

Public Document Pack

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19 July 2022

Pensions Committee

A meeting of the committee will be held at **10.00 am** on **Wednesday, 27 July 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** (Pages 5 - 12)

The Committee is asked to agree the Part I minutes of the meeting of the Committee held on 29 April 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 Part I minutes from the meeting of the Pension Advisory Board on 11 February 2022 that were noted at the informal Pension Advisory Board on the 16 May 2022; and the agenda from the informal meeting of the Pension Advisory Board on 16 May 2022.
- (a) **11 February 2022 - Part I Pension Advisory Board Minutes** (Pages 13 - 18)
- (b) **16 May 2022 - Pension Advisory Board Agenda** (Pages 19 - 22)
- 10.10 am 6. **Business Plan** (Pages 23 - 38)
- Report by the Director of Finance and Support Services.
- The Committee is asked to note the updates on Business Plan activities for 2022/23 and risk matrix.
- 10.25 am 7. **Pension Fund Annual Report** (Pages 39 - 86)
- Report by the Director of Finance and Support Services.
- The Committee is asked to provide comment on, and approve the draft annual report (Figures subject to audit and consideration by the Regulation, Audit and Accounts Committee on 22 September 2022).
- 10.40 am 8. **Pension Administration** (Pages 87 - 100)
- Report by the Director of Finance and Support Services.
- The Committee is asked to note the report.
- 10.55 am 9. **Funding Strategy Statement** (Pages 101 - 138)
- Report by the Director of Finance and Support Services.
- The Committee is asked to provide feedback on the draft Funding Strategy Statement and the matters covered in the Fund Actuary's presentation, ahead of consulting with employers.
- 11.25 am 10. **Date of the next meeting**
- The next meeting of the Pensions Committee will be 10.00 a.m. 2 November 2022 at County Hall.

Part II

- 11.25 am 11. **Exclusion of Press and Public**
- The Committee is asked to consider in respect of the following item(s) whether the public, including the press, should be excluded from the meeting on the grounds of exemption under Part I of Schedule 12A of the Local Government Act 1972, as indicated below, and because, in all the circumstances of the case, the public interest in maintaining the exemption of that information outweighs the public interest in disclosing the information.
- 11.25 am 12. **Part II Minutes of the last meeting** (Pages 139 - 144)
- To confirm the Part II minutes of the meeting of the Committee held on 29 April 2022, for members of the Committee only (yellow paper).
- 11.30 am 13. **Pension Advisory Board Minutes - Part II** (Pages 145 - 146)
- The Committee is asked to note the Part II minutes from the meeting of the Pension Advisory Board on 11 February 2022 that were noted at the informal Pension Advisory Board on the 16 May 2022 (yellow paper).
- 11.35 am 14. **Update from ACCESS Joint Committee activity (6 June 2022)** (Pages 147 - 170)
- Report by the Director of Finance and Support Services attached for members of the Committee only (yellow paper).
- The Committee is asked to consider the recommendations within the report.
- 12.00 pm 15. **Investment Strategy Implementation** (Pages 171 - 180)
- Report by the Director of Finance and Support Services attached for members of the Committee only (yellow paper).
- The Committee is asked to consider the recommendations within the report.
- 12.15 pm 16. **Review of Pension Investment Performance** (To Follow)
- Paper by the Director of Finance and Support Services and Independent Fund Adviser summarising transactions and performance during the quarter and giving comments on the quarter, for members of the Committee only (yellow paper).

Break for the Committee

- 1.15 pm 17. **Presentation by Partners Group**
The Committee to receive a presentation on portfolio performance.
- 2.00 pm 18. **Presentation by Macquarie Asset Management**
The Committee to receive a presentation on portfolio performance.

To all members of the Pensions Committee

Pensions Committee

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

Present:

Cllr Condie, Cllr J Dennis, Cllr Elkins (left at 1.15pm.), Cllr N Jupp, Cllr Turley, Cllr Urquhart, Mr Kipling and Mr Wilding

Apologies were received from Cllr Hunt

Part I

1. Election of Chairman

1.1 Charles Gauntlett, Senior Adviser, Law and Assurance, welcomed all to the meeting and noted apologies from the Chairman, Cllr Jeremy Hunt. Nominations for the role of Chairman were invited. Cllr Nigel Jupp nominated Cllr Deborah Urquhart, Cllr Roger Elkins seconded the nomination.

1.2 Resolved that Cllr Deborah Urquhart took on the role as Chairman for the meeting.

2. Declarations of Interests

2.1 Cllr Urquhart welcomed Cllr Peter Wilding to his first meeting of the Pensions Committee as District and Borough Representative.

2.2 No declarations of interest were declared.

3. Part I Minutes of the last meeting

3.1 Resolved – That the Part I minutes of the Pensions Committee held on 4 February 2022 were approved as a correct record, and that they be signed by the Chairman.

4. Pension Advisory Board Minutes - Part I

4.1 The Committee considered the confirmed Part I minutes from the 15 November 2021 Pension Advisory Board meeting; and the agenda from the 11 February 2022 meeting (copies appended to the signed minutes).

4.2 The Committee asked whether the Pensions Advisory Board Chairman had in the past attended meetings of the Pensions Committee as an observer. - Rachel Wood, Pension Fund Investment Strategist, explained that this did occur on an ad hoc basis and the Chairman also met with officers from the Pensions team on occasion outside of formal meetings.

4.3 Resolved – That the minutes and agenda were noted.

5. Business Plan

5.1 The Committee considered a report by the Director of Finance and Support Services (copy appended to the signed minutes). Katharine Eberhart, Director Finance and Support Services, highlighted the resources and budget applied to the delivery of the West Sussex Pension Scheme and the review of performance for 2021/22.

5.2 The Committee made comments including those that follow.

- a. Noted that where the white paper was mentioned under 'Investment Strategy Statement' on page 24, this referred just to new infrastructure projects
- b. Raised a question in regard to PEN 46, what recruitment issues were currently. - Rachel Wood, Pension Fund Investment Strategist, explained that work had been completed on defining administration and oversight roles and a temporary post had been recruited to. The Committee noted that the risk level was open to review for the next iteration of the register depending on staff recruitment activity.
- c. Queried in regard to Pen 35, what 'merger of large employers' referred to and why this was a 'red' risk. - Rachel Wood explained that Greater Brighton Metropolitan College and Chichester College were working toward a merger in August 2022. Also, that the red risk score was a combination of the likelihood that what was described would happen, which was high, while the impact score referred to the effect of the mitigation which in this instance was also considered high as the work required to support the merger was complex, although there were no concerns at present.
- d. In regard to Investments and Funding on page 20 and the objective 'to make the best use of resources', questioned what the timeline and ambition were to reduce employee contributions for the County Council. Steven Law, Fund Actuary, explained that this currently stood at 21.4% (inclusive of a reduction for paying in advance) with an ambition to reduce it by 1% of pay per annum until 18% was reached
- e. Noted, in regard to 2022/23 actions and the administration team submitting a full data set to the Fund Actuary, that the subsequent report from Hymans would be available in September
- f. Noted, in regard to PEN25, that the anticipated increase in employers in the fund increased this risk score.

5.3 Resolved – that the Pensions Committee:

- (1) Noted the updates on Business Plan activities for 2021/22
- (2) Approved the priorities for 2022/23 (Appendix A).
- (3) Noted the full risk matrix (Appendix B).

6. Governance Policy and Compliance Statement Review

6.1 The Committee considered a report by the Director of Finance and Support Services (copy appended to the signed minutes). Rachel Wood introduced the report which updated public information on the Administering Authority arrangements for governance. Rachel Wood

highlighted the clarification of the role of the Director Support Services and Finance and the fiduciary responsibility of the Committee. Attention had also been given to a review of language used and the presentation of the document.

6.2 The Committee made comments including those that follow.

- a. Welcomed the clarity on roles and responsibilities.
- b. Noted the main change to the Pensions Committee Terms of Reference to reflect that the Committee is fully responsible for pension matters and was not a sub-committee of the County Council's Governance Committee.
- c. Noted that there was potential miscategorising of items at page 12 which Rachel Wood agreed to check.

6.3 Resolved – that the Pensions Committee

- (1) Approved the Governance Policy and Compliance Statement at Appendix A for publication.
- (2) Invite the Pension Advisory Board to consider the approved text.

7. Pension Administration Performance

7.1 The Committee considered a report by the Director of Finance and Support Services (copy appended to the signed minutes). Rachel Wood introduced the report and highlighted the recent review of performance by Hymans Robertson of L&G as provider for LGPS AVCs as giving a good level of performance. Rachel Wood also highlighted the level of new complaints received by the administration within the quarter stood at zero and the number of LGPS members and employers registered on the Portals had increased from 24% to 34%.

