for all local pension boards:

Assist the Scheme Manager:

- To secure compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme;
- To secure compliance with requirements imposed in relation to the scheme by the Pensions Regulator;
- In such other matters as the scheme regulations may specify;
- To ensure the Scheme Manager effectively and efficiently complies with the Code of Practice on the governance and administration of public service pension schemes issued by the Pensions Regulator (COP14); and
- To ensure that the Board complies with the knowledge and understanding requirements in the Regulator's Code of Practice.

ACCOUNTABILITY

2. The Board is accountable to the Scheme Manager, to the Pensions Regulator, to the Scheme Advisory Board, and to the scheme employers and members that it represents.
3. The Scheme Advisory Board will advise the Responsible Authority (the Ministry for Housing, Communities and Local Government) and the Scheme Manager.
4. The Pensions Regulator will report to the Responsible Authority but will also be a point of escalation for whistle blowing or similar issues (supplementary to the whistle blowing policy and anti-fraud and corruption policy operated by the Scheme Manager which operate to include all of the functions of the Council as Scheme Manager and its advisers).

PRINCIPAL FUNCTIONS

5. The principal functions of the Board include:
 - Seeking assurances that due process is followed with regard to Pensions Committee decisions;
 - Considering the integrity and soundness of Pensions Committee decision making processes;
 - Seeking assurance that administration performance is in compliance with the Administration Strategy;
 - Considering the effectiveness of communications with employers and members including the Communication Strategy;
 - Considering and commenting on Internal Audit recommendations; and
 - Consideration of External Auditor reports.
6. Any complaint or allegation of breach of due process brought to the attention of the Board shall be dealt with in accordance with the Pensions Regulator's Code of Practice.

OBJECTIVES

7. The Board's main objectives are set out below:

Governance: Act solely in terms of the public interest, with integrity, objectivity, accountability, openness, honesty and with leadership, and seek to ensure these are followed by all those involved in the Fund's administration.

Compliance: Seek to understand the statutory framework of regulations and guidance, and ensure all aspects are complied with.

Administration: Seek to ensure that proper procedures and controls are in place and are followed, and that performance expectations are met.

Communication: Seek to ensure that standards of reporting and clear communications are maintained and improved.

Efficiency: Seek to ensure improvements are being made in all processes, and minimise demands placed on officers in supporting the Board's work.

Effectiveness: Seek to ensure that the Board is making an effective contribution to the governance of the Fund through careful planning and performance assessment.

Risk management: Seek to ensure that fund risks are being identified, monitored and mitigated through proper procedures and controls.

Proper advice: Seek to ensure that proper advice is being taken and considered in all aspects of decision-making.

Knowledge and understanding: Seek to ensure that all Board members maintain a suitable level of knowledge and understanding.

Responsiveness: Seek to ensure that the Board considers and responds to consultations, surveys and requests for information effectively.

8. The means by which the Board can deliver these objectives is set out in the detailed plan. As part of the agenda planning process, the officers and chairman have agreed a structured agenda as a standard and discuss the detailed agenda well in advance of each scheduled meeting.

9. The papers for each meeting are made available at least one week prior to the meeting and implementation of action agreed is monitored in a progress report at the following meeting.

BUDGET

10. The Board does not have delegated powers to incur expenditure but agrees an annual budget with the officers each year. Provisional sums are included to allow the Board to request any additional independent advice that might be required in exceptional circumstances.

Budget item	Budget 2021/22 £	Spend 2021/22 £	Budget 2022/23 £
Fee for independent chairman	17,500	17,500	17,500
Travel expenses/subsistence	2,000	0	1,000
Training provision	2,500	740	2,500
Democratic Services Support (0.2 FTE)	7,500	7,067	7,500
Meetings (incl. refreshments)	700	0	500
Provisional sums (if required):			
✓ Legal and other external advice	3,000	0	2,000
✓ Contingency	2,000	0	1,000
TOTAL BUDGET	35,200	25,307	32,000

N.B. All costs are chargeable to the Pension Fund.

TRAINING

11. The Pensions Committee has agreed a Training Strategy which incorporates the Board's training needs. Training for Board members, including induction training, is provided through regular focus sessions at each meeting, regular updates from officers and advisers, internally developed training days, and attendance at external seminars which specialise in the needs of local pension boards. The Hymans LGPS Online Learning Academy (LOLA) was introduced in 2021 and Board members have completed the modules.
12. Reference is also made to the e-learning provided by the Pensions Regulator and, at the start of 2022/23, all members of the Board had successfully completed the public service learning modules, including a new one for cyber risk.
13. In terms of self-learning and familiarisation, the Board has developed arrangements to keep members apprised on changes to the scheme regulations and guidance through access to the national LGPS and Scheme Advisory Board websites.

RISK MANAGEMENT

14. The Board does not consider it necessary to have its own risk register but monitors the Fund risk management arrangements as reported to the Pensions Committee on a regular basis.

AREAS FOR ATTENTION IN 2022/23

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

- Outcome of Scheme Advisory Board Good Governance Review
- The Pension Regulator’s combined code of practice
- Valuation 2022 process and funding strategy
- Strategic investment issues, awaiting Department for Levelling Up, Housing and Communities (DLUHC) regulations
- Responsible investment and climate change (awaiting DLUHC guidance)
- Pooling governance, awaiting regulatory changes from DLUHC
- Comparative administration standards and performance
- Potential pensions/cyber scams – controls and warnings to members
- Future of CIPFA guidance after their Pensions Panel closure

Pension Advisory Board - Business Plan 2022/23 - Key tasks and activities

Core on-going work	Special activities and reviews 2022/23
Business Planning and Performance	
<p>Agree programme of work, budget and resources for the coming year and monitor progress at each meeting</p> <p>Undertake a self-assessment of performance for the year to include on-to-one interviews in January/February</p> <p>Agree a report each year on activity for inclusion in the Fund Annual Report and for scheme employers</p>	
<p>Key Risks</p> <ul style="list-style-type: none"> • Failure to manage work efficiently and effectively • Failure to account for activities and performance 	
Compliance checks	
<p>Review the County Council’s policy on conflicts of interest annually, ensure interests declared at each meeting and maintain a register of interests for the Board on the website.</p>	
<p>Review the Pension Fund Annual Report and Accounts for content and compliance.</p>	
<p>Review statutory policy statements on a regular basis and on a three-year rolling basis</p>	<p>Review arrangements for replacing/updating CIPFA guidance in future</p>
<p>Monitor and review changes to regulations and guidance at each meeting</p>	
<p>Key risks</p> <ul style="list-style-type: none"> • Failure to manage conflicts properly • Non-compliance with regulations and guidance • Changes being implemented at short notice due to delays caused by pandemic 	

Core on-going tasks	Special activities and reviews 2022/23
Governance arrangements	
Review decisions of the Pensions Committee	
Review management and monitoring of the pension fund risk register	
Monitor audit reports and assurances on internal controls	
Monitor work planned by the Pensions Regulator (tPR)	Review new tPR Combined Code for compliance requirements (due in October)
Monitor reports and initiatives from the Scheme Advisory Board (SAB)	Review any consultation from DLUHC on implementing the SAB proposals on future governance arrangements
Respond to surveys and requests for information from the tPR and the SAB	
Report to the Pensions Committee and Governance Committee on a regular basis and as required	
Report to tPR, DLUHC and SAB in exceptional circumstances	
Key risks <ul style="list-style-type: none"> • The decision-making process is not fully effective • Key risks are not managed properly • Failure to be aware of scheme-wide developments and changing requirements • Failure to properly account for the Board’s activities 	

Core on-going tasks	Special activities and reviews 2022/23
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Administration procedures and performance	
Consider a report on the administration of the scheme at each meeting	
Monitor notifiable events and the recording and reporting of breaches	
Monitor key performance indicators and recovery action	Consider scope for comparative standards and performance indicators
Monitor recording of compliments and complaints, and progress on IDRPs cases	
Monitor movements in membership numbers	
Monitor data quality and integrity, and progress on improvement plans	
Monitor timeliness of receipt of contribution payments and any recovery action required	
Review operation of key internal procedures and controls relating to third party contracts	Review controls relating to pensions/cyber scams
Key risks <ul style="list-style-type: none"> • Failure in the efficient and effective administration of the scheme • Non-compliance with reporting requirements • Failure to detect potential problems, including fraud at an early stage 	

Core on-going tasks	Special activities and reviews 2022/23
Investment and funding	
Review the investment strategy statement to assess compliance with regulations and guidance issued by DLUHC and CIPFA	Review revised guidance on investment strategy issued by DLUHC when available
Review the funding strategy statement to assess compliance with regulations and guidance	
Review the process of consultation with appropriate persons, particularly scheme employers	
Review the valuation process for compliance and good practice	Monitor progress on the valuation and changes to the funding strategy
Review developments on the pooling arrangements, particularly in relation to governance and investment management	Review any regulatory changes relating to compliance on pooling
Monitor arrangements for monitoring investment performance and costs	
Monitor developments in relation to responsible investing and ESG issues insofar as they relate to the Board's responsibilities	Review guidance on responsible investment when issued
<p>Key risks</p> <ul style="list-style-type: none"> • Non-compliance with investment regulations and Government guidance • Failure of proper governance arrangements in the pooling of Fund assets • Failure to comply with or respond to developments in good practice or regulatory compliance • Net asset values are insufficient to meet future liabilities • Lack of clarity on role of PAB in relation to ACCESS and on responsible investing 	

Core on-going tasks	Special activities and reviews 2022/23
Communications	
Monitor disclosure of information in line with statutory requirements, including annual benefit statements	Review information provided on potential pensions/cyber scams
Review newsletters for content and clarity	
Review communications with employing authorities	
Monitor developments in the website and pensions portal	
Consider more effective links to scheme members	
Key risks <ul style="list-style-type: none"> • Failure to keep employers and scheme members properly informed • Non-compliance with Administration Strategy • Scheme members fail to understand scheme benefits and opt-out 	
Training	
Maintain training log and review activity regularly	
Monitor implementation of training strategy	
Identify opportunities for in-house training after each meeting and for external training courses or events	
Key risks <ul style="list-style-type: none"> • Failure of Board members to maintain a suitable level of knowledge and understanding • New training requirements imposed on PAB in relation to compliance testing 	

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Key decision: Not applicable

Unrestricted

Report to Pensions Committee

29 April 2022

Business Plan

Report by Director of Finance and Support Services

Summary

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

- Invested £367m of the Fund's commitments to two private debt funds (managed by Goldman Sachs and ICG), private equity (managed by Partners Group) and all of the Fund's commitment to an infrastructure fund (managed by JPMorgan) with monies redeemed from fixed income and equity investments.
- Transferred further investments into sub-funds within the ACCESS pool, meaning all the Pension Fund's equity and fixed income holdings (£4.4bn, or 80% of the total Fund) are now via the ACCESS pool arrangements.
- Completed its external audit of its Statement of Accounts and Annual Report, by the required statutory deadlines and with an unqualified audit opinion, with the Statements agreed by the Regulation, Audit and Accounts Committee in November 2021.
- Published 100% of Annual Benefit Statements for deferred members and 99% of Annual Benefit Statements for active members by the Statutory deadline of 31 August 2021.

Informed by the Pensions Committee's objectives and its risk register and the Regulatory framework that the Scheme operates the Business Plan for 2022/23 has been prepared for the Committee's consideration. The following are noted:

- The Administering Authority must obtain an actuarial valuation of the assets and liabilities of the pension fund on 31 March 2022 and set employer contributions from 1 April 2023.
- Take advice on whether the current strategic asset allocations remains appropriate to allow the Pension Fund to meet its objectives and implement any changes
- In addition to ongoing data collection, it is expected that the Government will consult on the McCloud remedy in summer 2022, along with consultations on investments, pooling arrangements, reporting on climate related financial disclosures, Scheme governance and other changes to the benefit structure of the Scheme.
- Develop an approach to support member communication, particularly in relation to Annual Benefit Statement publication, reflecting the diversity of membership in the Scheme.

Recommendations: That the Pensions Committee:

- (1) Notes the updates on Business Plan activities for 2021/22
- (2) Approves the priorities for 2022/23 (Appendix A).
- (3) Notes the full risk matrix (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 and the 2022/23 Business Plan has been prepared for the Committee's consideration. The 2022/23 Business Plan sets out the final deliverables for 2021/22 and sets out how the aims and objectives of the fund over the coming year will be achieved. A full risk register is also attached.
- 1.2 The report is also shared with the Pension Advisory Board.

2 2021/22 and 2022/23 Business Plan

- 2.1 The 2021/22 Business Plan was agreed in March 2021 and the 2022/23 Business Plan has been prepared for the Committee's consideration.
- 2.2 The 2022/23 Business Plan (Appendix A) sets out the final deliverables for 2021/22 and sets out how the aims and objectives of the fund over the coming year will be achieved.

3 Risk

- 3.1 A full risk register has been provided to the Committee (Appendix B) as part of its annual review. Risk themes are then reported to the Committee on a quarterly basis.
- 3.2 The following are highlighted in terms of risk themes:
 - The risk themes relating to Covid 19 have been closed.
 - The risk theme relating to political and/or employer pressure results in change to investment strategy due to factors including ESG (RT3) remains amber but consultations around levelling up, asset pooling and responsible investment are anticipated which will inform the impact rating.
 - The risk theme relating to training (RT7) has been updated to include the loss of professional investor status under MiFiD II if managers are not satisfied with the evidence provided.
 - The risk theme relating to an increase in the variety and number of employers participating in the Scheme (RT12) has been upgraded to 'red' reflecting the government's white paper setting out requirement for all schools to become academies by 2030.
 - The wording in relation to the cyber-crime risk theme (RT13) has been updated to reflect the wider scope of the threat but the risk remains 'red'.

4 Consultation, engagement and advice

N/A

5 Finance

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

6 Risk implications and mitigations

Covered in main body of report and appendices.

7 Policy alignment and compliance

N/A

Katharine Eberhart

Director of Finance and Support Services

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Appendices

Appendix A – Business Plan 2022/23

Appendix B – Full Risk Register

Background papers

N/A

Recommended Training

Hymans LGPS Online Learning Academy – Module 2 – Business Planning

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Business Plan

2022/23



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Background

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

The Business Plan is an important document which sets out the aims and objectives of the fund over the coming few years and the outcomes the Committee want to achieve for its stakeholders.

The Fund's overarching objectives are set out below:

- **Governance:** To put stakeholders at the centre of everything we do, act with integrity and be accountable for decisions made. This will be achieved through a robust, and well based governance framework which considers risk management, compliance and appropriate resourcing.
- **Investments and Funding:** To make the best use of our resources and minimise the long-term cash contributions which employers need to pay to the Fund. This will be achieved through recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return.
- **Administration and Communication:** To build on the improvement journey in relation to the administration and deliver a high-quality administration service to all stakeholders. This will be done through working closely with our partners and the establishment of processes and procedures to ensure that the Fund receives all income due and payments are made to the right people at the right time, clear communication and robust accounting and reports.