7.2 The Committee made comments including those that follow.

- a. Congratulated the administrative team on its continued 100% compliance with service standards
- b. Questioned what support was given to members seeking advice on AVCs. – Rachel Wood explained that website links to support were made available.
- c. Questioned the number of members accessing the Portal. - Andrew Lowe, Head of Pensions, Investments & Borrowing at Hampshire County Council, explained that there was currently a high take up of digital access with over 1,500 members per day accessing the Portal.
- d. Questioned the reason for increase in requests for information on deferred benefits. - Rachel Wood explained the understanding was that this related to the approach of the end of the calendar and financial year and the increase in staff turnover at this time.
- e. Questioned whether an increase in scam activity had been seen. – Rachel Wood explained that the administration complied with the TPR guidelines on what steps should be taken should it become aware of any issues and any alerting of members on any checks they should be making.

- f. Highlighted the number of employers registered on the Portal as only 70% and question why this was not higher. – Rachel Wood explained this appeared to relate to employers with very few members, such as Parish Councils.
- g. Questioned whether new employers were required to register on the Portal. - Rachel Wood explained that this was a requirement for new employees joining the scheme. Rachel Wood agreed to look into employer requirements.
- h. Noted that the workload in respect of McCloud Data Collection must be laborious and questioned whether sanctions were being applied for those with outstanding data sets. - Rachel Wood explained that it was a statutory requirement to supply the information and more was being received as the date for uploading got closer.
- i. Raised concern that 40% of pensioners would no longer receive communications from the Fund as they were not registered on the Portal. - Rachel Wood said that Members had been alerted to the change and this would be kept under review. An update would be provided to the next meeting.

7.3 Resolved – that the Pensions Committee noted the report.

8. Cyber Security

8.1 The Committee considered a report by the Director of Finance and Support Services (copy appended to the signed minutes). Katharine Eberhart introduced the report and highlighted the red risk on the Pension Fund Risk Register. The report covered arrangements with a number of bodies including West Sussex and Hampshire County Councils, and Link.

8.2 The Committee made comments including those that follow.

- a. Questioned whether there had been any material incidents to the Local Authority systems which would present a risk to the Pension Fund. - Katharine Eberhart, Director of Finance and Support Services, explained that if the Local Authority systems went down then that would take the Pension Fund systems down too.
- b. Noted the training available for Pension Committee and Pension Advisory Board members as set out at paragraph 6 and how this would be helpful in understanding where the cyber security weaknesses were.
- c. Noted from the report that officers monitored cyber security and risk and questioned what action was taken as a result of that. – Katharine Eberhart explained, as set out in the report, that the County Council was fully compliant with government guidance on cybersecurity in its IT systems which included undertaking annual 'white knight' activities as part of a very thorough process which was duly reported through the Regulation, Audit and Accounts Committee. Internal audit also worked through the whole IT suite on a two-year cycle to give added assurance on its cybersecurity. Andrew Lowe, highlighted the Cyber Security Statement as set out in the report for Hampshire County Council. Andrew Lowe also explained that over the past year Hampshire County Council had undertaken a full private sector penetration test exercise on its

external and internal infrastructure which had reported back that its risk was medium/low for a successful cyberattack.

8.3 Resolved – that

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

9. Actuarial Valuation 2022

9.1 The Committee considered a report by the Director of Finance and Support Services (copy appended to the signed minutes). Rachel Wood introduced the report and highlighted that the year had commenced and continued in a period of financial uncertainty.

9.2 Steven Law, Fund Actuary at Hymans Robertson, drew members attention to a tabled document supporting the report entitled 'Regulatory Risks and the 2022 Valuation', West Sussex County Council Pension Fund (tabled copy appended to the signed minutes).

9.3 Points emphasised by Steven Law included that funding levels were improving and key risks for 2022 related to Climate/Transition, consumer price inflation and the impact of COVID-19 on long term mortality. Steven Law explained the current issues concerning the McCloud judgement and requirements arising from Academisation.

9.4 The Committee made comments including those that follow.

- a. Questioned, in respect of the outcome of the judicial review on whether the impact of the McCloud case should be included in the cost control mechanism. - Steven Law advised that if the Government were to lose the judicial review, then cost sharing would impact the LGPS; if the Government wins, there could be further legal challenges.
- b. Questioned the impact on the Fund of COVID-19. – Steven Law explained that this related not only to mortality today but to changes in the future if people did not live as long, although with new drug treatments, hygiene practices and survivor bias there were a lot of unknowns
- c. Noted that consumer price index increases increased liability as pensions were index linked. - Steven Law explained that as part of the valuation Hymans Robertson would test if the fund was well hedged and whether it has good resilience against this.
- d. Questioned the outcome of the judicial review and how pension benefits would be affected for active members and pensioners. - Steven Law explained that the cost sharing outcome was intended to affect only active members but as the changes would come into effect from 1 April 2019, some deferred and pensioner members would be impacted. McCloud itself applied to anyone active in the scheme prior to 2012 who was still active in 2014 and intention is that everyone would have their benefits brought in line with the revised Regulations. Further guidance on this was awaited. Steven

Law also emphasised there was potential for other judicial reviews on this issue.

- e. Questioned, with regard to Multi Academy Trusts (MATs), whether these were likely to look at schemes in surplus and send their funds there. - Steven Law anticipated this was likely as they would seek the schemes with the lowest employer contributions even if this was not a prudent long term decision.
- f. Questioned whether the County Council scheme had to take on MATs. - Steven Law confirmed that the Pension Fund was required to admit MATs within its geographical area. Steven Law also explained that research by the Department of Education suggested there was benefits in keeping MATs small and local.
- g. Questioned why there were so many schools in West Sussex that had not yet converted. - Steven Law explained that schools may have felt there was a financial incentive to be gained by waiting.

9.5 Resolved – that the Pensions Committee noted the report.

10. Date of the next meeting

10.1 The Committee noted that its next scheduled meeting would take place on 22 July 2022 at County Hall, Chichester.

11. 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.

12. Part II Minutes of the last meeting

The Committee agreed the Part II minutes of the Pensions Committee held on 4 February 2022.

13. Pension Advisory Board Minutes - Part II

The Committee noted the contents of the Part II minutes from the 15 November 2021 Pension Advisory Board meeting.

14. 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.

15. Presentation by Baillie Gifford

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

16. Presentation by Goldman Sachs

The Committee received an update from James Reynolds and Jason Freeman from Goldman Sachs on the portfolio performance for the quarter.

17. Update from ACCESS Joint Committee activity and proposals for change to governance (March 2022)

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

The Committee welcomed the advice.

18. Investment Strategy Implementation

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

The Committee welcomed the advice

The meeting ended at 3.15 pm

Chairman

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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

Tony Kershaw
Director of Law and Assurance

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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

Unrestricted

Pensions Committee**27 July 2022****Business Plan****Report by Director of Finance and Support Services**

Summary

The Pensions Committee approved its Business Plan for 2022/23 in April, setting out the aims and objectives of the fund over the coming year, its core work and how the objectives will be achieved. The following updates are highlighted:

- In line with the timeline to complete 2022 valuation by 31 March 2023, a full data set was uploaded to the Fund Actuary on 13 July, ahead of the deadline. The Funding Strategy Statement has been updated and officers are engaging with employers on the valuation process and expected outcomes.
- The government consultation on the remedy (and timescales) for McCloud is not anticipated until the autumn. The team continue to collect data from employers to meet the expected completion date in autumn 2023.
- A draft set of accounts for 1 April 2021 to 31 March 2022 were provided to the Fund's external auditors (EY) in June. These will be considered by the County Council's Regulation, Audit and Accounts Committee in September.
- A draft Annual Report has been prepared. Officers consider that all relevant guidance has been complied with.

A full risk matrix was presented to the Committee in April. This report includes risk themes. The following updates are highlighted:

- The delayed consultations from Government on a number of Scheme issues. Officers are working proactively to understand arrangements that can be put in place based on the understanding of the scope of proposals.
- The risk around compliance with the training strategy by the Committee, Board and officers has been updated to reflect the impact on the Pension Fund's Professional investor status if it is not able to evidence that appropriate knowledge and skills are maintained.

Recommendations: That the Pensions Committee:

- (1) Notes the updates on Business Plan activities for 2022/23 and risk matrix
-

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 2022/23 Business Plan was agreed in April 2022 and sets out how the aims and objectives of the fund over the coming year will be achieved. This has now been [published on the Pension Fund’s webpage](#).
- 1.2 This report is shared with the Pension Advisory Board.

2 2022/23 Business Plan

- 2.1 The table below shows progress against the agreed actions for 2022/23.