Resources and Budget

The County Council's s151 Officer and Director of Finance and Support Services is responsible for the administration of the Fund's financial affairs and has delegated authority to manage and advise the County Council in the discharge of the responsibilities of the County Council as Scheme Manager in relation to the Local Government Pension Scheme under the Public Service Pensions Act 2013, jointly with the Director of Law and Assurance.

The Director of Finance is supported by the Pension Fund Strategist and LGPS Officers (equivalent to 8.22FTE).

Other key parties are listed below. The Fund's financial statement provide more detail about the costs incurred.

- **Administration:** The pension administration is provided through a partnership with Hampshire County Council. The Fund pays an annual charge relating to the pensions and payroll administration and relevant staff costs, as agreed between the Director of Finance and Support Services and Hampshire County Council.
- **Oversight and Governance:** The Fund has access to services within the County Council's finance team including banking, income collection and treasury management and access to services within the County Council's legal team, who may also commission advice from outside legal firms as appropriate. Costs are charged to the Fund based on a proportion of time spent by officers and associated overheads.
- **Professional Advisers:** External advisers including the Fund Actuary, Independent Advisers and Independent Property Valuer have been appointed to provide appropriate advice to Officers and Members.
- **External Fund Managers:** Fund management has been outsourced to external fund managers. Fees are agreed in the respective mandates governing their appointment and are mainly based on the market value of the investments under management.

The Business Plan has been written whilst awaiting the review of governance arrangements in the LGPS by the Department for Levelling Up, Housing and Communities (DLUHC) – who are the government department responsible for management of the LGPS nationally. A consultation on updated regulations and guidance is expected in summer 2022. The governance arrangements for the Pension Fund will be reviewed because of this consultation and resulting guidance / Regulation.

Review 2021/22

During the 2021/22 financial year the Fund successfully:

- Invested £367m of the Fund's commitments to two private debt funds (managed by Goldman Sachs and ICG), private equity (managed by Partners Group) and all of the Fund's commitment to an infrastructure fund (managed by JPMorgan) with monies redeemed from fixed income and equity investments. As a result, on 31 March 2022 the Fund's portfolio was aligned with its investment strategy. The Pensions Committee had agreed an investment strategy which reflected the objective of maintaining the strong funding position identified at the 2019 actuarial valuation and the Committee's consideration of its approach to responsible investment, aligned to deliver sustainable investment and funding outcomes.
- Transferred further investments into sub-funds within the ACCESS pool, meaning all the Pension Fund's equity and fixed income holdings (£4.4bn, or 80% of the total Fund) are now via the ACCESS pool arrangements. The eleven participating authorities now have £35bn within the ACCESS pooling arrangements. The West Sussex County Council Pension Committee agreed in 2016 to join the ACCESS Pool, in line with Government guidance, with the aim of achieving a lower fee base over time.
- Completed its external audit of its Statement of Accounts and Annual Report, by the required statutory deadlines and with an unqualified audit opinion, with the Statements agreed by the Regulation, Audit and Accounts Committee in November 2021).
- Took steps to prepare for the 2022 valuation including further improvements in the data held by the Fund and collected data from employer to allow the administration team to implement changes associated with the McCloud judgement. There has been noticeable improvement in the quality of the Fund's membership data which has benefits to members and employers and reduces costs.
- Published 100% of Annual Benefit Statements for deferred members and 99% of Annual Benefit Statements for active members by the Statutory deadline of 31 August 2021.
- Received Substantial Audit Assurance opinions in relation to the control framework to support appropriate, complete and prompt administration of both new starters and pension leavers.

Some of these priorities continue in 2022/23, along with new business plan items. These have been set out on the following page. These align with areas of attention agreed by the Pension Advisory Board. However, the Pension Fund seeks to continually make improvements to its processes and business as usual activities.

BUSINESS PLAN ITEM**CONTEXT****2022/23 ACTIONS****COMPLETE 2022 VALUATION**

Under the Regulations, the Administering Authority must obtain an actuarial valuation of the assets and liabilities of the pension fund on 31 March 2022. This will set employer contributions from 1 April 2023 and review whether the Fund's funding/contribution strategy and investment strategy remain appropriate.

Work with the administration team to submit a full, valid, data set to the Fund Actuary in July 2023.

Work with advisers to review assumptions, funding strategy, positioning for employers and integrate employer risk framework.

Determine sustainable future employer monitoring arrangements.

Engage with employers to ensure that the Fund has a full understanding of their circumstances including any contracting arrangements in place with associated admission bodies

Publish employer results by 31 March 2023.

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BUSINESS PLAN ITEM CONTEXT

2022/23 ACTIONS

**INVESTMENT
STRATEGY
STATEMENT**

The Fund has an Investment Strategy Statement designed to provide transparency in relation to how investments are managed.

Taking into consideration the Fund's liability characteristics (e.g. membership profile, benefit cashflows and contribution schedule) take appropriate advice on the suitability (in terms of risks and returns) of the current strategic asset allocations to allow the Pension Fund to meet its objectives and implement any changes.

Consider any further commitments to existing asset classes (private equity, private debt or infrastructure) reflecting the Pension Fund's strategic positioning, maintaining exposure over the medium/longer term.

Consider the investment implications and potential conflicts of the DLUHC white paper on levelling up (including the setting an ambition of up to 5% of assets invested in projects that support local (UK) areas) and engage with government, the ACCESS Pool and others.

Consider the investment implications of any proposed guidance or direction about investment decisions put forward by Government.



BUSINESS PLAN ITEM

CONTEXT

2022/23 ACTIONS

IMPLEMENT CHANGES REQUIRED AS A RESULT OF THE MCCLLOUD JUDGEMENT

On 20th December 2018 the Court of Appeal found that protections given to scheme members who in 2012 were within ten years of their normal retirement age were unlawful on the grounds of age discrimination and could not be justified. Those members who have been discriminated against will need to be offered appropriate remedies to ensure they are placed in an equivalent position to the protected members. At 31 March 2022 202 of 214 completed service/break data sets from West Sussex employers had been received (representing 93% of the population who are likely to need remedy).

Liaise with those employers who have not provided the required information to understand issues and deliverables.

Upload data (target September/October 2022).

Engage with government, administration team and Actuarial Advisers to consider the remedy proposed by Government.

Keep key stakeholders informed.

There are currently no Regulations or Guidance to determine a deadline for this work being completed and changes implemented, but it is expected to be autumn 2023.



BUSINESS PLAN ITEM	CONTEXT	2022/23 ACTIONS
<p>CONSULTATIONS</p>	<p>It is anticipated that there will be a number of consultations and guidance issued during the year including:</p> <ul style="list-style-type: none"> • The Pension Regulators Single Code of Practice • McCloud Remedy • Boycotts and Sanctions • Responsible Investment • Good Governance • Asset Pooling • Updating Cost Control Mechanism • Task Force on Climate-Related Financial Disclosures (TCFD) • Levelling Up • £95k Cap 	<p>Consider the requirements of the changes and identify key activities to ensure compliance and adherence to best practice.</p> <p>Actively consider consultations.</p>
<p>COMMUNICATIONS</p>	<p>The fund is required to publish several strategy documents and disclose information about benefits and scheme administration to scheme members and others.</p>	<p>Develop an approach to support the Communication Strategy particularly in relation to Annual Benefit Statement publication, reflecting the diversity of membership in the Scheme.</p> <p>Actively consider the content and presentation within published documents when reviewed.</p>

BUSINESS PLAN ITEM	CONTEXT	2022/23 ACTIONS
DATA	The maintenance of complete and accurate records is a control to allow the fund to carry out basic functions. Poor record-keeping can result in schemes failing to pay benefits in accordance with scheme regulations, processing incorrect transactions and paying members incorrect benefits.	<p>Scope any specific work identified as a result of the 2022 Actuarial Valuation including preserved refunds and address tracing.</p> <p>Support wider service improvements, including considering processes and engagement with employers, reflecting self-service and the introduction of Data Dashboard due to be connected no later than April 2024).</p>
ROBUST ACCOUNTING	The Pension Fund is required to produce accounts in line with statutory deadlines. The accounts are subject to external audit review and assurance.	<p>Complete the Pension Fund’s Statement of Accounts in line with the Project Plan and by the statutory deadline (30 September 2022)</p> <p>Work with the external auditors on their review.</p>
ANNUAL REPORT	The Pension Fund is required to produce an Annual Report in line with statutory deadlines and considering statutory guidance.	The Report will be considered by the Pensions Committee at their meeting on July 2022 and by the Pension Board in September 2022.

BUSINESS PLAN ITEM	CONTEXT	2022/23 ACTIONS
ACCOUNTING SYSTEM	The County Council is changing its core accounting system to Oracle. Officers will work with colleagues across the County Council to ensure processes, procedures and reporting are in place within the core accounting system implemented to replace the current SAP system.	Officers will continue to work with the project team to ensure the accounting system is implemented by January 2023.

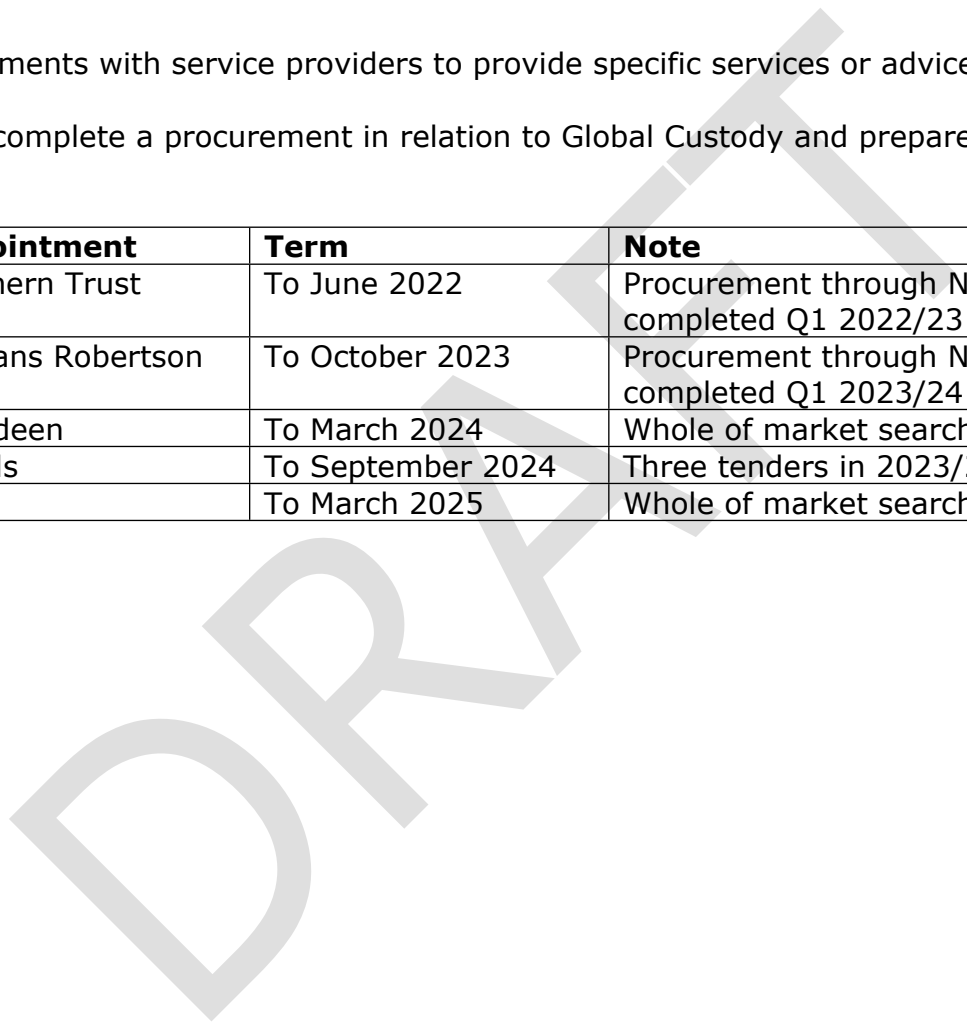
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Contracts

The Pension Fund has arrangements with service providers to provide specific services or advice.

During the year the Fund will complete a procurement in relation to Global Custody and prepare for Actuarial and Benefits Consultancy.

Service	Appointment	Term	Note
Custody	Northern Trust	To June 2022	Procurement through National Framework to be completed Q1 2022/23
Actuarial & Benefits Consultancy	Hymans Robertson	To October 2023	Procurement through National Framework to be completed Q1 2023/24
Property	Aberdeen	To March 2024	Whole of market search in 2023/24
Property Valuer	Savills	To September 2024	Three tenders in 2023/24
Operator to ACS	Link	To March 2025	Whole of market search with ACCESS Councils in 2024/25



Training

A Training Strategy has been established to aid the Pension Committee and Pension Advisory Board members in performing and developing personally in their individual roles and to equip them with the necessary skills and knowledge to act effectively in line with their responsibilities.

A key focus for the Committee over the year will be the Actuarial Valuation and training will be provided on key considerations during this process. Additional training for the Committee has been summarised below.