Objective and Action	Q1 Update
<p>Complete 2022 Valuation</p> <p>The Fund is required (under Regulations) to obtain an actuarial valuation of the assets and liabilities of the pension fund on 31 March 2022 and to set rates from 1 April 2023.</p>	<p>A full, valid, data set was submitted to the Fund Actuary on 13 July, ahead of the 15 July deadline.</p> <p>The Funding Strategy Statement has been reviewed and an initial draft prepared.</p> <p>Work is underway by PwC to analyse employer covenants, focusing on those employers considered higher risk to the Pension Fund because of their funding sources / guarantee arrangements.</p> <p>A session was held with the District and Borough Councils to discuss the valuation approach and contracting arrangements in place with associated admission bodies. During the next quarter officers will focus on other employer groups.</p> <p>It is anticipated that initial results for employers will be available in the autumn.</p>

Objective and Action	Q1 Update
<p>Implement changes required as a result of the McCloud judgement</p> <p>The Fund is required to offer remedies to affected members to ensure they are placed in an equivalent position to members protected when the LGPS was reformed in 2015 (which were based on the age of a member).</p>	<p>Further service/break data sets have been requested from employers to collect data to 31 March 2022. This is in addition to service/break data sets for the period to 31 March 2021.</p> <p>The government consultation on the remedy (and timescales) is not anticipated until the autumn. It is expected work will need to be completed by autumn 2023.</p>
<p>Consultations</p> <p>It is anticipated that there will be a number of consultations and guidance issued during the year covering benefits, investments and governance arrangements.</p>	<p>The government consultations are not expected until the autumn.</p> <p>Officers are working proactively in relation to Good Governance and TCFD to understand arrangements that can be put in place based on the understanding of the scope of proposals from government.</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. For these to be of maximum benefit the content and presentation of these communications should be reviewed.</p>	<p>Work is ongoing to develop communication to accompany the publication of active members Annual Benefit Statements.</p> <p>Opportunity has been taken to review the Funding Strategy Statement in full to reflect feedback from stakeholders and with the intention to improve the understanding of how the funding strategy is applied.</p>

Objective and Action	Q1 Update
<p>Data</p> <p>The maintenance of complete and accurate records is a control to allow the fund to carry out basic functions.</p>	<p>The administration team are preparing a project to return preserved refunds to relevant members.</p> <p>The review of data submitted for the 2022 Valuation during the next quarter will be important to scope any specific future data improvement work.</p> <p>Work is underway with administration team to ensure Fund is ready for implementation of Pension Dashboard expected in October 2023.</p>
<p>Robust Accounting</p> <p>The Pension Fund is required to produce accounts in line with statutory deadlines. The accounts are subject to external audit review and assurance</p>	<p>A draft set of accounts for the period 1 April 2021 to 31 March 2022 were provided to the Fund’s external auditors (EY) in June 2022.</p> <p>The County Council’s Regulation, Audit and Accounts Committee will receive an update on the audit when they meet on 18 July.</p> <p>Work to publish the audited Statement of Accounts remains in line with statutory deadline (30 September 2022) and a briefing session has been organised for 15 September, which Members of the Pension Committee and Pension Advisory Board have been invited to attend.</p>
<p>Annual Report</p> <p>The Pension Fund is required to produce an Annual Report in line with statutory deadlines and considering statutory guidance.</p>	<p>The Annual Report has been prepared for the Committee’s approval.</p> <p>It is anticipated that the Report will also be reviewed by the Pension Board in September 2022. Officers consider that all relevant guidance has been complied with.</p>
<p>Accounting System</p> <p>The County Council is changing its core accounting system to Oracle.</p>	<p>Officers continue to work with colleagues across the County Council to ensure appropriate processes, procedures and reporting.</p> <p>It is anticipated that the accounting system will be able to ‘go live’ in spring 2023.</p>

3 Update on Training

- 3.1 A Training Strategy has been established to support the Pension Committee and Pension Advisory Board members with the necessary skills and knowledge to act effectively in line with their responsibilities. The Constitution sets out that members of the Pensions Committee are required to acquire and maintain an appropriate level of expertise, knowledge and skills as set out by CIPFA in order to remain members of the Committee and the demonstration of officer and Committee knowledge is important for the Fund to maintain its professional investor status.
- 3.2 Appendix A shows the training completed up to 30 June 2022. Future external training available has been summarised below –

Event	Date	Location
LGC Investment Pensions Summit	8 - 9 September 2022	Leeds
LAPF Responsible & Impact Investment Summit	20 October 2022	London
SPS Local Authority Pension Funds: Sustainable Investment & other Structural Themes	16 November 2022	London
Day 1 LGA Fundamentals	18 October 2022	Online
	20 October 2022	London
Day 2 LGA Fundamentals	10 November 2022	London
	22 November 2022	Online
Day 3 LGA Fundamentals	6 December 2022	London
	20 December 2022	Online

- 3.3 Members should ensure they notify officers when they attend external training, so it can be recorded appropriately.

4 Update on Risks faced by the Fund

- 4.1 A full risk register was provided to the Pensions Committee in April 2022. The update on risks by theme are attached (Appendix B). The full risk register has been reviewed by officers and individual risk scores have been updated where appropriate. However, none of the risk themes have changed their RAG status. The following are highlighted:

- A number of risk themes are impacted by pending consultations from government. Officers are working proactively to understand arrangements that can be put in place based on the understanding of the scope of proposals from government.
- Several risks have been closed and either consolidated or redefined.
- Risk theme 9 in relation to value for money via contracts has been redefined to relate to contracts within the Pensions Teams direct control ie excluding Asset Pooling.
- Risk themes in relation to training, cyber and employer changes remain red risks. Officers continue to work to mitigate these risks where possible.

5 Update on Audit and Controls

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

6 Consultation, engagement and advice

- 6.1 N/A

7 Finance

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

8 Risk implications and mitigations

- 8.1 Covered in main body of report and appendices.

9 Policy alignment and compliance

- 9.1 N/A

Katharine Eberhart

Director of Finance and Support Services

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

Appendices

Appendix A – Training Log

Appendix B – Risk Themes

Appendix C – Internal Audit Work Completed / Planned

Background papers

None

Recommended Training

Hymans LGPS Online Learning Academy – Module 2 – Business Planning

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Hymans LGPS Online Learning Academy (LOLA) Training as at 30 June 2022

It is considered that the Hymans LGPS Online Learning Academy (LOLA) meets the CIPFA framework, and all members of the Committee and Board have been asked to complete the LOLA training.

Hymans have recently updated LOLA Module 6 – Current Issues to include sections on Climate Change & Task Force on Climate-Related Financial Disclosures (TCFD) and one on an Introduction to Cyber Risk.

Committee

Module	Intro (1)	Govern. (2)	Admin (3)	Funding (4)	Invest. (5)	Current Issues (6)
Cllr Hunt	Complete	In Progress				
Cllr Condie	Complete	Complete	Complete	Complete	Complete	In Progress
Cllr Dennis						
Cllr Elkins	Complete	In Progress	In Progress	In Progress	In Progress	In Progress
Cllr Jupp						
Mr. Kipling	Complete	Complete	Complete	Complete	Complete	In Progress
Mr Stretton	Complete	Complete	Complete	Complete	Complete	In Progress
Cllr Turley	Complete	Complete	Complete	Complete	Complete	In Progress
Cllr Urquhart	Complete	Complete	Complete	Complete	Complete	In Progress
Mr Wilding						

Board

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

Notes:

1. Complete indicates that each subject within the module has been accessed and the assessment has been completed. In progress indicates that some or all the materials within the module have been accessed but the assessment is not yet complete. No entry indicates that the materials within the module have not yet been accessed.
2. As Module 6 will be updated regularly it will only show as In Progress.
3. All members of the Pensions Team have completed all LOLA modules.

LGA Fundamentals

The three sessions (online or in person) provide a scheme overview and covers current issues in relation to administration, investments and governance of the LGPS.

Committee

Module	Session 1	Session 2	Session 3
Cllr Hunt	Booked	Complete	Booked
Cllr Condie	Booked	Booked	
Cllr Dennis	Complete	Complete	Complete
Cllr Elkins			
Cllr Jupp	Complete	Complete	Complete
Mr. Kipling			
Mr Stretton			
Cllr Turley	Booked	Booked	Booked
Cllr Urquhart			
Mr Wilding	Booked	Booked	Booked

Board

Module	Session 1	Session 2	Session 3
Mr Scales			
Ms Caney			
Mr Cohen			
Ms Kadwell	Booked	Booked	Booked
Ms Martin	Booked	Booked	Booked
Mr Scanes			

External Conferences

The following external conferences have been attended this year by Committee Members:

	Event
Cllr Hunt	Secure Income & Infrastructure Investment for Pension Funds
Cllr Condie	LGPS Live - Inflation is making headline news
Cllr Urquhart	PLSA LGPS Conference

Internal Training

The Committee and Board received internal training on actuarial matters and the Committee received internal training on fund manager equity strategies.

Pensions Regulator Toolkit

Although this is a requirement for Board members, it is desirable that Committee members also complete the Toolkit to maintain parity. All Pension Advisory Board members and Mr. Stretton have completed all Pension Regulator's Toolkit modules.

Risk Themes

Ref	Risk Theme	Action / Update	Apr-22	Jul-22
RT4	Insufficient funds to meet liabilities resulting in increased contributions required from employers or changing to a higher risk investment strategy	Carry out Asset Liability Modelling as part of the valuation to ensure current Investment Strategy is fit for purpose. Investments made into income generating assets. Size and pattern of contributions to feed into cashflow monitor and projections.	Green	Green
RT5	Insufficient resources to comply with the Administering Authority's Regulatory responsibilities and ability to deliver the business plan.	Reviewing practices and processes to maximise efficiency. Temporary member of staff employed whilst vacancy advertised. Number of projects on going that need to be balanced with BAU.	Amber	Green
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	Amber
RT7	Officer, Committee and Board knowledge and understanding resulting in poor decision making, disengagement on key issues and loss of professional investor status.	Training provision reviewed and amended to reflect membership of Committee and needs of officers. External training purchased.	Amber	Amber
RT9	Failure to secure value for money through managing contracts with third parties (excludes Asset Pooling)	Contract for custody services awarded in June.	Amber	Green
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 autumn.	Green	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	Red

Agenda Item 6

Ref	Risk Theme	Action / Update	Apr-22	Jul-22
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	Red
RT14	Fund not able to implement changes required as a result of McCloud judgement due to insufficient resources, incomplete information held by employers and continued delay from Government on remedy.	Awaiting Government consultation on remedy. Expected in the autumn. Team proactively working with software providers and employers to upload data available in readiness for Government regulations.	Amber	Amber
RT15	Ability of asset pool to allow participating authorities to execute their locally decided investment strategies.	All liquid assets are now invested via the ACCESS ACS. Consultation on pooling expected in the summer autumn.		Amber
RT16	Political environment (locally or nationally) impacts on funding and/or investment strategy	Full impact of Public Service Pensions and Judicial Offices Bill and Levelling Up white paper is difficult to quantify until further information/guidance is received from Government and Scheme Advisory Board. This is unlikely to be received until the autumn. Awaiting changes to regs on Exit Cap, McCloud etc.. Expecting consultation in the autumn.		Amber
RT17	Reliance on one contract for majority of investment management.	Link Fund Solutions are going to be sold as a non-core offering subject to a shareholder vote scheduled for July. The situation is being monitored and officers are engaging with professional advisors to understand and quantify the impact. At this stage the whilst the likelihood is high the impact is unknown.		Amber

Ref	Risk Theme	Action / Update	Apr-22	Jul-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. This is unlikely to be received until the autumn.</p> <p>This risk theme has been combined with risk theme 10. All underlying risks are now contained within risk theme 16.</p>	Red	
RT8	The introduction of asset pooling impacts on the Fund's ability to implement its investment strategy successfully or the Administering Authority is considered to not comply with the relevant statutory guidance.	<p>All liquid assets are now invested via the ACCESS ACS.</p> <p>Consultation on pooling expected in the autumn.</p> <p>Due to the established nature of pooling, this risk theme has been closed and all underlying risks are now within risk theme 15.</p>	Amber	
RT10	Political environment (locally or nationally) impacts on investment markets and legislative requirements.	<p>Awaiting changes to regs on Exit Cap, McCloud etc..</p> <p>Expecting consultation in the autumn.</p> <p>Fund remains in surplus despite volatile markets.</p> <p>This risk theme has been combined with risk theme 3. All underlying risks are now contained within risk theme 16.</p>	Amber	

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Internal Audit Results / Planned Activity

Key Area	Update
<p>Pensions, payroll and benefit calculations: Annual review to provide assurance that systems and controls ensure that lump sum and on-going pension payments are calculated correctly, are valid and paid to the correct recipients; all changes to on-going pensions are accurate and timely; and pension payroll runs are accurate, complete, timely and secure with all appropriate deductions made and paid over to the relevant bodies.</p>	<p>This review has sought to assess the effectiveness of controls in place focusing on those designed to mitigate risk in achieving the following key objectives:</p> <ul style="list-style-type: none"> • Only valid pensioners and pensions are paid. • Pension benefit calculations are correctly calculated and set up on UPM. • Changes to payroll, including bulk data uploads are valid, authorised, timely and accurate. • Payrolls are run accurately, completely and at the correct time. • Payments are recorded promptly and accurately in the main accounting system. • Payroll deductions are paid over to relevant bodies accurately and promptly and are accounted for correctly. <p>A substantial assurance opinion was given.</p>
<p>Treasury Management: Cash flow is adequately planned, with surplus monies invested in line with the Council's Treasury Management Strategy.</p>	<p>This review has sought to assess the effectiveness of controls in place focusing on those designed to mitigate risk in achieving the following key objectives:</p> <ul style="list-style-type: none"> • Treasury management arrangements are formalised through effective strategies, policies, and procedures. • Investment and borrowing decisions are documented and approved, and related transactions are recorded, monitored, and accounted for correctly. • Management information enables effective monitoring and reporting of treasury management performance against the treasury management strategy objectives. <p>A substantial assurance opinion was given.</p>

<p>National Fraud Initiative: Full exercise undertaken October 2020 and completed within 6 months and to be undertaken again in October 2022.</p>	<p>Due by 31 March 2023</p>
<p>Pension 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>In progress</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>Scoping in progress</p>
<p>UPM - Cyber Security: To provide assurance over the Cyber Security arrangements for the Pension Administration (UPM) application</p>	<p>Due by 31 March 2023</p>
<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>Due by 31 March 2023</p>

Pensions Committee**27 July 2022****Pension Fund Annual Report****Report by Director of Finance and Support Services**

Summary

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

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

The Pension Fund has therefore prepared an annual report for the period 1 April 2020 to 31 March 2022.

Recommendations

- (1) Comments are provided on the annual report
- (2) The draft annual report is approved (Figures subject to audit and consideration by the Regulation, Audit and Accounts Committee on 22 September 2022).

Proposal**1 Background and context**

- 1.1 The LGPS Regulations (Regulation 57) require the authority to prepare the pension fund annual report in compliance with Statutory Guidance covering:
 - the management and financial performance of the pension fund
 - the administration arrangements in place
 - the net asset statement and supporting notes and disclosures
- 1.2 The Regulations also require that the annual report includes various policy documents. These have been referred to with appropriate hyperlinks provided within the documents.
- 1.3 The draft annual report is attached (Appendix A).
- 1.4 In line with the Business Plan objective to actively consider the content and presentation within published documents when reviewed to support the understanding of the management of the Scheme and benefits provided a summary report has also been prepared (Appendix B).

Agenda Item 7

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

Katharine Eberhart

Director Finance and Support Services

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

Appendices

Appendix A – Annual Report

Appendix B – Annual Report Summary

Background papers

None

West Sussex Pension Fund Annual Report 1 April 2021 to 31 March 2022



Foreword by the Chairman of the Pension Committee

Pending

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

The West Sussex Local Government Pension Scheme

The Scheme

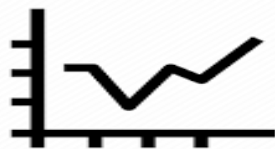
The Local Government Pension Scheme (LGPS) is a valuable part of the pay and reward package for employees. Benefits are set nationally with key benefits set out below:



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



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



The LGPS is funded, which means that contributions received from both members and employers and are invested by the Fund. However, pension benefits are based on membership in the Scheme and are set in statute - they are not dependent on the returns achieved by the Fund on its investments.



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



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

Employer contributions are set by the Fund Actuary every three years. The employer contribution rates range from 0.0% to 60.8% of pensionable pay for the financial year ending 31 March 2022.

Scheme Management

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. West Sussex County Council (WSSCC) is the Administering Authority with responsibility for managing and administering the West Sussex LGPS on behalf of its stakeholders: the scheme members and employers participating in the Fund. In this context:

- The Director of Finance and Support Services and the Director of Law and Assurance have responsibility for managing the Scheme operationally and advising the County Council in the discharge of the responsibilities of the County Council as Scheme Manager in relation to the Local Government Pension Scheme.
- The Pension Committee has responsibility for the Pension Fund's investment policy and its performance, appointment of advisers and managers, key scheme governance, funding and administration matters and communication with stakeholders. The Committee act as quasi-trustees when receiving advice and taking a position on pension fund matters and the minds of each member of the Committee must be informed and led by the Committee's responsibilities collectively to serve the interests of Fund members and employers.
- The Pension Advisory Board assists the Scheme Manager in matters of governance and administration.

The Pension Fund's full Governance Statement could be found [here](#).

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

The Pension Fund and its Performance

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

The table below summarises the Pension Fund's accounts for 2020/21 and 2021/22. Additional information about the Pension Fund's administration, management and transactions costs, overpayment recovery and contribution receipts can be found in Appendix 2.

Net Assets	2020/21 £'000	2021/22 £'000
Net assets of the Scheme at the start of the year	4,301,419	5,483,193
<u>Receipts</u>		
Member contributions	31,134	32,142
Employer contributions	111,955	111,547
Transfers in	8,861	9,064
Other	0	102
<u>Investments</u>		
Investment income	49,135	58,083
Net increase/decrease in investments	1,147,315	-52,806
<u>Payments</u>		
Benefits paid	-118,365	-120,440
Management expenses	-38,138	-12,801
Payment to and on account of leavers	-10,123	-7,383
Net assets of the Scheme at the end of the year	5,483,193	5,500,702

NOTE:

1. Figures subject to audit and consideration by the Regulation and Audit Committee on 22 September 2022.
2. There is a difference on the total due to roundings.