- 15 September 2022 – Statement of Accounts
- 2 November 2022 – Link Fund Solutions (TBC)

This will be supplemented by external training opportunities including:

- 13 – 15 June 2022 – PLSA Local Authority Conference (Cotswolds)
- 4 – 6 July 2022 – LAPF Strategic Investment Forum (Hertfordshire)
- September 2022 (TBC) – LGC Investment and Pension Summit (Leeds)
- 20 October – LGA Fundamentals I (London)
- 8 – 10 November 2022 – Baillie Gifford LGPS Conference (Edinburgh)
- 10 November – LGA Fundamentals II (London)
- 6 December 2022 – LGA Fundamentals III (London)
- 19 - 20 January 2023 – LGA Annual Governance Conference (Cardiff)
- March 2023 (TBC) – LGC Investment Seminar (Cheshire)

Risk

The risk assessment process helps identify a range of internal and external risks which are critical to the Scheme and members. This has been informed by relevant sources of information including internal disputes, legislative breaches, internal and external audit reports, and service contracts. This has been summarised below:

Ref	Risk Theme	Action / Update	Apr-22
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.	<p>Public Service Pensions and Judicial Offices Bill accepted in the Lords stating that the Secretary of State can issue guidance that LGPS Funds may not make investment decisions that conflict with the UK's foreign and defence policy.</p> <p>Levelling Up white paper includes references to LGPS funds having plans for up to 5% of assets to be allocated to projects which support local areas.</p> <p>Full impact is difficult to quantify until further information/guidance is received from Government and Scheme Advisory Board.</p>	Amber
RT4	Insufficient funds to meet liabilities resulting in increased contributions required from employers or changing to a higher risk investment strategy	<p>Carry out Asset Liability Modelling as part of the valuation to ensure current Investment Strategy is fit for purpose.</p> <p>Investments made into income generating assets.</p> <p>Size and pattern of contributions to feed into cashflow monitor and projections.</p>	Green

Ref	Risk Theme	Action / Update	Apr-22
RT5	Insufficient resources to comply with the Administering Authority's Regulatory responsibilities and ability to deliver the business plan.	There is currently a vacancy with work being prioritised and managed across team members. Reviewing practices and processes to maximise efficiency.	Amber
RT6	Poor quality data resulting in error and misstatement.	Positive feedback from Hymans on improvements in data. Preserved refund project being scoped by administration team.	Amber
RT7	Officer, Committee and Board knowledge and understanding resulting in poor decision making, disengagement on key issues and loss of professional investor status under MiFiD II.	Training provision reviewed and amended to reflect membership of Committee and needs of officers. External training purchased.	Amber
RT8	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.	All liquid assets are now invested via the ACCESS ACS. Consultation on pooling expected in the summer.	Amber
RT9	Failure to secure value for money through managing contracts with third parties	Greater reliance on one contract (Link) managed outside of WSPF control. One contract due to expire in June 2022.	Amber
RT10	Political environment (locally or nationally) impact on investment markets and legislative requirements.	Awaiting changes to regs on Exit Cap, McCloud etc.. Expecting consultation in the summer. Fund remains in surplus despite volatile markets.	Amber

Ref	Risk Theme	Action / Update	Apr-22
RT11	Conflict of interest for members and employers	Specific Pension Fund Conflict of Interest Policy will be required following implementation of SAB Good Governance project. Consultation on guidance expected in the summer.	Green
RT12	Increase in variety and number of employers participating in the Scheme resulting in risk of non-compliance with obligations.	Government white paper setting out requirement for all schools to become academies by 2030. There is understood to be 200 schools that will need to convert over the next 8 years which will have a significant impact on the number of employers in the Fund. Known changes to employers and payroll providers being monitored by officers.	Red
RT13	Cyber crime resulting in personal data for members being accessed fraudulently.	Officers are taking appropriate advice in considering how risk can be managed/mitigated. Liaising with internal IT team and external providers to understand procedures in the event of cyber attack.	Red
RT14	Fund not able to implement changes required as a result of McCloud judgement due to insufficient resources or incomplete information held by employers	Awaiting Government consultation on remedy.	Amber

Audit and Controls

The County Council's Regulation, Audit and Accounts Committee (RAAC) have responsibility to provide an adequate and effective system of internal control, to consider the Head of Internal Audit's annual report and opinion and to approve the Internal Audit annual work programme. The Committee have responsibility to consider the work of RAAC 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.

The County Council is a Key Stakeholder Partner in the Southern Internal Audit Partnership, who provide internal audit services.

Internal audit work should ensure that adequate internal controls are in place and operate effectively. It will therefore focus on the following key areas:

- Key controls are operating effectively
- Governance framework is operating appropriately
- Arrangements for investment are appropriate including asset pooling
- Business Continuity
- Cyber Risk
- Any significant changes to systems, personnel, processes
- Any controls identified as inadequate

The internal audit team will consider the above through documentation, review of systems, observations and testing of controls.

To supplement its own audit framework the County Council will also receive internal audit reports from its administration provider, Hampshire County Council and Essex County Council as the host authority to the ACCESS Support Unit. The team will also provide the Council's internal and external auditors with information relevant for the completion of their work.

The audit work set out on the next page will be completed over the next two years relating to the pension administration services for processes consistent between West Sussex Pension Fund and Hampshire Pension Fund. Additional internal audit work is also proposed to include accounting for pension payroll, recoveries and contribution receipts, employer assets and cashflows, governance and investments.

Key area	2022/23	2023/24
<p>Pensions, payroll and benefit calculations: Annual review to provide assurance that systems and controls ensure that:</p> <ul style="list-style-type: none"> • 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; • Pension payroll runs are accurate, complete, timely and secure with all appropriate deductions made and paid over to the relevant bodies. 	●	●
<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>Pension Leavers: Audit of the controls to ensure accurate, prompt and complete administration of pension leavers including the production of on-going annual benefit statements within agreed timescales.</p>	●	
<p>Transfers: To provide assurance over the processes and controls to support the accuracy and timeliness of transfers in and out of the schemes managed by HPS.</p>	●	
<p>Pension refunds: To assess that there are appropriate arrangements to ensure all refunds are valid, accurate and are paid promptly to the correct recipients following a validated request to withdraw from the schemes administered by HPS.</p>		●
<p>Member deaths: To provide assurance that systems and processes ensure that any payments related to deceased members are calculated correctly and paid promptly to the correct recipient, with the risk of overpayments minimised.</p>	●	
<p>UPM application: Review of the UPM application including cyber security & access controls.</p>		●
<p>National Fraud Initiative: Full exercise undertaken October 2020 and completed within 6 months and to be undertaken again in October 2022.</p>	●	

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Risk No	Risk Theme	Risk Description	Risk Owner	Risk Impact	Initial Risk Score			Risk Strategy	Target Risk Score			Risk Control/Action	Action Owner	Risk Update	Current Risk Score			
					Impact	Likelihood	Score		Impact	Likelihood	Score				Impact	Likelihood	Score	
PEN 32	RT 3	Pressure from stakeholders and/or changes in Regulation or guidance results in change to investment strategy due to potential Environmental, Social or Governance factors.	Director of Finance and Support Services	1. Fund Manager investments restricted resulting in impaired investment outcomes.	4	4	16	Tolerate	3	4	12	Requirement for active engagement by Fund Managers and regular dialogue regarding rationale behind investment decisions.	Pension Fund Strategist	TCFD consultation anticipated in summer which will impact on actions taken and additional reporting requirements for Committee.	3	5	15	
				2. Fund challenged regarding fiduciary duty								Regular dialogue with Fund Managers regarding investment process.	Pension Fund Strategist					Public Service Pensions and Judicial Offices Bill accepted in the Lords stating that the Secretary of State can issue guidance that LGPS Funds may not make investment decisions that conflict with the UK's foreign and defence policy.
												Training for all decision makers regarding obligations and responsibilities	Finance Manager - Governance					
												Keep up to date with Scheme Advisory Board and Government guidance	Finance Manager - Governance					
PEN 1	RT 4	Insufficient funds to meet pension obligations resulting in higher employer contribution rates i.e. cash injection	Director of Finance and Support Services	1. Increase in Council Tax	4	3	12	Treat	4	2	8	Prudent assumptions based on real returns on assets and bespoke mortality assumptions used when setting employer contribution rates.	Pension Fund Strategist	Carry out Asset Liability Modelling as part of the valuation to ensure current Investment Strategy is fit for purpose.	4	2	8	
				2. Employers unable to meet Pension obligations								Modelling work undertaken regularly to monitor fund performance against its assumptions.	Pension Fund Strategist					
				3. Default by Employers resulting in liabilities being funded by remaining active employers in the Scheme								Modelling work undertaken to understand the impact of contribution rate strategy.	Pension Fund Strategist					
												Monitor, maintain and review the Investment Strategy Statement and Funding Strategy Statement.	Pension Fund Strategist					
												Regularly review investment performance and funding levels.	Finance Manager - Pension Fund					
												Monitor and review the cash flow of the Fund.	Finance Manager - Pension Fund					
PEN 2	RT 4	Funding level falls below 90% funded resulting in the Fund changing to a higher risk investment strategy	Director of Finance and Support Services	1. Higher volatility of investments returns leading to changes in employer contribution rates and potential increase in Council Tax	4	2	8	Treat	4	1	4	Monitor, maintain and review the investment strategy including parameters for any re-risking.	Pension Fund Strategist	Prudent assumptions adopted by the Fund Actuary. Carry out Asset Liability Modelling as part of the valuation to ensure current Investment Strategy is fit for purpose.	4	1	4	
				2. Adverse publicity, reputational damage								Monitor and review the investment manager performance and processes.	Pension Fund Strategist					
				3. Employers unable to plan and budget in the medium term								Regularly review investment performance and funding levels.	Finance Manager - Pension Fund					
				4. Default by Employers resulting in liabilities being funded by remaining active employers in the Scheme								Monitor, maintain and review the Investment Strategy Statement and Funding Strategy Statement.	Pension Fund Strategist					
												Modelling work undertaken regularly to monitor fund performance against its assumptions.	Pension Fund Strategist					
PEN 3	RT 4	Employer contribution rates fluctuate between actuarial valuations due to membership experience	Director of Finance and Support Services	1. Increase in Council Tax	4	2	8	Treat	3	2	6	The Pension Fund pools certain employers to help manage fluctuations in contribution rates.	Pension Fund Strategist	Prudent assumptions adopted by the Fund Actuary. Carry out Asset Liability Modelling as part of the valuation to ensure current Investment Strategy is fit for purpose. Likelihood is reduced as in penultimate year of valuation cycle.	3	1	3	
				2. Default by Employers resulting in liabilities being funded by remaining active employers in the Scheme								The Pension Fund has also adopted a policy of stabilisation for large, secure employers i.e. contribution rates move within a threshold level reviewed at the Valuation.	Pension Fund Strategist					
				3. Employers unable to meet Pension obligations								Strain costs are monitored and each employer has an ill health budget. Ill health insurance is offered to all employers.	Finance Manager - Pension Fund					
				4. Employers are unable to plan and budget in the medium term								Regularly review investment performance and funding levels.	Pension Fund Strategist					
				5. Adverse publicity, reputational damage								Monitor, maintain and review the Investment Strategy Statement and Funding Strategy Statement.	Pension Fund Strategist					

Risk No	Risk Theme	Risk Description	Risk Owner	Risk Impact	Initial Risk Score			Risk Strategy	Target Risk Score			Risk Control/Action	Action Owner	Risk Update	Current Risk Score		
					Impact	Likelihood	Score		Impact	Likelihood	Score				Impact	Likelihood	Score
PEN 4	RT 4	Employer no longer actively participating in the Scheme but deficit/surplus exists.	Director of Finance and Support Services	1. Employers unable to meet Pension obligations	4	3	12	Treat	4	1	4	Covenant review at least every three years and contributions set on the basis of an employers ongoing participation in the fund and their security.	Pension Fund Strategist	Prudent assumptions adopted by the Fund Actuary. Admission process amended to reflect exit credit policy.	4	2	8
				2. Default by Employers resulting in liabilities being funded by remaining active employers in the Scheme								Admission Agreements are regularly reviewed and enhanced by external advisers to reflect best practice and current Regulations and set out the employer obligations clearly.	Pension Fund Strategist				
				3. Adverse publicity, reputational damage								Bond / Guarantee Agreements in place which clearly set out level of a funding guarantee from another scheme employer, external body or government agency.	Pension Fund Strategist				
												Monitor, maintain and review the Investment Strategy Statement and Funding Strategy Statement.	Pension Fund Strategist				
												Membership changes are monitored regularly and employer costs, such as early retirement and ill health early retirement, are charged to an employer as appropriate.	Finance Manager - Pension Fund				
PEN 5	RT 4	Declining membership numbers from some employers	Director of Finance and Support Services	1. Employers unable to meet Pension obligations	4	3	12	Treat	4	3	12	Membership numbers are monitored regularly and employers with low membership are contacted.	Pension Fund Strategist	Prudent assumptions adopted by the Fund Actuary. Improvements in data quality will provide more robust review and challenge. Increase in cost of living placing pressure on members prioritising expenditure.	4	3	12
				2. Benefit payments are higher than contribution income								Guarantee Agreements also in place which clearly set out level of a funding guarantee from another scheme employer, external body or government agency.	Pension Fund Strategist				
				3. Default by Employers resulting in liabilities being funded by remaining active employers in the Scheme								Monitor, maintain and review the Investment Strategy Statement and Funding Strategy Statement.	Pension Fund Strategist				
												Regularly review investment performance and funding levels.	Pension Fund Strategist				
												Monitor and review the cash flow of the Fund.	Finance Manager - Pension Fund				
PEN 9	RT 4	The Pension Fund does not provide a clear and suitable investment strategy for Fund managers to follow for selection of investments	Director of Finance and Support Services	1. Volatility of investment returns and/or net performance impacting the funding level.	5	2	10	Treat	5	1	5	Monitor, maintain and review the Investment Strategy Statement	Pension Fund Strategist	Carry out Asset Liability Modelling as part of the valuation to ensure current Investment Strategy is fit for purpose. Monitoring implementation against current investment strategy. Risk reworded to reflect change in investment style to funds.	5	2	10
				2. The fund is unable to implement its investment strategy or choose best in class or appropriate managers.								Investment performance is monitored quarterly against the performance of the fund-specific benchmark and the returns assumed in the actuarial valuation.	Pension Fund Strategist				
				3. The fund takes on more risk than appropriate								Investment Managers held to account at Committee meetings.	Pension Fund Strategist				
				4. Negative impact on officer time and resources								The Fund adopts a detailed procurement process which clearly outlines the managers obligations.	Pension Fund Strategist				
				5. The funding level of the fund reduces								Contractual requirements within the investment documentation clearly set out the required benchmark and targets.	Pension Fund Strategist				
												The Fund takes appropriate advice from professional advisors	Pension Fund Strategist				
PEN 29	RT 4	The benefits payable each month are more than the contributions received each month (cash flow negative)	Pension Fund Strategist	1. On a short term basis the Fund is not able to pay benefits or has to borrow money	4	3	12	Treat	3	2	6	Cashflow monitor and projections implemented and reviewed on a monthly basis	Finance Manager - Pension Fund	Review employer covenant as part of valuation and take appropriate action. Investments made into income generating assets. Size and pattern of contributions to feed into cashflow monitor and projections. Review Deferred Contribution policy as part of FSS review.	3	3	9
				2. Inability to meet liabilities								Work with Actuary to ensure long term planning of cash flow	Pension Fund Strategist				
				3. Need to recall monies from Investment Managers resulting in a loss of investment returns or sale of assets								Regular meetings with Treasury Management team to discuss cash balances	Finance Manager - Pension Fund				