Investment Assets

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



Provide returns in line with equity markets (growth assets)



Provide an additional income stream (income assets)



Store value and reduce volatility the of funding levels relative to variations in interest rates and inflation pricing (protection assets)

The table below summarises the Pension Fund's assets at 31 March 2022.

	£'000	% of Fund value	Strategy %
LF ACCESS Global Alpha Equity Fund (Baillie Gifford)	1,361,086	24.9	25.0
LF ACCESS Global Equity Fund (Macquarie)	1,117,311	20.4	20.0
Pantheon Ventures (Private Equity)	40,228	0.7	-
Partners Group (Private Equity)	93,115	1.7	5.0
Total Growth Assets	2,611,740	47.7	50.0
Abrdn (Direct Property)	594,300	10.9	10.0
Goldman Sachs (Private Debt)	99,337	1.8	2.5
ICG (Private Debt)	43,389	0.8	2.5
JP Morgan (Infrastructure)	249,408	4.6	5.0
Total Income Assets	986,434	18.0	20.0
LF ACCESS Sterling Aggregate Bond Fund (Baillie Gifford)	1,074,914	19.6	15
LF ACCESS Sterling Investment Grade Credit Fund (Fidelity)	801,612	14.6	15
Total Protection Assets	1,876,526	34.3	30.0
Other Investments	2,028	-	-
Total	5,476,729	100.0	100.0

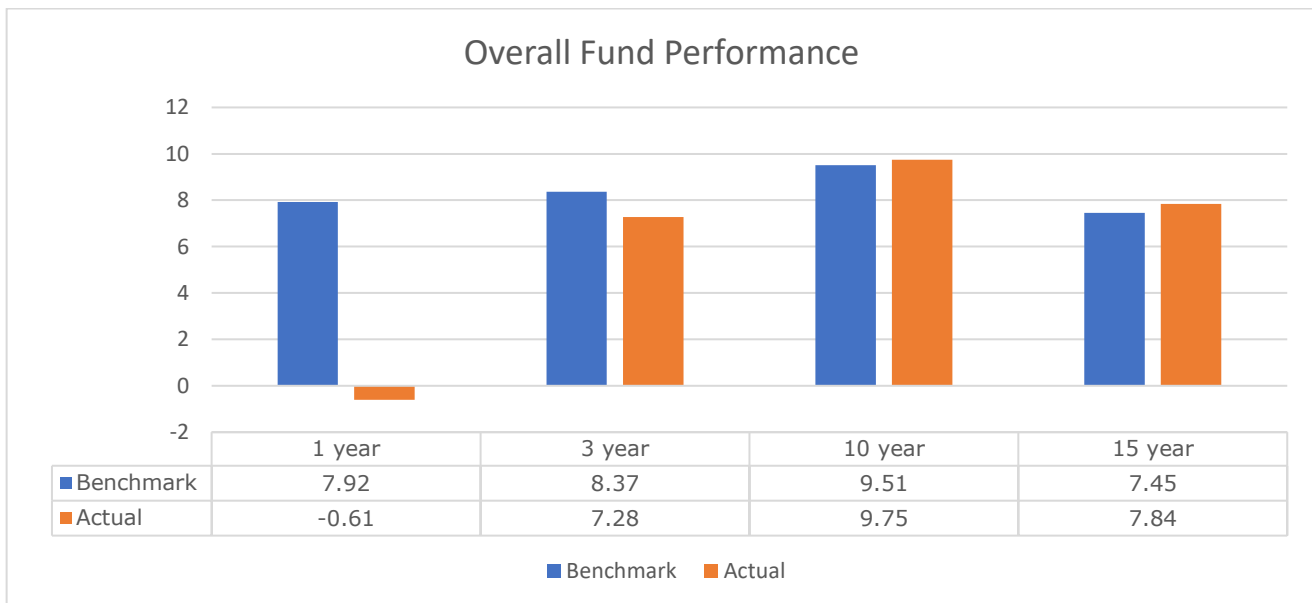
NOTE:

1. Figures subject to audit and consideration by the Regulation and Audit Committee on 22 September 2022.
2. The total does not include cash internally managed by WSCC on behalf of the Pension Fund of £16.4m (31 March 2021: £102.3m).
3. Legacy private equity commitments are in run off.
4. There is a difference on the total due to roundings.

Investment Performance

Investor sentiment was buoyant for large parts of the year, as the Coronavirus vaccine rollout allowed economies around the world to reduce restrictions that had impacted economic activity. But that momentum reversed rapidly as growing fears over rising inflation and then Russia’s invasion of Ukraine saw a move to stocks considered to be ‘undervalued’ (with high dividend yields or low price/book or low price/earnings) and a supply shock to energy markets. Energy prices have risen strongly as a consequence of Russia’s supply role in oil and gas, and many other commodities have risen steeply as well. Ending the year, higher inflation expectations and interest rate rises indicate both the potential for lower economic activity and negative real wage growth, which, in turn, has a potentially negative impact on consumer confidence.

The Fund’s overall performance over the year and longer term is illustrated below. Further detail about performance by individual manager can be found in Appendix 4 – Investment Performance and in the following pages.



The Committee believe that investing the Fund's assets in a manner consistent with long-term sustainable outcomes is a core pillar of its investment strategy and by acting as a responsible investor it will ultimately create long-term value for the Fund and its beneficiaries.

Pension Fund liabilities stretch out for decades to come. The relevant of Environmental, Social and Governance (ESG) considerations are therefore recognised when setting investment objectives, undertaking ongoing monitoring, and assessing future risks. As a result, the Fund seeks to integrate ESG issues throughout its investment decision-making process, from setting investment strategy to monitoring the Fund’s investment managers – taking appropriate advice. To support this:

- The Fund has made investment in several new mandates over the year. As part of the appointment process each manager was required to describe how they make decisions about companies to buy, sell and retain and act as responsible owners.
- 100% of the Fund’s appointed investment managers participate in the Principles for Responsible Investment (PRI) initiative.
- Reflecting the Committee’s support for seeking investment opportunities commensurate with a low-carbon future, early in 2022/23 it will be investing in a fund which includes an

objective to have a weighted average greenhouse gas intensity lower than an index aligned to the Paris Agreement. This therefore strips out companies engaged in fossil fuel exploration, production and service provision to the sector or companies the manager considers are not part of a transition to a low carbon future. This is part of the Committee's acknowledgement of the importance of considering climate change risk holistically.

- Through changes described above the Fund has reduced the exposure to fossil fuel investments within the portfolio to 0.7%.
- ... but engagement with companies means that the Fund can be an active participant in supporting the transition to a low-carbon environment and encourages the companies in which it invests to transform and adapt to meet the needs of a changing world.

It is recognised by the Committee that active engagement improves practices and builds relationships with company management which can drive corporate conduct on issues that protect and enhance the companies' long-term value. On behalf of investors the fund's managers have engaged on environmental, social and governance issues, examples of which are below.

<p>Global commercial real estate company</p> <p>Engagement on climate strategy resulting in the company now being considered a climate leader.</p>	<p>Energy company</p> <p>Engagement to better to understand the role it can play within the energy transition. The company has set ambitious targets, committing to achieve full decarbonisation by 2040. The due diligence supported the view of the businesses long-term sustainability.</p>
<p>Food and Beverage Company</p> <p>Engagement on sustainable innovation to learn how the Board ensures that sustainability and ESG provides value and opportunities, as well as reduces cost – and how it is embedded strategically in the organisation.</p> <p>It is considered that the solutions being developed will benefit the industry as a whole.</p>	<p>Global consultants</p> <p>Engagement on their Russian activity which provided more insights and disclosure on their operation in Russia and how they are assisting their employees in Ukraine.</p>

Growth assets

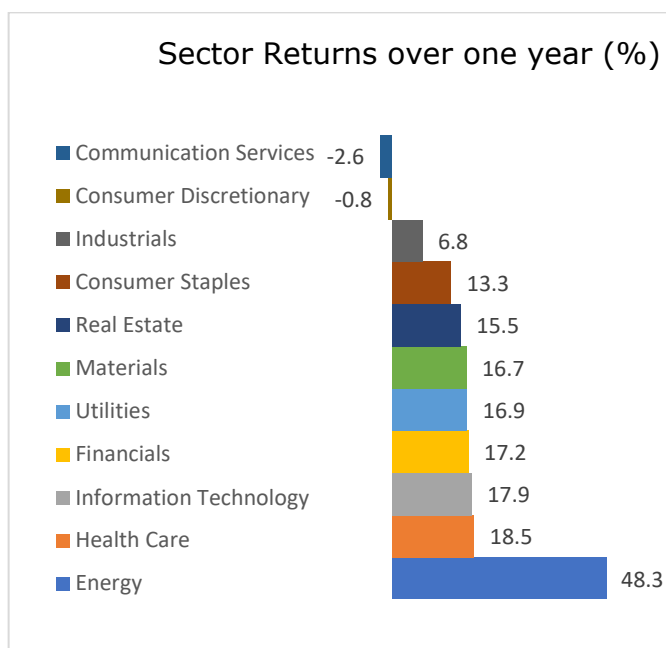
The Fund has allocated 45% of its portfolio to listed equities and 5% to private equity to provide portfolio growth and reduce the contribution required from employers.

Listed Equities

The Fund’s portfolio listed equity portfolio is held in two single manager sub funds within the ACCESS ACS. Both equity managers hold high quality companies or those who are believed will deliver substantial growth in the future.

The portfolio is built stock by stock rather than based on a market index, and exposure to industries, sectors, and countries is the result of where the managers typically find the best companies and as a result there may be periods of below market returns.

For example, the portfolios had a relatively small weighting to the energy sector (0.8% of the equity portfolio) which was by far the best performing industry over the year, with a return of 48.2%. Conversely the fund’s equity portfolio had a high weighting in Consumer Discretionary (15.2%) – a sector which provided a negative return over the year (-0.8%). The chart below illustrate the market returns for the year by sector alongside table showing the Fund’s weightings as at 31 March 2022. Overall, the equity portfolio comprises 133 companies out of nearly 5,000 within the market index.



Sector	Equity Weighting
Communication Services	5.8%
Consumer Discretionary	15.2%
Industrials	8.8%
Consumer Staples	19.0%
Real Estate	1.2%
Materials	7.0%
Utilities	0.0%
Financials	8.5%
Information Technology	13.4%
Health Care	19.3%
Energy	0.8%

Over the course of the year the equities returned -3.26% against a benchmark of 'TBC'.

However reflective of their conviction approach both equity managers typically hold investments for at least half a decade. It is therefore important to look at performance over a five year, or longer, time horizon. Baillie Gifford have been managing money for the fund since December 2002. Over the last five years their equity portfolio has returned 12.7% (gross) versus the market index 10.9%. Over the past decade the portfolio has returned 14.9% (gross) against the market index 12.7%.

Private Equity

Whilst public market volatility and concerns around inflationary pressures has had some impact on the private equity portfolio, it is held by the Fund as a diversifier and an opportunity to provide additional return compared to the listed market – in part because of its long-term nature.

Five percent of the Fund's portfolio is invested in private equity – through an existing mature portfolio and an additional investment made in 2021. Over the year the total private equity return was 28.67% against a target of 19.91%.

The more mature portfolio has benefited from buoyant investment activity, which meant money invested was returned at pace during the year, circa 35% of the value of these portfolios were distributed back over the financial year as the high-quality companies within the portfolios were sold. The companies retained within the portfolio are continuing to experience underlying asset growth.

The Fund's more recent commitment to private equity is still being drawn. The Fund is currently about 50% invested across 27 transactions. It is too early to provide any meaningful performance figures for this portfolio.



Income assets

The Fund has allocated 10% of its portfolio to property, a 5% allocation to private debt and a 5% to infrastructure investments. The Pension Fund exists to pay benefits. Therefore ensuring that there is enough cash in the bank to allow other investments to be held for the longer term is important. To achieve this the Fund invests in asset classes which produce income.

Property

The property portfolio continues to benefit from owning buildings with long term lets to secure tenants. The fund received £23m in rent over the year, with strong rent collection rates over the year. In terms of the underlying portfolio, half of the portfolio (by value) is held in higher performing industrial assets, and this has driven performance. The portfolio returned 20.73% against a market index 19.61%.

Private Debt

Private Debt consists of loans to companies which are not provided by banks or public markets and instead are provided by private investors. The approach taken to private debt aligns with the other investment portfolios – well researched, quality opportunities sourced by managers who actively engage with the company. Although the fund has only invested in private debt since December 2020 it is starting to receive proceeds from successful investment exits. However it is too early to provide any meaningful performance figures for this portfolio.

Infrastructure

In the last quarter the fund invested an infrastructure fund, which itself holds investments in utilities, transportation and renewable energy. It is too early to provide any meaningful information on this portfolio.



Protection

Whilst it is important to reduce the cost of benefits through investment returns, it is also important to protect the strong funding position that has been built up. The Fund has allocated 30% of its portfolio to bonds to act as its 'stabilisers' by reducing year on year volatility and reduce the chances of poorer funding outcomes over the medium / long term.

Bonds

Bond yields rose substantially during the past 12 month as inflationary pressures built. Government bond yields have stabilised, but corporate bond yields have continued to rise.

While absolute returns for the bond portfolios were negative (-4.77%) net, the funds outperformed its benchmark index (-5.07%).

The portfolios were positioned for yields to rise, either through holding gilts or as a result of a wider interest rate strategy, so this was beneficial for performance.

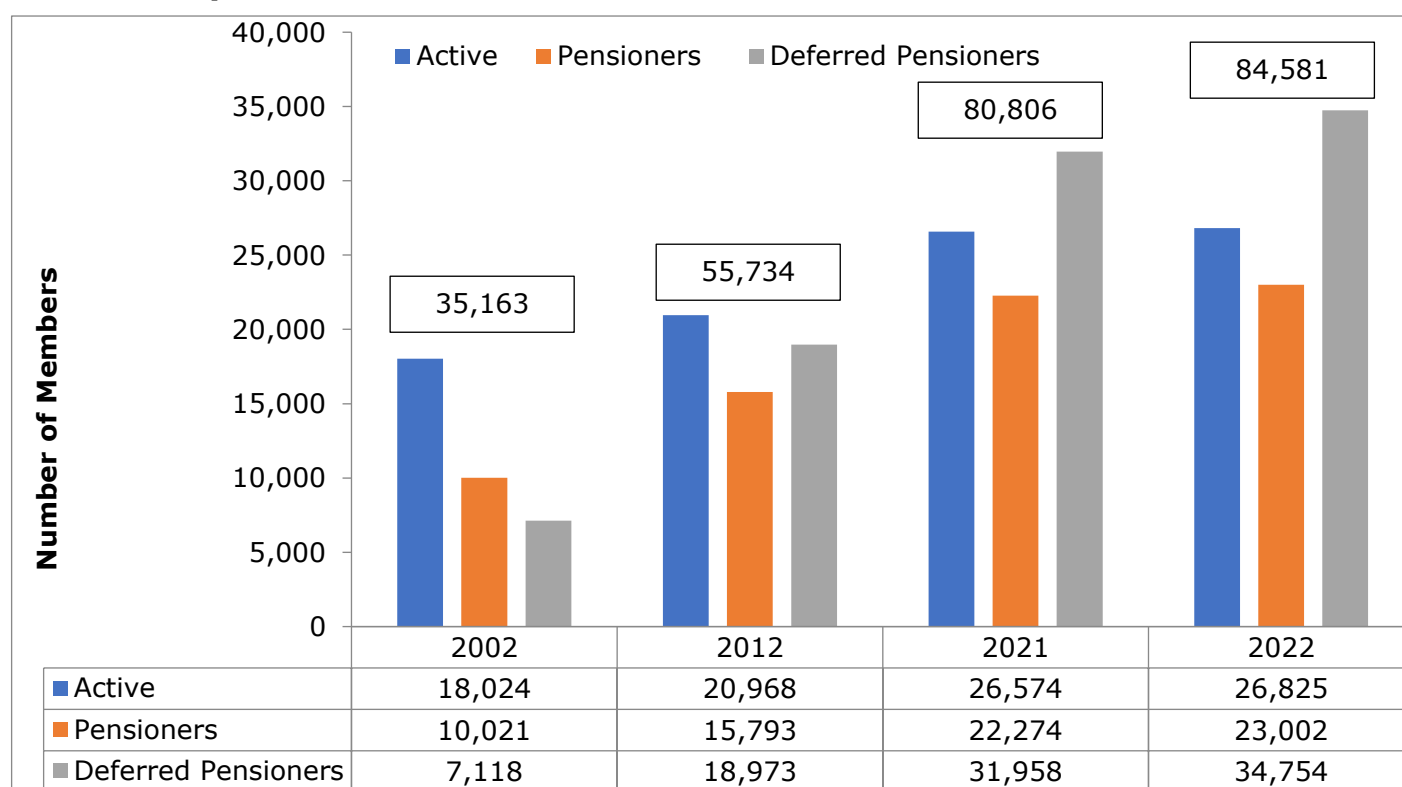
Scheme Participation

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 were 293 employers and 84,581 members within the West Sussex Scheme at 31 March 2022, analysed below.