Risk No	Risk Theme	Risk Description	Risk Owner	Risk Impact	Initial Risk Score			Risk Strategy	Target Risk Score			Risk Control/Action	Action Owner	Risk Update	Current Risk Score		
					Impact	Likelihood	Score		Impact	Likelihood	Score				Impact	Likelihood	Score
PEN 8	RT 5	Pension Fund accounts not accurately maintained	Finance Manager - Pension Fund	1. Adverse Audit opinion	4	3	12	Treat	3	3	9	Detailed reconciliations are carried out on a regular basis.	Finance Manager - Pension Fund	Accounts team established with good level of experience. Audit team stable.	4	3	12
				2. Benefits paid incorrectly								Plan to close down accounts with timetable.	Finance Manager - Pension Fund				
				3. Investment decisions made on incorrect information resulting in higher risk								Ensure staff are trained appropriately	Finance Manager - Pension Fund				
				4. Adverse publicity, reputational damage								Maintain a good working relationship with the Actuary and auditors.	Finance Manager - Pension Fund				
				5. Under/overstatement of investments								Involvement with CIPFA resulting in best practice being adopted.	Finance Manager - Pension Fund				
				6. Negative impact on officer time and resources								Quality assurance of the accounts included within the timetable	Finance Manager - Pension Fund				
PEN 10	RT 5	Failure to comply with changes to LGPS Regulations and/or HMRC Rules	Head of Finance	1. This could potentially create additional liabilities and administration difficulties for employers and the administering authority	4	3	12	Treat	4	2	8	All consultation papers issued by the DHLUC, Revenue & Customs, and other bodies are commented on where appropriate.	Pension Fund Strategist	A number of consultations are expected in the summer along with the Pension Regulator combined code of practice which will assist with understanding of obligations.	4	2	8
				2. The Pensions Regulator can fine us for breach of regulations								Officers to review all relevant regulation changes.	Pension Fund Strategist				
				3. Actuary impaired in making an assessment of an employers liabilities								Input from Actuary as needed.	Pension Fund Strategist				
				4. Adverse publicity, reputational damage													
PEN 19	RT 5	Pensions team not resourced appropriately	Head of Finance	1. Key work deliverables are not completed.	4	4	16	Treat	3	3	9	Develop succession plan to manage key person risk	Pension Fund Strategist	There is currently a vacancy with work being prioritised and managed across team members.	3	4	12
				2. Key staff leaving due to work load.								Document tasks and develop process notes where required	Pension Fund Strategist				
				3. Lack of continuity and knowledge transfer								Review of Pensions Team work plan and resources	Pension Fund Strategist				
												Regular team meetings to understand workload pressures and transfer knowledge	Pension Fund Strategist				
												Develop training plan for officers	Finance Manager - Governance				
PEN 46	RT 5	County Council not resourced appropriately to support Pensions functions	Finance Manager - Pension Fund Governance	1. Key work deliverables are not completed.	4	4	16	Treat	3	2	6	Document tasks and develop process notes where required	Pension Fund Strategist	Reviewing practices and processes to maximise efficiency.	4	4	16
				2. Key staff leaving due to work load.								Understanding of single point of failure	Pension Fund Strategist				
				3. Lack of continuity and knowledge transfer								Communication between CC teams	Pension Fund Strategist				
				4. Manual intervention with regards to reporting to Custodian and Actuary								Monitor regular tasks to ensure completion. Agree escalation route with managers.	Pension Fund Strategist				
				5. Reputational risk due to impact on IAS 19													
				6. Accuracy of data within accounts													

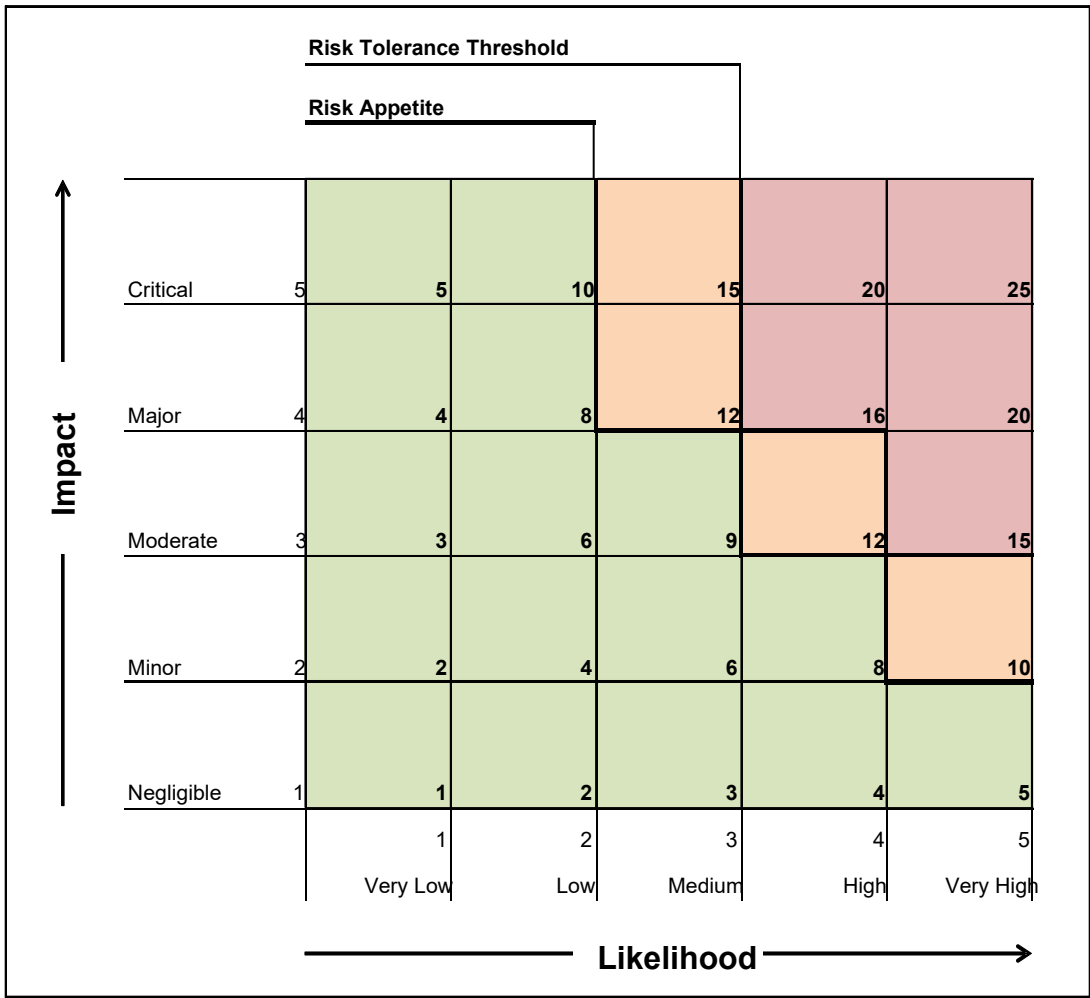
Risk No	Risk Theme	Risk Description	Risk Owner	Risk Impact	Initial Risk Score			Risk Strategy	Target Risk Score			Risk Control/Action	Action Owner	Risk Update	Current Risk Score		
					Impact	Likelihood	Score		Impact	Likelihood	Score				Impact	Likelihood	Score
PEN 28	RT 5	New County Council financial system does not meet Pension Fund requirements	Finance Manager - Pension Fund Governance	1. Potential loss of historical information (payroll and contributions)	4	3	12	Tolerate	3	2	6	Early engagement	Finance Manager - Governance	Team feeding in to wider project. Concern over timeframes and resource required to deliver. Working to understand archive options.	4	3	12
				2. Replacement system does not meet Fund requirements								Consider alternative archiving of key information.	Finance Manager - Governance				
												Be clear in requirements of the Fund with regards to reporting standards required	Finance Manager - Governance				
PEN 48	RT 5	New County Council financial system implementation impacts workload and resources	Finance Manager - Pension Fund Governance	1. Delay to implementation of financial system conflicts with valuation and/or end of year work	3	4	12	Tolerate	3	3	9	Engagement with team working to implement new system to ensure Pension Fund needs are understood which will reduce workload later in the year.	Finance Manager - Governance	Delay to implementation, concern over timeframe and resource given valuation work and resource required.	4	4	16
				2. New system doesn't meet the Pension Fund needs due to lack of resource to fully test								Document processes so that non Pension Team member can test.	Finance Manager - Governance				
												Work load and resource planning to cover whole team.	Finance Manager - Governance				
PEN 30	RT 5	Freedom of Information requests not dealt with appropriately	Finance Manager - Pension Fund Governance	1. Breach of contract with Fund Managers where information is provided	4	3	12	Treat	4	2	8	Liaise regularly with Fund Managers regarding requests.	Finance Manager - Governance	Review processes following investment in ACS and other investment asset classes to ensure compliance with regulations. Reviewing practices and processes to maximise efficiency.	4	2	8
				2. Challenge against statutory obligations if information is not provided								Liaise with legal advisers	Finance Manager - Governance				
				3. Referral to Information Commissioners Office								Keep accurate records of what has been responded to and reasons why information is provided/withheld	Finance Manager - Governance				
PEN 31	RT 5	Policies are not updated in adherence to new guidance issued	Finance Manager - Pension Fund Governance	1. Policies are not compliant.	3	3	9	Treat	2	2	4	Register of policy documents maintained to manage review expectations.	Finance Manager - Governance	Carry out review of policy register in line with best practice. Review County Council policies to ensure currency.	2	2	4
				2. Challenge from stakeholders								Policy documents compliance review included as a standing item of the Pension Advisory Board agendas.	Finance Manager - Governance				
				3. Referral to the Pensions Regulator.													
PEN 16	RT 6	Inaccurate and/or incomplete data retained by the Pension Fund. Legislation specifies the records that must be kept and failure to comply is a breach of the law.	Director of Finance and Support Services	1. Pay incorrect pension amounts	4	4	16	Treat	2	2	4	All employers are provided with Administration and Employer Guides setting out their roles and responsibilities whilst participating in the Scheme.	Principal Pensions Consultant	Positive feedback from Hymans on improvements in data. Preserved refund project being scoped by administration team.	4	3	12
				2. Impact on investment decisions								Escalation in place where employers fail to supply the correct data.	Pension Fund Strategist				
				3. Additional time and cost within the team and with external advisers								Internal auditors undertake work on systems and processes.	Pension Fund Strategist				
				4. Fined by the Pension regulator or fined by the Information Commissioner								Review procedures and controls and implement changes where appropriate.	Principal Pensions Consultant				
				5. Actuary impaired in making an assessment of an employers liabilities due to quality of data (and through to their contribution rates).								Maintain and implement a Data Improvement Plan	Pension Fund Strategist				
				6. Members make decisions based on incorrect or incomplete information								End of year returns from employers provides a control whereby data is checked annually.	Finance Manager - Pension Fund				
				7. Adverse publicity, reputational damage													

Risk No	Risk Theme	Risk Description	Risk Owner	Risk Impact	Initial Risk Score			Risk Strategy	Target Risk Score			Risk Control/Action	Action Owner	Risk Update	Current Risk Score		
					Impact	Likelihood	Score		Impact	Likelihood	Score				Impact	Likelihood	Score
PEN 14	RT 7	Level of expertise and ongoing development of the Pensions Committee and Pension Advisory Board does not comply with guidance.	Finance Manager - Pension Fund Governance	1. Poor decision making	3	2	6	Treat	3	1	3	Maintain and implement Training Strategy which draws on guidance.	Finance Manager - Governance	Training provision reviewed and amended to reflect membership of Committee. External training purchased. Training strategy approved by PC. There are new members of the committee.	4	4	16
				2. Fined by The Pension Regulator								Monitoring PC, PAB and Officer completion of LOLA and Toolkit.	Finance Manager - Governance				
				3. Non engagement of Committee and Board members.													
				4. Inability to invest due to loss of Professional Investor status.													
PEN 15	RT 7	Pension Board Members and Pensions Committee Members do not declare conflicts of interest.	Finance Manager - Pension Fund Governance	1. Breach of regulations	3	1	3	Treat	2	1	2	Clear conflict of interest and disclosure requirements are maintained for the Pension Fund and the Pension Board in line with WSCC overriding policies.	Finance Manager - Governance	Review of Good Governance recommendations and development of Fund Conflict of Interest Policy.	4	1	4
				2. Fined by The Pension Regulator								Members of the Pension Board and Pensions Committee are asked to make declarations at the start of and during each meeting as appropriate.	Finance Manager - Governance				
PEN 20	RT 7	Knowledge and understanding of Officers may not comply with the requirement to have the appropriate knowledge and understanding.	Finance Manager - Pension Fund Governance	1. Poor decision making/recommendations	4	2	8	Treat	3	2	6	Maintain and implement Training Strategy which draws on guidance.	Finance Manager - Governance	Training provision reviewed and amended to reflect needs of officers. External training purchased. Training strategy approved by PC.	4	3	12
				2. Fined by The Pension Regulator								Training requirements identified at yearly appraisals	Finance Manager - Governance				
				3. Non compliance with County Council e.g. Standing Orders, Procurement Requirements								Regular meetings between line managers and team members	Pension Fund Strategist				
				4. Inability to invest due to loss of Professional Investor status.								Monitoring PC, PAB and Officer completion of LOLA and Toolkit.	Finance Manager - Governance				
				5. Non engagement of officers in required decision making													
PEN 6	RT 8	Failure to comply with Government expectations on asset pooling or arrangements agreed via ACCESS	Director of Finance and Support Services	1. The Secretary of State takes over investment functions of the Fund and directs its investment strategy and to invest in specific assets.	5	2	10	Treat	5	1	5	Continued strong involvement in the work of the ACCESS Group at officer and at Fund Chairman level.	Pension Fund Strategist	All liquid assets are now invested via the ACCESS ACS. Consultation on pooling expected in the summer.	5	2	10
				2. Impairment of the Fund's ability to meet its pension obligations								Involvement in the procurement work and the Pool's governance work	Pension Fund Strategist				
				3. Adverse publicity, reputational damage								Engagement with external advisers.	Pension Fund Strategist				
PEN 7	RT 8	Arrangements agreed via ACCESS do not meet the needs of West Sussex Pension Fund	Director of Finance and Support Services	1. The fund is unable to implement it's ISS or choose best in class or appropriate managers.	5	3	15	Treat	5	2	10	Continued strong involvement in the work of the ACCESS Group at officer and at Fund Chairman level.	Pension Fund Strategist	All liquid assets are now invested via the ACCESS ACS. Consultation on pooling expected in the summer.	5	2	10
				2. The fund takes on more risk than necessary								Involvement in the procurement work and the Pool's governance work	Pension Fund Strategist				
				3. The funding level of the fund reduces								Engagement with external advisers.	Pension Fund Strategist				
				4. Negative impact on officer time and resources								Regular review of the funds investment strategy	Pension Fund Strategist				

Risk No	Risk Theme	Risk Description	Risk Owner	Risk Impact	Initial Risk Score			Risk Strategy	Target Risk Score			Risk Control/Action	Action Owner	Risk Update	Current Risk Score		
					Impact	Likelihood	Score		Impact	Likelihood	Score				Impact	Likelihood	Score
PEN 21	RT 9	Contractual requirements not met by investment managers	Pension Fund Strategist	1. Impairment of investment outcomes.	4	4	16	Treat	4	2	8	Regular communication with all contracting entities and foster good working relationships.	Pension Fund Strategist	Greater reliance on one contract (Link) managed outside of WSPF control.	4	3	12
				3. Breach in legislation								Service levels set out clearly in contract and monitored	Pension Fund Strategist				
				3. Poor provision of financial data provided to Pension Fund Team resulting in poor audit opinion								Continued strong involvement in the work of the ACCESS Group at officer and at Fund Chairman level.	Pension Fund Strategist				
												Compliance with procurement requirement and standing orders for provision of services to the Fund.	Pension Fund Strategist				
												Maintain and manage contract register.	Finance Manager - Governance				
PEN 22	RT 9	Contracts expiring or becoming invalid	Finance Manager - Pension Fund Governance	1. No valid legal agreement in place with suppliers	3	3	9	Treat	3	2	6	Maintain and manage contract register.	Finance Manager - Governance	One contract due to expire in June 2022.	3	2	6
				3. Breach in legislation								Engaging with procurement and legal to ensure compliance	Finance Manager - Governance				
				3. Breach of County Council Standing Orders								Compliance with procurement requirement and standing orders for provision of services to the Fund.	Pension Fund Strategist				
				4. Potential challenge from suppliers.													
PEN 41	RT 9	Partnership expectations not met in delivery of administration	Head of Finance	1. Failure to deliver high quality admin service to all stakeholders	4	3	12	Treat	4	2	8	Regular review through partnership meetings	Pension Fund Strategist	Engagement with administration team to understand business priorities and development of service.	4	3	12
				2. Processes and procedures do not ensure that the Fund receives income due								Close working between teams.	Pension Fund Strategist				
				3. Processes and procedures do not ensure that payments are made correctly and timely													
				4. Failure to account appropriately													
PEN 23	RT 10	Role of government policy on the management and benefits of the Scheme.	Head of Finance	1. Changes in legislation	4	4	16	Tolerate	3	4	12	Keeping up to date with Government progress	Pension Fund Strategist	Awaiting changes to regs on Exit Cap, McCloud etc.. Expecting consultation in the summer.	4	4	16
				2. Changes to benefit structure								Maintain links with experts and advisers.	Pension Fund Strategist				
PEN 49	RT 10	Global events have an adverse impact on the pension fund investment portfolio and the Fund's cashflow.	Pension Fund Strategist	1. Pressure on rental income as tenants request rent free/reduced rent periods following pandemic	4	4	16	Treat	3	4	12	Communication with Fund Manager to understand their approach	Pension Fund Strategist	This risk replaces PEN 40 which was specific to the potential impact of the pandemic on the Pension Fund investment portfolio. Fund remains in surplus despite volatile markets.	3	3	9
				2. Ability to make changes to investments may be impacted								Discuss options with investment advisors	Pension Fund Strategist				
												Monitoring liabilities	Pension Fund Strategist				
PEN 33	RT 11	Conflict of interest between the County Council and the Fund	Director of Finance and Support Services	1. Advice and decisions taken in best interests of Council or Fund which may differ.	4	3	12	Treat	3	2	6	Be clear in requirements of the Fund and roles and responsibilities of all entities.	Pension Fund Strategist	Specific Pension Fund Conflict of Interest Policy will be required following implementation of SAB Good Governance project. Consultation on guidance expected in the summer.	3	2	6
				2. Employers do not understand the difference between the Council and the Fund								Be clear in requirements of the Fund and roles and responsibilities of all entities.	Pension Fund Strategist				

Risk No	Risk Theme	Risk Description	Risk Owner	Risk Impact	Initial Risk Score			Risk Strategy	Target Risk Score			Risk Control/Action	Action Owner	Risk Update	Current Risk Score		
					Impact	Likelihood	Score		Impact	Likelihood	Score				Impact	Likelihood	Score
PEN 25	RT 12	Increase in number of employers admitted to Fund	Pension Fund Strategist	1. Increase in the workload across the team	3	3	9	Treat	3	3	9	Work planning to ensure new admissions are anticipated and communicated appropriately	Principal Pensions Consultant	Government white paper setting out requirement for all schools to become academies by 2030. There is understood to be 200 schools that will need to convert over the next 8 years which will have a significant impact on the number of employers in the Fund.	4	5	20
				2. Delays resulting in impact on members and benefit payments								Clear processes in place for the monitoring of contributions	Finance Manager - Pension Fund				
				3. Additional complexity to be managed for BAU processes								Liaising with Actuary regularly to ensure employers are admitted appropriately	Principal Pensions Consultant				
												Guidance published and reviewed relating to the Scheme requirements.	Principal Pensions Consultant				
PEN 26	RT 12	Employers do not pay contributions, pay incorrect amount, pay contributions late or do not provide required information	Finance Manager - Pension Fund	1. Default by employers increasing obligation on the remaining employers in the Fund	3	2	6	Treat	2	1	2	Clear employer guide in place setting out responsibility of employers regarding provision of information and contributions	Principal Pensions Consultant	Improvement in processes to ensure early identification of employer admissions and cessations.	2	2	4
				2. Increase in number of bonds/guarantees in place								Clear admin strategy that can be reported on so that issues can be dealt with at an early stage	Principal Pensions Consultant				
				3. Reporting to the Pensions Regulator								Regular monitoring and reconciliation of contribution payments received with clear escalation process	Finance Manager - Pension Fund				
				4. Benefits calculated incorrectly								Identify issues to relevant parties including the Fund Actuary	Principal Pensions Consultant				
				5. Employer contribution rates calculated incorrectly													
				6. Increased liabilities which are not funded													
PEN 34	RT 12	Reliance on external payrolls (including outsourced providers)	Principal Pensions Consultant	1. Incorrect or insufficient information is provided by employers payroll providers	3	4	12	Treat	3	2	6	Provide clear guidance regarding what the requirements are for a payroll provider/system	Principal Pensions Consultant	Known change to two major employer systems being monitored.	5	3	15
				2. Contribution income and remittances are not received								Provide clear guidance regarding what an employers responsibilities are	Principal Pensions Consultant				
				3. Missing historical data due to changes in payroll providers/systems													
PEN 35	RT 12	Changes to employer circumstances	Principal Pensions Consultant	1. Delays in implementing changes	4	4	16	Treat	3	3	9	Liaise with employers regularly	Principal Pensions Consultant	Merger of large employers within the Fund upcoming which will be complex regarding data.	4	4	16
				2. Reduced opportunity to manage the employers circumstances or exit.								Monitor active membership of all employers	Principal Pensions Consultant				
				3. Wrong contact information is held								Work with Actuary to ensure managed exits	Principal Pensions Consultant				
PEN 38	RT 12	Insolvency of an employer resulting in unpaid liability	Pension Fund Strategist	1. Employers not paying contributions or paying reduced contributions for either resourcing or finance reasons	4	4	16	Treat	4	3	12	Communication with advisors to understand options regarding contribution regulations	Finance Manager - Pension Fund	Review employer covenant and take appropriate action. Liaising with Legal to understand actions following insolvency.	4	3	12
				2. Impact on cashflow								Implement cashflow monitor and projections and review on a monthly basis.	Finance Manager - Pension Fund				
				3. Employers exiting the Fund with little or no warning								Covenant review discussions	Finance Manager - Pension Fund				

Risk No	Risk Theme	Risk Description	Risk Owner	Risk Impact	Initial Risk Score			Risk Strategy	Target Risk Score			Risk Control/Action	Action Owner	Risk Update	Current Risk Score		
					Impact	Likelihood	Score		Impact	Likelihood	Score				Impact	Likelihood	Score
PEN 42	RT 12	Delay to admissions of employers to the Fund	Principal Pensions Consultant	1. Members not admitted to the Fund in a timely manner	4	3	12	Treat	4	2	8	Work planning to identify new admissions.	Principal Pensions Consultant	There is currently a vacancy with work being prioritised and managed across team members.	4	3	12
				2. Contributions not received on time resulting in increased workload to recover								Clear processes in place for the admittance of new employers	Principal Pensions Consultant				
				3. Inability to complete processes in a timely manner								Liaising with Actuary regularly to ensure employers are admitted appropriately	Principal Pensions Consultant				
				4. Delays resulting in impact on members and benefit payments													
PEN 27	RT 13	There is a risk of a successful cyber attack directly from external threats; or indirectly as a consequence of members or staff falling prey to social engineering or phishing attacks. The potential outcome may lead to service disruption, financial or data loss.	Director of Finance and Support Services	1. The Fund suffers significant financial loss or cost.	4	4	16	Treat	3	3	9	Staff awareness of personal and business information security practices and identification of cyber-security issues including evolving threats.	Pension Fund Strategist	Officers are taking appropriate advice in considering how risk can be managed/mitigated. Liaising with internal IT team and external providers to understand procedures in the event of cyber attack.	5	5	25
				2. The Fund's reputation is damaged.								Have processes in place which assist with identifying cyber-attack early, that it is reporting & monitoring is effective, and recovery can be prompt.	Finance Manager - Governance				
				3. Member's and employer's trust in the Council is undermined.								Robust arrangements in place with all data processors of the Fund's data	Finance Manager - Governance				
				4. Partners will not share data or information with the Fund.													
				5. Punitive penalties are made on the Fund													
PEN 43	RT 14	Fund not able to implement changes required as a result of McCloud judgement	Pension Fund Strategist	1. Not calculating members benefits in line with regulations	5	3	15	Treat	3	3	9	Project team set up by admin team	Pension Fund Strategist	Data has been collected from employers and pension administration software provider has adapted system. Awaiting Government consultation on remedy.	5	3	15
				2. Impact on funding								Communication with employers letting them know requirements and to flag any issues	Principal Pensions Consultant				
				3. Investigation by tPR													
				4. Reputational damage													
PEN 44	RT 14	Employers do not hold required information for the Fund to be able to complete the changes required as a result of the McCloud Judgement	Pension Fund Strategist	1. Not calculating members benefits in line with regulations	5	3	15	Treat	3	3	9	Project team set up by admin team	Pension Fund Strategist	Employers have provided data returns to the admin team. Awaiting Government consultation on remedy.	5	2	10
				2. Impact on funding								Communication with employers letting them know requirements and to flag any issues	Principal Pensions Consultant				
				3. Investigation by tPR													
				4. Reputational damage													
PEN 45	RT 14	Insufficient resources for the Fund to be able to complete the changes required as a result of the McCloud Judgement	Pension Fund Strategist	1. Not calculating members benefits in line with regulations	5	3	15	Treat	3	3	9	Project team set up by admin team	Pension Fund Strategist	Admin team are increasing resource based on their understanding of requirements. Awaiting Government consultation on remedy.	5	3	15
				2. Impact on funding								Communication with employers letting them know requirements and to flag any issues	Principal Pensions Consultant				
				3. Investigation by tPR													
				4. Reputational damage													



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Key decision: Not applicable

Unrestricted

Report to Pensions Committee

29 April 2022

Pension Administration

Report by Director of Finance and Support Services

Summary

As of 31 March 2022, the Scheme had 84,215 members.

Pension Administration services have been provided by Hampshire County Council since 4 March 2019. 100% compliance with key performance indicators has continued (this has been the case for the past 29 months).

34% of members have now registered onto the Membership Portal which allows them to view their Annual Benefit Statement, run retirement estimates and to access and update their personal details. This includes 34% of pensioner members who (unless opted for hard copy) will receive P60s and pensioner newsletters electronically.

70% of employers are now registered onto the Employer Portal which allows them to submit data and run their own estimates for early retirements.

202 of 214 data sets have been received to assist the team in completing updating membership records following the McCloud judgement.

Hymans Robertson have completed a review of the competitiveness and effectiveness of L&G as provider for LGPS AVCs. On 31 March 2022 there were 581 AVC members, an increase of 33% during the year. Hymans believe that, following the transfer from Standard Life and Utmost to L&G last year, the Fund's AVC arrangements give "Good Value for Members".

Recommendation: That the Pensions Committee notes the report.

1 Background and context

- 1.1 Hampshire County Council provides the Pension Administration Service for West Sussex County Council. The administration team are based in Winchester and the West Sussex Pensions Team works closely with Hampshire County Council.
- 1.2 The Pensions Committee has a key objective within its Business Plan to build on the improvement journey in relation to the administration and to deliver a high-quality administration service to all stakeholders with processes and procedures to ensure that the Fund receives all income due, and payments are made to the right people at the right time with clear communication and robust reporting.
- 1.3 On 31 March 2022 the Scheme had 84,215 members as analysed below. As this is the end of year report, the comparison to 31 March 2021 has been included. Membership overall has increased by 3,400 members. The balance of membership reflects the work completed by the team on historic leavers, which completed in late 2021.

Comparison of Scheme Member numbers 31 March 2021 and 31 March 2022

	31-Mar-21	31-Mar-22	Movement
Active	26,574	26,394	-0.7%
Deferred	31,958	34,781	8.8%
Pensioner	22,274	23,040	3.4%
Total	80,806	84,215	4.2%

- 1.4 In addition, there are 5,389 records classified as 'preserved refunds' Preserved refunds relate to those leaving the scheme (primarily) before reaching a two year 'vesting period' threshold and therefore do not qualify for deferred benefits. These preserved refunds can be paid out or transferred to another pension arrangements. A project is being scoped to provide options to those with preserved refunds in the Scheme.

2 Administration Performance – Business as Usual Activity

- 2.1 The Administration Strategy sets out performance expectations for employers and the Administering Authority. The team completed 2,117 cases in scope of the service standards for key processes over the quarter and continue to deliver 100% compliance.¹
- 2.2 The analysis on the following page shows the timescales for cases being completed over the quarter to provide more context about the member experience. The bold line shows the target timescale. Longer term analysis is in Appendix A.

¹ The team has delivered 100% compliance against the service standards for the past 29 months.

Timescales for Cases Being Completed over the Quarter

Type of Case	0-5 days	6-10 days	11-15 days	16-20 days	21-30 days	Total
Active Retirement	15	20	21	0	0	56
Deferred Retirement	51	36	85	0	0	172
Estimates	45	30	432	0	0	507
Deferred Benefits	41	22	52	133	699	947
Transfers In & Out	1	6	14	0	0	21
Divorce	2	6	34	0	0	42
Refunds	109	26	1	0	0	136
Rejoiners	3	4	10	31	0	48
Interfunds	5	7	70	0	0	82
Death Benefits	77	14	15	0	0	106
Total	349	171	734	164	699	2117

- 2.3 Following a review by officers of KPI timescales for neighbouring Authorities against those agreed for the West Sussex Fund, it is considered that these are in broad alignment. This will be further considered when the Government publishes its Good Governance consultation which is expected to include a section in relation to administration standards.
- 2.4 The administration team also report complaints received monthly. This allows officers to consider lessons learnt and any service improvements to be implemented. The table below sets out the number and themes of complaints received within the quarter to 31 March 2022 and the last twelve months. No new complaints were received over the quarter, however the Council responded to two complaints as a Stage 2 and one complaint within its Internal Dispute Resolution Process, each of which had already been responded to by the administration team and therefore included within the 12-month figures.