Employers

Type	Description	Active	Ceased	Total
Scheduled	This includes local councils, academies and the Police.	162	30	192
Admitted	This includes private sector bodies where a service has been outsourced or where there is a community of interest.	43	57	101
Total		205	87	293

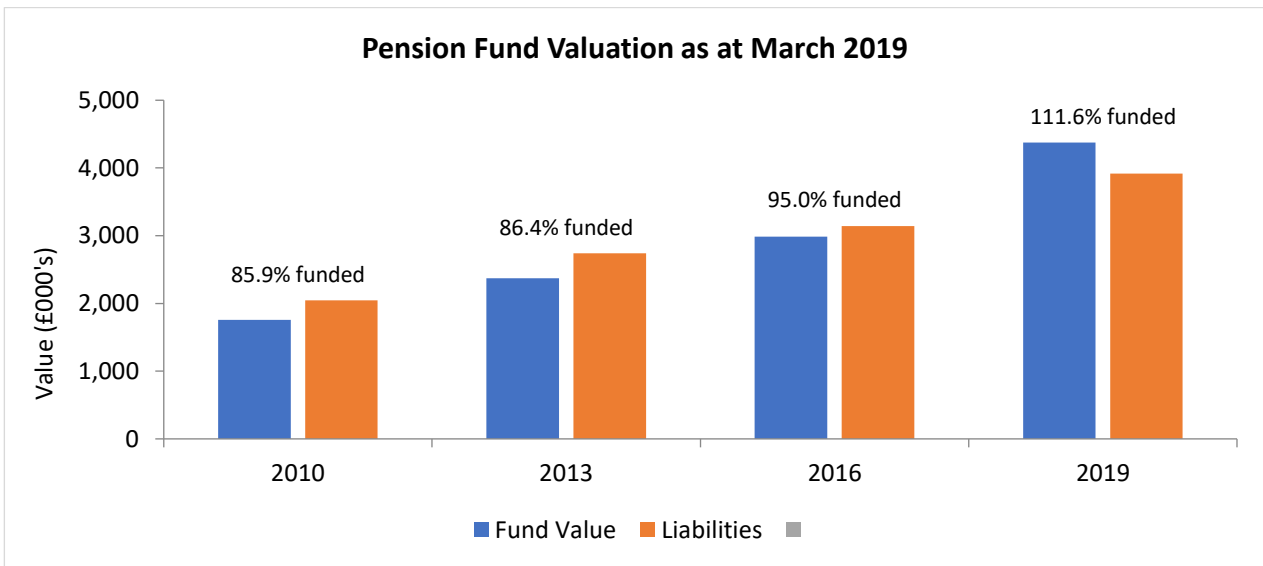
Membership



Funding Position

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

Whilst work on the triennial valuation for 31 March 2022 is underway, the latest formal valuation information available remains at 31 March 2019 when the Fund's funding level had improved to 112% (31 March 2016: 95%). The strong funding position allowed the Pension Fund to reduce contribution rates for its major employers where appropriate and (on a like for like basis) placed it as the best funded LGPS in England and Wales in analysis carried out by the Government Actuary Department using the Scheme Advisory Board standard basis.



At 31 March 2022 the Fund was estimated to be 119% funded.

Administration Performance

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

Hampshire County Council has provided the Pension Administration service for the Fund since 4 March 2019. The equivalent of 25 full time members of staff are assigned to the administration of the Fund. The average number of cases per staff in 2021/22 was 800 and the ratio of staff to fund members is 1 to 3,368.¹

It is considered that the Fund demonstrates value for money through its performance over the year, particularly.

- **Number of complaints**

Members and employers are invited to provide feedback about their experiences of dealing with the Fund, in order to assist with improving the service. The Pension Fund has a compliments and complaints process which is available on its [website](#). During 2021/22, ten complaints were received, compared to eight in 2020/21. There were no trends in the complaints, and they were not considered to identify a consistent failure or poor service. As part of the complaint resolution process, actions to prevent recurrence are considered and put in place if necessary.

- **CSE Accreditation**

The administration team continue to meet the required Customer Service Excellence (CSE) standard and continue to meet the required CSE standards across the 57 areas assessed. Key Strengths highlighted included services are easily accessible to all customers through a provision of a range of alternative channels.

- **Use of Technology**

The Fund believe that the effective use of technology and self-service will improve the administration service to members and employers. Over the year just under 10,000 additional members have registered to utilise the Member Portal meaning that 28,934 members can now use the system to receive benefit statements, run estimates and download payslips (where applicable). The number registered on the Employer Portal as of 31 March 2022 is 144, which is 70% of total number of employers.

- **Performance against Administration Strategy**

The administration team have achieved 100% compliance in the performance indicators as listed in the case type table on the next page. In addition, 99.5% of Annual Benefit Statements and 100% of required Pension Savings Statements were published within the statutory deadline.

¹ Analysis based on 19,996 cases, compared to 18,574 cases in 2020/21. This includes all cases listed in the Administration Strategy analysis plus changes of address, bank details and death grant nominations, refund quotes, general record maintenance and all Payroll related work but excludes bulk processing (such as applying pensions increase, processing annual returns, producing annual benefit statements) and the handling of phone calls and emails from members and employers has not been included.

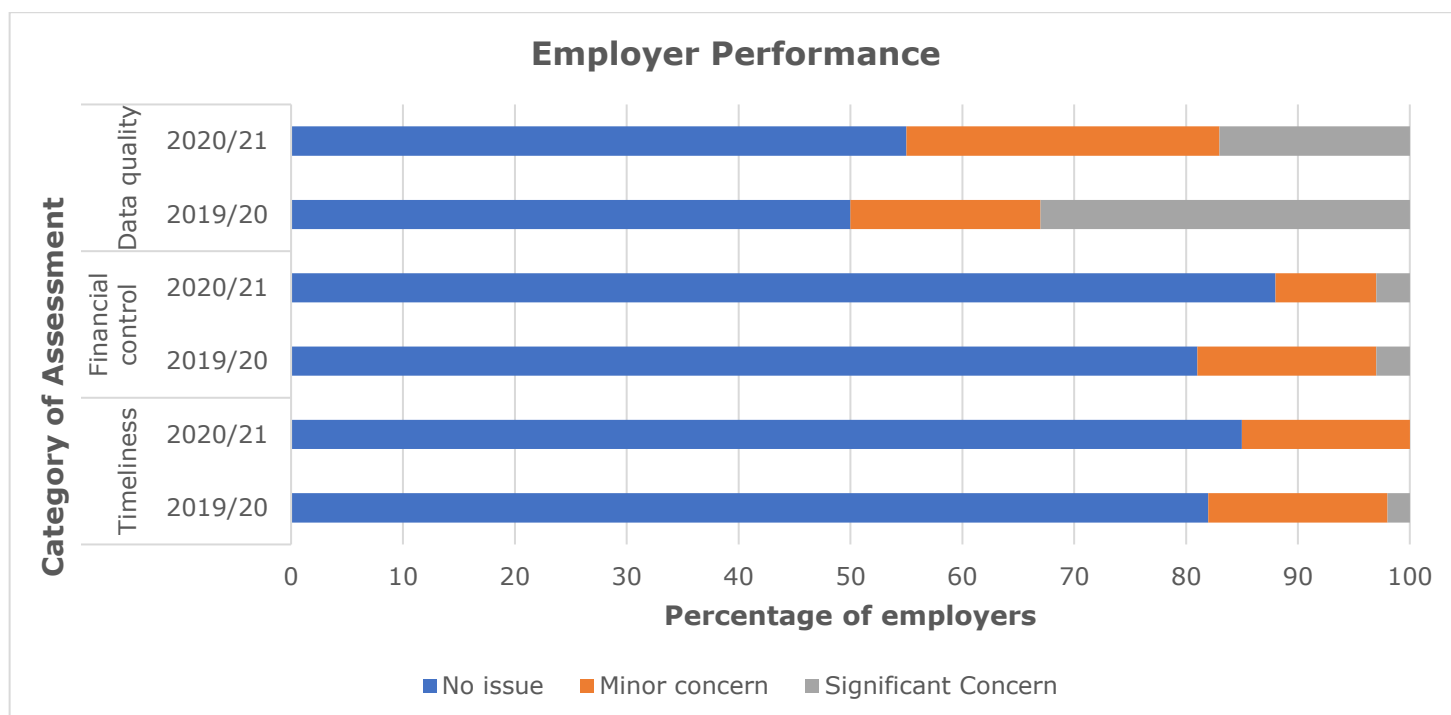
Case Type	No. Cases	Target working days	% on target
Change in Member Details -updating the member records to reflect informed change of details.	1,181	15	100%
Death Benefits -- to acknowledge in writing that we have been notified of the death of a member and include claim forms.	650	5	100%
Death Benefits – notification to beneficiaries and advise of their entitlements including method of calculation.	400	15	100%
Divorce Estimates – to provide estimates/actuals for pension sharing.	170	15	100%
Leaver Forms – notification of benefits and rights to deferred member upon receipt of all necessary information.	3,441	30	100%
Leavers – repay contribution with less than two years membership upon receipt of all necessary information.	488	20	100%
Leavers – payment of individual transfers out upon receipt of all necessary information.	224	15	100%
Leavers – bulk transfers out will be agreed between the Administering Authority, its Actuary the Administrator and the Receiving Scheme.	0	Individual case basis	n/a
New Starters – set up member record once new starter form received.	5,431	20	100%
New Starters – notification to member of transfer in of pension payment and update the members pension record.	218	10	100%
New Starters – bulk transfers the performance level will be agreed between the Administering Authority, its Actuary the Administrator and the Predecessor Scheme.	0	Individual case basis	n/a
Payment of Retirement Benefits once receipt of all necessary paperwork has been received.	1,089 ²	10	100%
Retirement Estimates once accurate pensionable pay detail have been received from an Employer.	652	15	100%

² The figures shown are the number of cases processed during the year. However there were 1,035 actual retirements between 1 April 2021 and 31 March 2022 Of these 38 were ill health early retirements, 47 were as a result of redundancy and 950 were voluntary retirements (i.e. a member reaching normal retirement age).