Complaints received within the quarter to 31 March 2022 and in the last 12 months

Theme	No. Complaints (Quarter)	No. Complaint (12 months)
Response Time		2
Error in pension figures	Escalated to Stage 2 (1)	2
Delay in retirement benefits		1
Unhappy with cheque payment being stopped		1
Enrolment Complaint (Employer)	Escalated to Stage 2 (1)	1
Unhappy with Children's Pensions amounts payable	Reviewed under IDRP (1)	1
Total	-	8

- 2.5 The team received seven compliments over the quarter, with 24 compliments over the previous 12 months.

Contribution Receipt

- 2.6 All LGPS contributions from the Fund's 206 employers are expected to be received by the Fund on the 22nd of each month following deduction. Since the Committee last met, all employers have adhered to this requirement. However, the Fund does have a clear escalation procedure and this has been used to manage any late payments / none provision of relevant paperwork. The contribution monitor is included at Appendix B.

Promotion of Portal

- 2.7 LGPS members can register for a pensions account on the member portal to view their Annual Benefit Statement, produce retirement estimates and to access and update their personal details. Employers can also register for access to a portal which allows them to submit data (including new starters and leavers) and run their own estimates for early retirements. It is anticipated that both sites provide efficiencies for the team and improve the quality of data held by the Scheme.

Number of LGPS Members and Employers registered on the Portals

		31-Mar-21	31-Mar-22	Movement
Active	No. registered	8,890	11,144	2,254
	% of membership	34%	42%	
Deferred	No. registered	7,339	10,025	2,686
	% of membership	21%	29%	
Pensioner	No. registered	3,379	7,765	4,386
	% of membership	7%	34%	
Total	No. registered	19,608	28,934	9,326
	% of membership	24%	34%	
Employers	No. registered	90	144	54
	% of employers	43%	70%	

- 2.8 As reported to the Committee in February, the Fund will now stop sending hard copy payslips, P60s and pensioner newsletters and is encouraging pensioner members to register for the Member Portal. The team sent a reminder to all pensioner members in February 2022 and as a result a further 2,548 pensioner members have registered for the Member Portal. In addition, 5,591 pensioners have opted out of the online service and will receive a paper copies of relevant documents.

Numbers of Pensioner members Registered for Portal, Opted Out or not responded as at 31 March 2022

31-Mar-22	
Registered for Portal	7,765
Opted out of online service	5,591
No response	9,684
Total Membership	23,040

3 Administration Performance – Project Work

McCloud Data Collection

- 3.1 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.
- 3.2 One additional employer has provided their return over the quarter meaning that as of 31 March 2022, 202 of 214 data sets had been received, equating to 24,601 members (93% of population). The team continue to engage with those employers who have outstanding data sets.

Pensions Dashboard Programme

- 3.3 On 31 January 2022, the Department for Work and Pensions published their consultation on the Pensions Dashboard Programme. In response the Council:

- Raised concerns about the implementing Dashboards at the same time as the McCloud remedy and proposed that the staging date for the LGPS should not be before the McCloud remedy has been fully complied with
- Highlighted the dependency on employers providing timely information and resolving queries
- Reflected that the scheme would display more than one value, to account for legacy and new schemes, in respect of members affected by the McCloud judgement

4 AVC arrangements

4.1 The Pension Fund put in place arrangements for member Additional Voluntary Contributions with Legal & General. The arrangement has been in place for a year and Hymans Robertson have been asked to complete a review of the competitiveness and effectiveness of L&G as provider for LGPS AVCs.

- L&G are one of the leading DC providers and operate the largest private sector sponsored master trusts for auto-enrolment.
- On 31 March 2022 there were 581 AVC members, an increase of 147 (or 33%) since 1 April 2021.
- The AVC investment options were updated as part of the transfer of AVCs to L&G and as part of this a default option was introduced which adjusted the mix of assets held dependent on a member's age/time to retirement. This option is invested in by 66% of AVC members. The remaining members are invested in the self-select individual funds. The equity and multi-asset funds have all delivered positive returns, while cash and bond funds have been affected by market conditions over the last year. Overall, Hymans consider that the investment options remain appropriate for LGPS AVCs.
- The current administration arrangements between the Fund and L&G are operating smoothly and Hymans have indicated that L&G have made a commitment towards the LGPS AVC market which should provide enhancements to their offering over the next few years.
- Hymans believe that, following the transfer from Standard Life and Utmost to L&G last year, the Fund's AVC arrangements give "Good Value for Members". The Pensions Regulator expects certain defined contribution scheme trustees to complete a value for members assessment which involves self-assessing the quality of the administration and governance received by members. Whilst not a requirement for LGPS Administering Authorities this has been adopted as good practice and has been attached (Appendix C).

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 December there has been one low risk data breach reported, which have been logged through West Sussex County Council's IT

Security Incident Report. The breach was caused by a member's service line being update with another similarly named employer, and subsequently being incorrectly included with that employer's data.

- 5.3 As part of their resilience testing the mains power feed at Hampshire County Council's data centre was deliberately interrupted to simulate a loss of power. During this "black building test", a faulty electrical component sent an Emergency Power Off signal to the battery backup which caused an immediate loss of power to all IT systems. Service was resumed and most services operational within a few hours. As a result, it was concluded that the business continuity arrangements for the data centre were efficient and effective.

6 Other options considered (and reasons for not proposing)

N/A

7 Consultation, engagement and advice

N/A

8 Finance

N/A

9 Risk implications and mitigations

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

10 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

Contact Officer: Tara Atkins, Principal Pensions Consultant, (0)330 222 8787, tara.atkins@westsussex.gov.uk

Appendices

Appendix A - Administration Performance Previous 12 Months

Appendix B - Contribution Receipts Previous 12 Months

Appendix C - AVC Value for Money Assessment

Background papers

None

Recommended Training

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

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Administration Performance Previous 12 Months (1 April 2021 to 31 March 2022)

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

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

Type of Case	0-5 days	6-10 days	11-15 days	16-20 days	21-30 days	31-40 days	Total
Active Retirement	41%	65%	100%				406
Deferred Retirement	25%	48%	100%				647
Estimates	8%	18%	100%				2,117
Deferred Benefits	7%	10%	14%	24%	100%		3,440
Transfers In & Out	12%	24%	100%				121
Divorce	11%	22%	100%				170
Refunds	68%	98%	100%				488
Rejoiners	18%	32%	67%	100%			238
Interfunds	12%	21%	100%				321
Death Benefits	68%	83%	100%				400
Total	1,456	853	3,003	412	2,624	0	8,348

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

Type of Case	Jun-21	Sep-21	Dec-21	Mar-22	Total
Active Retirement	101	147	102	56	406
Deferred Retirement	150	185	140	172	647
Estimates	483	663	464	507	2,117
Deferred Benefits	685	965	843	947	3,440
Transfers In & Out	36	37	27	21	121
Divorce	36	34	58	42	170
Refunds	104	127	121	136	488
Rejoiners	65	62	63	48	238
Interfunds	71	71	97	82	321
Death Benefits	101	100	93	106	400
Total	1,832	2,391	2,008	2,117	8,348

The table below shows work in progress on 31 March 2022. The day count reflects the time from date of receipt of the initiating request. Therefore, it includes time whilst cases are on hold with the administration team pending further information. The casework reported does not include work being undertaken as part of the historic leavers project, which forms part of the data improvement plan.

	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	13	12	7	2	0	0	34
Deferred Retirement	19	16	6	1	0	0	42
Estimates	65	100	114	14	6	6	305
Deferred Benefits	57	168	120	87	70	26	528
Transfers in / out	1	0	2	0	1	0	4
Divorce	7	5	3	0	0	2	17
Refunds	12	0	0	0	0	0	12
Rejoiners	8	6	9	3	1	0	27
Interfunds	7	11	5	0	0	2	25
Death Benefits	10	1	11	2	5	8	37
Total	199	319	277	109	83	44	1,031
Previous quarter (total)	108	197	180	69	149	19	812

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Contribution Receipts Previous 12 Months (1 March 2021 to 28 February 2022)

The table below shows Scheme Employer performance in respect of their statutory responsibilities to paying their contributions to the Fund. All LGPS Contributions are to be received by the Fund on the 22nd of each month following deduction.

	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	12 Mth Av.
Total Active Employers	207	208	208	207	207	208	207	205	204	203	205	206	206
Employers Paid Late	1	8	2	1	3	2	2	0	2	1	0	0	2
Number of Late payments still outstanding	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Value of Late Payments (£)	645	13,601	9,822	563	15,757	18,115	591	0	14,044	1,321	0	0	6,205
Total Amount Still overdue (£)	-	-	-	-	-	-	-	-	-	-	-	0	N/A
Overdue Amount as a % of total contributions	-	-	-	-	-	-	-	-	-	-	-	0	N/A

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Value for Members assessment

The West Sussex Local Government Pension Fund undertook a review of its arrangements for additional voluntary contributions (AVCs) in 2020 resulting in a move to Legal & General as the new AVC provider for members in the West Sussex Local Government Pension Scheme from March 2021.






The Pension Fund has now asked its advisers to undertake an assessment of the value of the AVC arrangement for members, looking at charges, quality and suitability. The assessment follows the approach advocated as good practice by the Pensions Regulator. This note provides a summary of the findings. Overall our advisers have concluded that the AVC arrangements give good Value for members.

We would encourage all members with AVCs, or considering paying into an AVC, to think about how they are going to use your AVCs at retirement and whether their AVCs are invested in the most appropriate fund for them. Members may wish to consider taking independent advice on their own circumstances and the options available.

Findings

Good value is not simply about low charges, but also the quality and suitability of the AVC arrangements. **Overall, the AVC arrangements are considered to give good Value for Members** and there are no pressing actions needed to improve Value for Members.

The analysis of the services for the AVC arrangements are summarised below:

Service	Rating	Comment
Costs and charges	 Excellent	Members saw a reduction in charges, typically in the region of 0.30% p.a. when AVCs were moved from Standard Life to L&G.
Investment	 Good	The lifestyle option was designed for LGPS AVCs and the self-select fund range covers the main asset classes. Several ESG and climate change aware funds are available as self-select options and feature in the growth and consolidation phases of the lifestyle option.
Administration	 Average	While the new arrangements have only been in place for one year, L&G's administration has generally been satisfactory, while feedback has been positive.
Communication	 Good	Unlike the previous AVC arrangements, L&G have provided investment guides specific to the Fund's AVC arrangements and members can manage their AVCs on-line.
Governance	 Good	An annual "health check" of the AVC arrangements is in keeping with TPR guidance.

These areas are inter-related and so the results of the assessment are considered in aggregate.

The charges deducted from members' funds pay for the investment, administration and communication services provided by Legal & General.

Legal & General break their charges down between:

- An 0.30% p.a. annual management charge covering administration and communication; plus
- A fund management charge covering investment management which varies from fund to fund.

The AVC funds' transaction costs are also borne by members and are implicit in the AVC funds' unit prices.






The charges for the default LGPS AVC Cash Lifestyle option vary over time between 0.48% p.a. to 0.43% p.a.

Further information

Legal & General have produced a fund guide which can be found at www.legalandgeneral.com/westsussexavc.

Neither the Fund nor Legal & General can give you financial advice. If you are unsure about what course of action is right for you, we suggest that you seek independent financial advice. You can find a local independent financial adviser (IFA) at: www.unbiased.co.uk. Please beware of pension scams and only use an adviser regulated by the Financial Conduct Authority. You can find out about the new rules which give you more "freedom and choice" at retirement at: www.pensionwise.gov.uk.

The table below provides more information about the VfM rating.

VfM rating	Definition
 Excellent	The Scheme offers excellent value for members, providing services within a top 20% quality/cost range compared with typical options for similar schemes.
 Good	The Scheme offers good value for members, providing services at better quality/cost compared with typical options for similar schemes.
 Average	The Scheme offers average value for members, providing similar services at similar quality/cost compared with typical options for similar schemes.
 Below average	The Scheme offers below average value for members, providing similar services at higher cost or more limited services for similar cost compared with typical options for similar schemes.
 Poor	The Scheme offers poor value for members providing services, within the bottom 20% quality/cost range compared with typical options for similar schemes.

**Key decision: No
Unrestricted
Ref:**

Report to Pension Advisory Board

16 May 2022

Communication Strategy

Report by Director of Finance and Support Services

Electoral division(s): N/A

Summary

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

Recommendations

- (1) That the Board note the schedule of Communications drawn from the Communication Policy Statement
 - (2) That the Board feedback on the Communications presented at the meeting
-

Proposal

1 Background and context

1.1 The Pension Fund maintains a [Communication Policy Statement](#) which reflects:

- the LGPS Regulatory requirement to maintain a Statement concerning how the Pension Fund communicates with its broad range of stakeholders (members, representatives of members, prospective members and Scheme employers)
- the Pension Regulator's Code of Practice 14 which refers to necessary communications and their content.

1.2 By reviewing communications on a regular basis the Board will be fulfilling their role in considering the effectiveness of communication with employers and members and any future activities, compliance with the Communication Policy Statement, Regulations, Guidance or best practice and assisting with its knowledge and understanding of the Scheme.

2 Communication Strategy

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

Katharine Eberhart

Director of Finance and Support Services

Contact: Tara Atkins, Principal Pensions Consultant, 0330 222 8787

Appendices

Appendix A - Description and Calendar of Communication Deliverables

Appendix B – Communications for the relevant period

Background papers

The "Future Activity" column has been updated since the Committee met in February 2022. Other changes since the Board last met are highlighted as **bold** text.

	WSCC's Role	Admin Team Role	Future Activity	How often it should be reviewed	Previous PAB review date	Next date for PAB review
Actuarial Valuation meetings	Agenda and content in line with Fund Actuary.	Attend as required	Current intention is to have <ul style="list-style-type: none"> • a meeting with Councils is proposed for Q1 with consideration of engagement with the employer population more widely being considered. This will advise on the process and their role and to set out the outlook for the valuation. • an update to employers at the AGM in July 2022 • results meetings with employers by November 2022. 	Triennially	N/A	N/A
Annual General Meeting	Lead	HCC provide an update on performance (HCC and Employer)		Annually	N/A	07/2022
Annual newsletter for pensioners	Feedback on template	Draft template and sign off following WSCC feedback	The next newsletter is due to be published in June 2022 following feedback from the Board and officers. The team will undertake a review of format and content in advance of the 2023 Pensioner newsletter.	Annually	02/2022	02/2023
Annual Benefit Statements	Feedback on template	Draft templates and sign off following WSCC feedback	Provide active and deferred benefit statements to all eligible members by 31 August 2022.	Annually	11/2021	11/2022
Early retirement scenarios costings as requested	Provide HCC with revised factors when required.	HCC calculate as per normal processes on receipt of an authorised Employer Initiated Retirement Form (EIRA). Information is also available via the Employer Hub.		Ongoing	N/A	N/A
Employer newsletters (Employer Matters)	Feedback on template	Draft template and sign off following WSCC feedback	Feedback from employers (through a feedback survey at the Focus Group in July 2021) has been incorporated into Pensions Matters and Stop Press communications and these updates which continue to develop based on feedback from all parties.	Quarterly	02/2022	07/2022
Employer workshop sessions	Feedback on proposed content	Draft content and sign off.	Development of biannual Employer Days Training to employers on payroll matters and organisational change are planned in May, September, and December 2022.	Biannually	N/A	N/A
Focus group meetings	Feedback on agenda.	Draft agenda and content	The next Focus Group session is planned to be held in June/July 2022.	Biannually	02/2022	07/2022
Latest news updates (specific topics, changes to the regulations)	Sign off of content when comms specific to West Sussex.	Website updates. West Sussex specific communications would be drafted, and template shared for feedback/sign off.	Monthly Correspondence Meetings continue to be held.	Ongoing	02/2022	07/2022
Payslips (where their pension varies by £5).	Feedback on changes to content, when applicable.	Template agreed and changes will be made where necessary. Payslip production following monthly pensions payroll.	A pensioner mailing was sent as a reminder for members to register for the Member Portal during the quarter. Electronic payslips and P60's will be provided as a default from June 2022, unless pensioner member has opted out and elects for a hardcopy.	Ongoing		

Pensions Savings Statements	Feedback on template	Draft templates and sign off	Statement to members who have exceeded annual allowance will be provided by the Statutory deadline.	Annually	11/2021	11/2022
Portal (Member and Employer)	Feedback on content/messages displayed	Maintain and update functionality / content as necessary.	Further development of the Employer Hub is due, which will increase the functionality.	Ongoing	N/A	N/A
Pre-Retirement course	Learning and Development run the pre-retirement course, this is advertised on their pages.	N/A		Ongoing	N/A	N/A
Requesting feedback from customers as part of the Customer Services Excellence accreditation.		HCC request from relevant parties including via email signature, training surveys sent to employer training attendees and complaints/compliments reporting	Training surveys Reporting of complaints and compliments	Ongoing	N/A	N/A
Stop Press publications	Feedback/sign off if West Sussex specific.	Draft content and make WSCC aware of stop press.	Feedback from employers (through a feedback survey at the Focus Group in July 2021) has been incorporated into Pensions Matters and Stop Press communications and these updates which continue to develop based on feedback from all parties.	Ongoing	02/2022	07/2022
Training for small groups	Propose appropriate sessions	Draft content and sign off		Ongoing	N/A	N/A
Training on provision of end of year member data, including the completion of the appropriate data capture spreadsheet.	Feedback on content	Draft content, provide to WSCC for feedback and sign off.	Several Annual Return workshops were held with Employers to help them with their annual submission. The topics covered were the requirements for your annual return submission, and how to complete it, the importance of annual returns and how they can impact you as an LGPS employer and the principles of pensionable pay which relate to the annual returns submission, such as how to calculate Full-Time Equivalent (FTE), Assumed Pensionable Pay (APP), and Final Pay figure. Slides are available on the website.	Annually	N/A	N/A
Website	Review at least annually and feedback on content on as required basis.	Maintain and review content of website as necessary.	Website content and links will be kept under periodic review in line with changes.	Ongoing	N/A	N/A

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

Employer News

Three news articles were published in the period.

- [Stop Press – Local Government Pay Deal 2021/22](#)
- [Revised Pensionable Pay Figures Template](#)
- [Stop Press Hampshire Pension Services Annual Returns Workshop](#)

Member news

One news article was published in the period.

- [Update on McCloud Judgement](#)
- [Pension Age](#)
- [Local Government Pay Award – April 2021](#)
- [Address Tracing](#)

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Key decision: Not applicable
Unrestricted

Report to Pension Advisory Board

16 May 2022

Regulations and Governance Update

Report by the Chairman of the Pension Advisory Board

Summary

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

Recommendations

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

Proposal

1. Background and context

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

2. LGPS Bulletins and regulations

- 2.1 Emails from the Local Government Association (LGA) announcing the issue of these Bulletins are forwarded to all Board members for early reference. Bulletins issued since the last meeting are:
January Bulletin 219, February Bulletin 220, March Bulletin 221 (annual update), March Bulletin 222, and April Bulletin 223.
- 2.2 None of these Bulletins contained any matters of significance to the Board's activities and technical details about the Scheme are covered in the Administration Report where appropriate.

- 2.3 A review of these Bulletins gives an indication that the day-to-day work of regulating and administering local government pensions is continuing at the detailed technical level but overall policy decisions on Scheme governance are not progressing. Full details are available on the LGPC website (www.lgpsregs.org) under "LGPC Bulletins". Other changes or potential changes to the regulations are addressed in the Actuary Update, Business Plan and Administration Procedures and Performance reports on the agenda.

3. Scheme Advisory Board/DLUHC outstanding issues

- 3.1 The SAB last met on 7 March and a summary note of the meeting, as published on their website is attached as **Appendix A**. Further information about this and their past meetings, and other issues is available on their website (www.lgpsboard.org).
- 3.2 The SAB reports on its website that an amendment has been agreed to the Public Service Pensions Act 2013 as follows:
- 12 The administration and management of the scheme, including -*
- (a) the giving of guidance or directions by the responsible authority to the scheme manager (where those persons are different); including guidance or directions on investment decisions which it is not proper for the scheme manager to make in light of UK foreign and defence policy.*
- Reference is also included in Appendix A.
- 3.3 Once enacted, this amendment would enable the Secretary of State to issue directions regarding such investments, which it had tried to do previously and been prevented by the courts. Application to the LGPS would require a consultation (normally 12 weeks) on an amendment to the Investment Regulations and/or guidance. At that stage, it would be appropriate for the Board to consider any compliance implications.
- 3.4 Apart from this potential change, there has been no apparent progress on other governance developments, details of which have been reported to the Board previously and are summarised in the Committee's Business Plan as reported to this meeting.

4. The Pensions Regulator

- 4.1 The new combined Code is still not expected to be published until the summer, due to come into force in October 2022.

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

N/A

6. Consultation, engagement and advice

N/A

7. Finance

N/A

8. Risk implications and mitigations

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

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

9. Policy alignment and compliance

9.1 Integral part of agreed training strategy.

Peter Scales

Chairman of the Pension Advisory Board

Contact Officer:

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Appendices

Appendix A –Summary note of the SAB meeting on 7 March 2022

Background papers

None

Scheme Advisory Board updates

Last Updated: 21 April 2022

[Summary note of \(virtual\) Scheme Advisory Board meeting held on 7th March 2022](#)

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

The minutes of the meeting on 13th December were approved.

The main points arising from the meeting are shown below:

Welcome and Introduction - In the absence of Cllr Roger Phillips, the meeting was chaired by Jon Richards. In response to recent events in Ukraine the Board was informed that a statement advising fund authorities to review their investments in Russia has been posted on the SAB website. Fund authorities have also been asked to submit details of any direct holdings in Russian assets over 1%.

Levelling Up White Paper - Members were informed that following publication of the White Paper on the 2nd February the Secretariat has met with the pensions team at DLUHC to clarify a number of issues. It has now been made clear that the 5% target for local projects is an ambition and not mandatory but that having a plan to achieve the 5% will be mandatory. Fund authorities may also exceed the 5% target if they wish. DLUHC has also confirmed that in the context of the White Paper's proposals local means the UK rather than just the area local to each individual fund authority.

Sharia Compliant Investments - Members were advised that the Investment Committee had recommended that the Board considers the advice from Counsel on issues for scheme employers around the Sharia compliance of LGPS investments. The advice covered whether scheme employers have the power to offer an alternative scheme. The commission was in response to representations from some authorities that a number of scheme members are opting out of the scheme because they feel that the nature of scheme investments does not comply with their religious beliefs.

PSPJO Bill - The Board was advised that the Queen's Speech had included reference to a new Boycotts, Divestment and Sanctions Bill relating to the expenditure, procurement and investments of all public bodies including the authorities administering the LGPS. Separately and in advance of that Bill, an amendment to the Public Service Pensions and Judicial Offices Bill was tabled by Robert Jenrick MP to create a new clause granting responsible authorities the power to issue guidance or directions on investment decisions which it is 'not proper for a scheme manager to make in light of UK foreign and defence policy'. The amendment was successfully passed as contrary to earlier expectations, the government had changed its position and supported the amendment.

Board/Committee Membership - The Board approved a number of appointments to the Board and both committees that do not require formal approval from the Secretary of State. The Board also agreed that the Chair should send letters to former members thanking them for their service to SAB and its committees.

Agenda Item 11

Appendix A

Board Budget, Workplan and Forward Look – The Board agreed that the proposed budget should be submitted to DLUHC for consideration, and that special "forward look" meetings should be held in April to discuss the Board's strategic priorities and annual workplan with the new Board Secretary once she is in post.

Cost Management, Benefit Design and Administration Committee Report - The Board agreed with the committee's recommendation that the Board's cost management process be amended in response to forthcoming changes to HMT's Cost Control Mechanism (CCM), as set out in the relevant committee paper.

Investment, Governance and Engagement Committee Report - The report to members covered a range of issues including the Levelling Up White Paper, the 2020 Stewardship Code, an update on the new Compliance and Reporting Committee, Sharia compliant investments, an update on compliance with the Code of Transparency and a report from the Chair of RIAG.

Date of Next Meeting – 6th June 2022

**Key decision: No
Unrestricted
Ref:**

Pension Advisory Board

16 May 2022

Policy Documents

Report by Director of Finance and Support Services

Summary

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

Recommendations

- (1) That the Board note the register of Policy Documents
 - (2) The Board notes the changes made to the Governance Policy and Compliance Statement approved by the Pensions Committee at their meeting on 29 April 2022.
-

Proposal

1 Background and context

- 1.1 The Pension Regulators Code of Practice 14 requires that

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

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

2 Pension Fund Policy Documents

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

3 Governance Policy and Compliance Statement

- 3.1 At the meeting in February 2022 Board members were invited to comment on the Draft Governance Policy and Compliance Statement ahead of approval by the Pensions Committee in April.
- 3.2 Ahead of the Committee meeting in April the Policy and Statement were further reviewed and amended. The Committee approved the Policy including the Statement at their meeting in April and agreed to ask the Board to review the revised wording for compliance.
- 3.3 The extract from the relevant regulations is included in Appendix B and the revised Governance Policy including Governance Compliance Statement is included in Appendix C with the relevant changes shown.

Katharine Eberhart

Director of Finance and Support Services

Contact Officer: Vickie Hampshire, Finance Manager – Pension Fund Governance, 033022 23386, vickie.hampshire@westsussex.gov.uk

Appendices

Appendix A – List of Policy Documents

Appendix B - Extract from Local Government Pension Scheme Regulations 2013

Appendix C – Governance Policy including Governance Compliance Statement

Register of Pension Fund Policy Documents

POLICY	Regulation	Importance	How often it should be reviewed	Previous PAB review date	Next date for PAB to review
Actuarial valuation	LGPS Regulations 2013 Regulation 62	Statutory required	Every 3 years		Q1 2023
Administering Authority Discretions	LGPS Regulations 2013 Regulation 60	Statutory required	Every 4 years	Apr 2019	TBC but no later Q1 2023
Administration Strategy	LGPS Regulations 2013 Regulation 59	Highly recommended	Every 2 years	Apr 2021	Q1 2023
Annual Report	LGPS Regulations 2013 Regulation 57	Statutory required	Annually	July 2021	Q2 2022
Breaches policy	Pensions Act 2004 Regulation 70	Highly recommended	Every 2 years	Nov 2021	Q3 2023
Communications Policy Strategy	LGPS Regulations 2013 Regulation 61	Statutory required	Annually	Feb 2021	Q2 2022
Conflict of Interest	Public Service Pension Act 2013 Regulation 5(4) and 5(5)	Highly recommended	Every 3 years		Q3 2024
Funding Strategy Statement	LGPS Regulations 2013 Regulation 58	Statutory required	Every 3 years	Nov 2020	Q2 2022
Governance Policy and Compliance Statement	LGPS Regulations 2013 Regulation 55	Statutory required	Annually	Feb 2022	Q4 2022
IDRP (Internal Dispute Resolution Procedure)	The Pension Regulator & Occupational Pension Schemes (Internal Dispute Resolution Procedures Consequential and Miscellaneous Amendments) Regulations 2008	Highly recommended	Every 3 years		Q3 2024

Agenda Item 12
Appendix A

POLICY	Regulation	Importance	How often it should be reviewed	Previous PAB review date	Next date for PAB to review
Investment Strategy Statement	LGPS Regulations (Management and Investment of Funds) 2016	Statutory required	Every 3 years	Nov 2020	Q3 2023
LGPS Privacy Notice	Data Protection Act 2018 and General Data Protection Regulation (EU) 2016/679	Statutory required	Every 3 years	Apr 2021	Q1 2024
Treasury Management Strategy Statement	Treasury Management Code of Practice	Required	Annually	Feb 2021	Q4 2022

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

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

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Governance Policy **and**

Including Governance Compliance Statement

Approved by Pensions Committee April 2022



Introduction

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

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

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

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

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

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

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

About the West Sussex Pension Fund

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

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

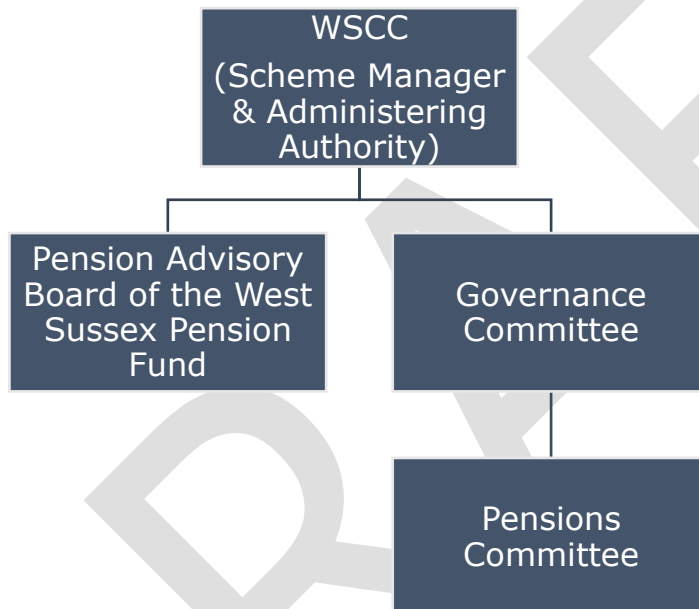
Decisions must be taken in accordance with public law obligations, including the obligations of reasonableness, rationality and impartiality.

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

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

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

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



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

The Role of Officers

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

~~The~~[The County Council, under its Constitution, has determined that the](#) Director of Finance and Support Services and the Director of Law and Assurance both have responsibility to manage the scheme operationally and advise the County Council in the discharge of the responsibilities of the County Council as Scheme Manager in relation to the Local Government Pension Scheme.¹

~~Specifically,~~[The additional responsibilities for](#) the Director of Finance and Support Services ~~also has responsibility for:~~[in relation to the LGPS are set out in Part 3 of the Council's Constitution \(Section No. 258 and 268\) and summarised below:](#)

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

The Director of Law and Assurance also has responsibility to hear and determine any pension appeal or dispute requiring resolution: [\(Part 3 of the Council's Constitution \(Section No. 268\)\)](#).

¹ Inclusion of "the scheme operationally" added for clarity of role

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

Governance Committee

~~The County Council's~~ Under the County Council's Constitution (Appendix 7) its Governance Committee has responsibility "to make arrangements for the discharge of the County Council's function as Scheme Manager and the exercising of the powers and duties of the County Council in its capacity as Administering Authority in relation to the Local Government Superannuation Acts and Regulations made thereunder and in particular to arrange for the discharge of those responsibilities through a formally constituted committee to be named the Pensions Committee".

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

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

Key ~~Further key~~ information ~~about~~ is within the ~~Governance Committee is set out~~ Constitution and summarised below:

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

Pensions Committee

Responsibility Under the County Council's Constitution (Appendix 7) responsibility for the discharge of the Administering Authority responsibilities for the LGPS sits with the Pensions Committee and as such the Pensions Committee ~~it~~ is responsible for exercising the powers and duties of the County Council in its capacity as Administering Authority ~~including to be responsible for~~. The Terms of Reference from the Constitution have been set out below:

- a) Appointment of professional and specialist investment advisers and managers on a consultancy basis.
- b) Consideration of the recommendations of the advisers and managers including the Fund's investment strategy.
- c) Determination of the Pension Fund's investment strategy and oversight of the delivery of the strategy.
- d) Consideration of and response to the recommendations of the LGPS ACCESS Joint Committee.³
- e) Consideration of and response to key scheme governance, funding and administration issues, including responses to statutory consultations.
- f) Monitoring the Fund's performance.
- g) Ensuring that arrangements are in place for consultation and communication with stakeholders as necessary.
- h) Establishing member groups to review aspects of investment strategy or to undertake work on key themes and to report back to the Committee.
- i) Consideration of the work of the Regulation, Audit and Accounts Committee with regards to the Pension Fund accounts, internal and external auditors' reports, development and operation of risk management and approval of changes to anti-fraud and corruption strategy.
- j) To appoint a substitute representative for the ACCESS Joint Committee.

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

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

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

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

Key Further key information about is within the Pensions Committee is set out Constitution and summarised below:

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

⁵ This traditionally includes the Cabinet Member for Finance, although not formally required.

⁶ It is not part of the Administering Authority's remit to administer the selection process for the borough and district, scheduled body or employee members sitting on the Pensions Committee or to ensure their attendance at meetings, unless they wish to do so. Notwithstanding this as far as possible, employer representatives are expected where possible to have a democratic mandate in addition to the mandate from their governing body or equivalent.

Pension Advisory Board

As a result of the ~~West Sussex Pension Fund~~ Public Service Pensions Act 2013 all Administering Authorities have a Local Pension Board to assist the Scheme Manager in their compliance with the Pension Regulators Code of Practice on the governance and administration of public service pension schemes ~~issued by the Pensions Regulator~~.

Under its Terms of Reference within the County Council's Constitution (Appendix 7) the Pension Advisory Board is responsible for assisting West Sussex County Council as Scheme Manager;

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

The principal functions of the Pension Advisory Board in the Constitution include:

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

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

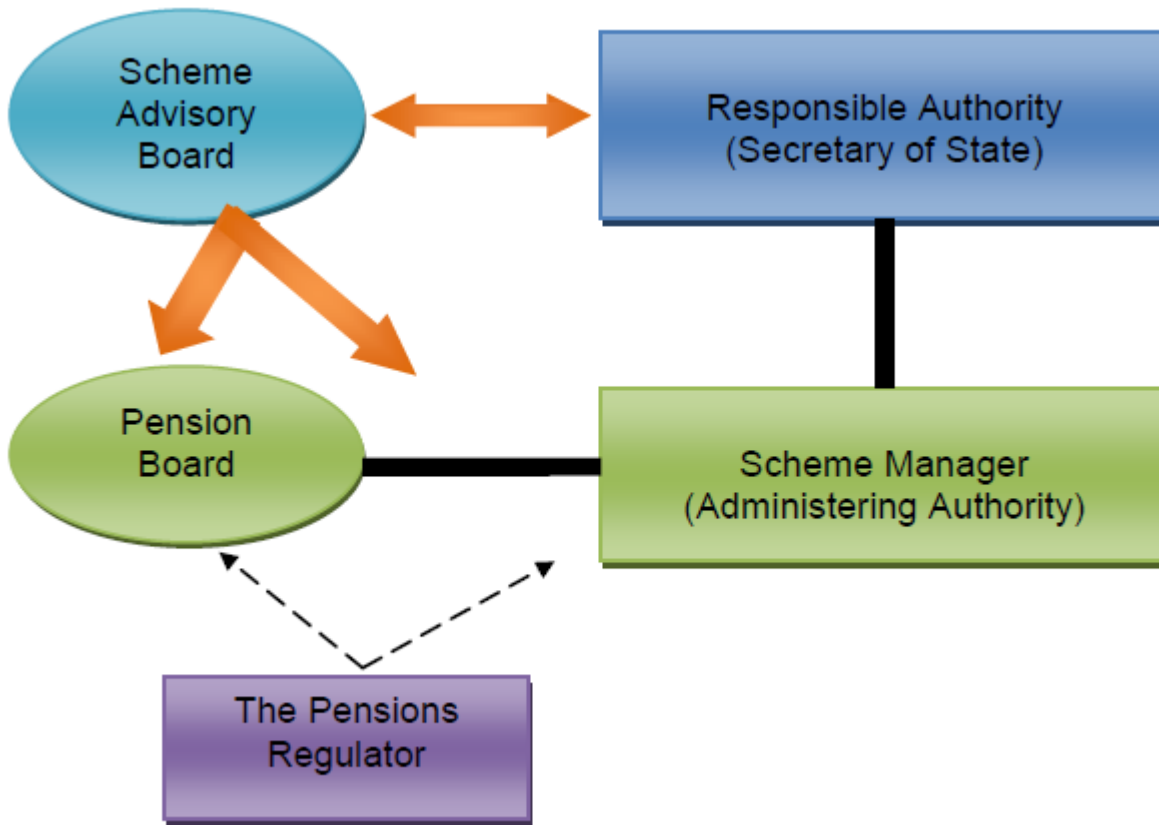
Key Further key information about is within the ~~Pension Advisory Board is set out~~ Constitution and summarised below:

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

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

National Framework

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



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

Governance Compliance Statement

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

Structure

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

Representation

Principle	Response
That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include <ul style="list-style-type: none"> ▪ employing authorities ▪ scheme members (including deferred and pensioner scheme members) ▪ where appropriate, independent professional observers ▪ expert advisers (on an ad hoc basis) 	Compliant Pensions Committee includes a District Council, Scheduled Bodies and a scheme member representative. The role of the independent adviser includes governance compliance monitoring and offering a practical approach to address and control risk. The Independent Adviser attends all Pension Committee meetings. Expert advisers attend Pension Committee meetings as appropriate.
That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision-	Compliant District Council, Scheduled Bodies and scheme member representative all receive the same meeting papers and training as the Administering Authority representatives and

making process, with or without voting rights.	have full opportunity to contribute to the decision making process. All members can vote.
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Selection and Role of Lay Members

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

Voting

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

Training / Facility Time / Expenses

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

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

	members and officers. Training is reported as part of each Committee and Board meeting.
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Meetings

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

Access

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

Scope

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

Publicity

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

**Governance Policy and Compliance
Statement**

Reviewed January 2022

DRAFT

**Key decision: Not applicable
Unrestricted**

Report to Pensions Committee

29 April 2022

Cyber Security

Report by Director of Finance and Support Services

Summary

The Pension Fund Risk Register has a red risk relating to cyber security. The paper below sets out some of the risks specific to the Pension Fund and how this risk is monitored and managed by the County Council, Hampshire Pension Services (as Administrators) and Link Fund Solutions (as Operator).

Recommendations

- (1) Officers continue to monitor cyber security and risk
 - (2) Pension Committee Members and Pension Advisory Board members undertake to complete the LOLA training and the tPR toolkit training, as identified in paragraph 6.1.
-

Proposal

1 Background and context

- 1.1 The Pension Fund risk register currently has a red risk relating to cyber security and risk -

Cyber crime resulting in personal data for members being accessed fraudulently

- 1.2 Cyber risk can be broadly defined as the risk of loss, disruption or damage to a scheme or its members as a result of the failure of its information technology systems and processes. The risk has increased over the last year from amber to red to reflect the risk status on the Corporate Risk Register and the changing environment.
- 1.3 The Pension Fund relies on the WSCC corporate IT team to manage cyber security for information held on the corporate network and on Hampshire Pension Services for information held as part of the administration service provided. There is also a reliance on the cyber security measures in place with stakeholders and third-party providers including:
 - Information received from over 200 participating employers
 - Information received from over 80,000 members

- Information provided to EY as auditor
- Hymans Robertson as the Fund Actuary
- Link as investment manager for the Fund's liquid assets
- Northern Trust as custodian
- L&G as AVC providers
- Legal advisers, consultants and officers

1.4 The Pensions Regulator (TPR) has placed more importance on cyber security over the last few years and is interested in how pension schemes manage the risk. The Regulator does not expect LGPS schemes to only rely on Host Authority IT policies (i.e., WSCC) but to have their own assurance and mitigations in place. Cyber risk is expected to be covered comprehensively in the new single Code of Practice from the Regulator, which should be published this summer.

2 Cyber Risk

2.1 Cyber risk can be broadly defined as the risk of loss, disruption or damage to a scheme or its members as a result of the failure of its information technology systems and processes. It includes risks to information as well as assets, and both internal risks (e.g., from staff) and external risks (e.g., hacking, phishing, ransomware.)

2.2 Cyber risk is an evolving area and one that cannot be fully mitigated against. It is therefore important to acknowledge it a threat and have appropriate steps and procedures in place should an event occur.

2.3 There is a multiplicity of cyber threats including ransomware attacks, denial of service, phishing and "zero-day" attacks and they can lead to data loss, financial loss, disruption to service and reputational damage.

2.4 Specific ways the Pension Fund can be targeted include –

- The Fund holds a large amount of detailed personal data that could be exploited either by stealing a member's identity or, due to the quantity of information being held, the data could be accessed with a view to selling it in bulk.
- As the Fund also holds billions of pounds of assets, criminals may try to divert transactions to access these funds. It is also possible that Fund Managers, Pool Operators or other third parties may be targeted due to the large amount of assets that they manage.
- A large amount of member data and financial information is held online which could be targeted to gain access to personal data or bank details.
- The level of cyber security awareness is relatively low amongst scheme members and personal information may be sent in an unsecured email which could be intercepted.

2.5 The consequences of a cyber attack could include disruption to payments, identity theft, reputational damage, loss of members' trust, financial or time loss, fines being imposed by the Regulator.

2.6 The Pensions Regulator is very clear that a fund should not solely rely on the corporate IT team's cyber policies and procedures. Its special guidance expects steps to be taken to build up cyber resilience (i.e. minimising the risk of a cyber

incident occurring and recovering if an incident does occur) through an assessment cycle. Officers have been working with internal teams and third-party providers to understand the management and mitigations in place with regards to cyber risk. This will be put into a Fund specific plan.

3 West Sussex County Council

- 2.7 The County Council provides the infrastructure which supports financial transactions of the Pension Fund and the network on which files are held.
- 2.8 The County Council IT Department regularly review, measure and evaluate the corporate and organisational response to current and emerging cyber threats and where applicable take pertinent actions to mitigate any risks identified. The Council has joined South East Group Warning Advice and Reporting Point to assist with ensuring that cyber attacks are identified early, knowledge of current and emerging threats is shared and that reporting and monitoring is effective.
- 2.9 There are regular communications to all staff regarding cyber threats, particularly phishing scams, and all staff are expected to undertake mandatory annual Information Security and Data Protection training. This is monitored and recorded for Pensions Team members alongside other training undertaken. Pensions Team officers are also required to complete the Pension Regulator Toolkit training which includes a module about pension scams.
- 2.10 There is a clear and defined testing schedule for the Council including business continuity/disaster recovery, penetration testing and social engineering. The IT Department are also undertaking a training needs assessment to ensure resources are appropriately skilled and corporate practices are aligned to the National Cyber Security Centre guidelines.

4 Hampshire Pension Services

- 4.1 Hampshire Pension Services (HPS) are the administrators for the West Sussex Pension Fund. They therefore hold a large amount of detailed personal data and generate payments from the Fund's bank account All member pension records and documents are held electronically in UPM, a pension database system provided by Civica.
- 4.2 The delegation agreement between West Sussex and Hampshire sets out the data protection requirements that Hampshire must adhere to including archiving and backing up data.
- 4.3 HPS have recently produced a Cyber Security Statement of Compliance which sets out their approach to cyber resilience and which has been shared with officers. It includes how HPS assesses and minimises the risk of a cyber incident occurring but also plans to recover, should an incident take place.
- 4.4 HPS also have a [dedicated webpage](#) informing members about the risks of pension scams and liberation including the warning signs for members to be aware of and the actions that they should take if suspicious. HPS have self-certified to the Pensions Regulator that they follow the principles of the Regulator pledge to combat pension scams.

5 Other Third Parties

Agenda Item 13

- 5.1 Following the transfer of liquid assets into the ACCESS ACS there is a greater reliance on the systems and processes that Link as the Operator has in place regarding cyber security. There are provisions within the Operator Agreement in place with Link, setting out their responsibilities in this area.
- 5.2 The ACCESS Support Unit has responsibility for contract management and there is a contract manager in place to ensure that Link comply with the requirements of the Operator Agreement including cyber security and data protection.

6 Training

- 6.1 The LGPS Online Learning Academy has a section on Introduction to Cyber Risk which sits within Module Six – Current Issues. This provides a brief background to cyber risk and the responsibilities of the Fund.
- 6.2 The Pension Regulator toolkit consists of seven modules including Managing Risk and Internal Controls and Pension Scams. It is recommended that all Committee members complete the toolkit.

Katharine Eberhart

Director of Finance and Support Services

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Appendices

None

Background papers

None

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