Employer Performance

To ensure the Administering Authority can ensure compliance of its statutory regulations, timely and accurate information is necessary from Scheme Employers. As part of the efforts to drive data improvements, the administration team now review Employer Performance for timeliness, financial control and data quality as part of the Annual Return process.

The definition of the performance categories are shown below along with the percentage of employers in each section for the last two years. This reflects improvements in both the quality and timeliness of data provided by their employers.



Data Quality

Key to the administration of the Scheme is good quality member data to ensure we keep track of each employer's position, collect the right contributions, invest appropriately and pay benefits to members as and when they fall due.

The Pension Regulator requires that the Fund carries out checks against the presence of "common data" which is necessary for basic pension administration (e.g. surname, National Insurance number, date of birth) and "conditional data" which is specific for the administration of the LGPS (e.g. employment records and history). The results for 2021/22 for the Fund are shown below:

Type of Data	Target	2020/21	2021/22
Common Data	100%	95%	98%
Conditional Data	N/A	90%	92%

Risk and Control

Risk Register

The Pension Fund maintains a risk register to identify key risks, consider and assess the significance, likelihood of occurrence and potential impact of the risk. Where possible, measures are then put in place to reduce the risk. The full risk register is presented to the Pensions Committee at the beginning of each financial year and updates and themes are reviewed by the Committee quarterly. The risk register for the year can be found on the Pension Fund website.

Key areas of risk are highlighted below:

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.	Cyber crime resulting in personal data for members being accessed fraudulently.	Increase in variety and number of employers participating in the Scheme resulting in the risk of non-compliance with obligations.
Insufficient funds to meet liabilities resulting in increased contributions required from employers or changing to a higher risk investment strategy.	Insufficient resources to comply with the Administering Authority's Regulatory responsibilities and ability to deliver the business plan.	Poor quality data resulting in error and misstatement.
Officer, Committee and Board knowledge and understanding resulting in poor decision making and disengagement on key issues and loss of professional investor status under MiFID II.	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.	Failure to secure value for money through managing contracts with third parties.
Political environment (locally or nationally) impact on investment markets and legislative requirements.	Conflict of interest for members and employers.	Fund not able to implement changes as result of McCloud judgement due to insufficient resources or incomplete information held by employers.

Audit

The internal audit team are responsible for evaluating the effectiveness of the risk management, control and governance processes to support the risk framework. During the year three audits were undertaken which covered the National Fraud Initiative, externally managed investments and governance and strategy. All audits achieved either reasonable or substantial assurance.

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

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

Title	Comments
National Fraud Initiative	The Cabinet Office's National Fraud Initiative runs every two years, the most recent one being in October 2020. This provides potential inappropriate payment as a result of a member being deceased. The next review date is October 2022.
Pension Starter 2021/22	<p>The scope of this audit is to assess the effectiveness of controls in place to achieve the following key objectives;</p> <p>Starter Notifications are accurately and promptly recorded in the Pension System and Starters receive their initial enrolment documentation within the agreed timescales.</p> <p>Overall a <u>substantial assurance</u> opinion was given. This means a sound system of governance, risk management and controls exists with internal controls operating effectively and being consistently applied.</p>
Pension Leavers 2021/22	<p>The scope of this audit covered whether Leaver notifications are received and are accurately and promptly recorded in the Pensions system and that all Leavers receive the appropriate initial notifications and on-going annual benefit statements within agreed timescales.</p> <p>A <u>substantial assurance</u> opinion was given.</p>
Pensions Payroll & Benefit Calculations 2021/22	<p>This audit covered from when the Pension Administrators are notified of a retirement, the calculation of benefits, the payment of the lump sum and first monthly pension payment through to on-going entitlement and amendments to active pensioner records.</p> <p>A <u>substantial assurance</u> opinion was given.</p>
Treasury Management 2021/22	<p>The scope of this audit covers the controls around Treasury Management procedures and transactions. It also included in the review the current geopolitical issues concerning Russia and the Ukraine in relation to WSCC investments.</p> <p>A <u>substantial assurance</u> opinion was given.</p>

Appendices

Appendix 1A – Committee and Board Membership and Attendance












The Pensions Committee and Pension Advisory Board normally meet four times per year. Due to the timing of local elections, the Pensions Committee met three times during 21/22.

A Training Strategy has been established to support the Pension Committee and Pension Advisory Board members with the necessary skills and knowledge to act effectively in line with their responsibilities. The Constitution sets out that members of the Pensions Committee are required to acquire and maintain an appropriate level of expertise, knowledge and skills as set out by CIPFA in order to remain members of the Committee.

To support this

- Access to the LGPS online Learning Academy (LOLA) has been purchased during the year which covers all aspects of LGPS. One of the modules is regularly updated with current issues.
- Internal training sessions are offered to the Committee and Board on topics including an overview of the Scheme and its management arrangements, the Pension Fund's Financial Statements, Fixed Income, Section 13 Actuarial Assessment and Internal Audit.
- External training sessions are offered to the Committee and Board including events hosted by one of the Fund's investment managers (Baillie Gifford), its actuarial advisers (Hymans Robertson), the Local Government Association and PLSA, SPS Conferences and CIPFA.
- The Pension Advisory Board are required to complete the Pensions Regulator online training.

Pension Committee

Committee Member		Meetings Attended	LOLA training	Internal Training	External Training
Jeremy Hunt - <i>Chairman</i> <i>County Councillor</i> <i>Member since 2016</i>		3/3	1/5	2	3
Caroline Baxter <i>County Councillor</i> <i>Member from 01 Jul 21 to 24 Sep 2021</i>		1/1	0/5	1	0
Stuart Condie <i>County Councillor</i> <i>Member since 2021</i>		3/3	5/5	3	2
Joy Dennis <i>County Councillor</i> <i>Member since 2017</i>		3/3	0/5	2	0
Brian Donnelly <i>District Councillor</i> <i>Member from 2015 to Nov 2021</i>		0/2	0/5	0	0
Roger Elkins <i>County Councillor</i> <i>Member since 2018</i>		3/3	1/5	3	0
Nigel Jupp <i>County Councillor</i> <i>Member since 2017</i>		2/3	0/5	3	1
Mike Kipling <i>Scheduled Bodies Rep</i> <i>Member since 2021</i>		3/3	5/5	3	1
Judith Taylor <i>Member Rep</i> <i>Member from 2016 to March 2022</i>		2/3	0/5	0	1
John Turley <i>County Councillor</i> <i>Member from October 2021</i>		2/2	5/5	0	2
Deborah Urquhart <i>County Councillor</i> <i>Member since 2013</i>		3/3	5/5	1	5

Pension Advisory Board

Board Member		Meetings Attended	LOLA training	Internal Training	External Training	tPR Toolkit
Peter Scales - Chairman <i>Independent Member since 2015</i>		4/4	5/5	3	0	Complete
Becky Caney <i>Member Representative Member since 2018</i>		3/4	1/5	2	0	Complete
Richard Cohen <i>Employer Representative Member since 2015</i>		3/4	5/5	2	0	Complete
Miranda Kadwell <i>Employer Representative Member since 2018</i>		4/4	5/5	3	3	Complete
Kim Martin <i>Employer Representative Member since 2016</i>		4/4	5/5	2	0	Complete
Christopher Scanes <i>Member Representative Member since 2015</i>		3/4	5/5	3	0	Complete
Tim Stretton <i>Member Representative Member since 2017</i>		4/4	5/5	1	0	Complete

Appendix 1B – Officers and Advisers

Officers of the Fund

Scheme Manager (and s151 officer) - Katharine Eberhart

Scheme Manager - Tony Kershaw

Pension Administration

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

Investment Managers

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

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



LGPS Asset Pool

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

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

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



Fund Actuary

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



Independent Adviser

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



Internal Auditor

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



External Auditor

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



Custodian

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



Legal Adviser

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



AVC Provider

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



Appendix 2A – Statement of Accounts

The [Pension Fund Accounts](#) will be available on the Pension Fund website following completion of the audit and consideration by the Regulation Audit and Accounts Committee in September 2022.

Appendix 2B – Further Financial Information

NOTE: Figures subject to audit and consideration by the Regulation and Audit Committee on 22 September 2022.

Ongoing Investment Management Costs

The table below shows the analysis of the investment management costs by type and between assets invested via the Link / ACCESS Asset Pool and those held outside the pooling arrangement. Assets are held outside the pooling arrangement where ACCESS does not have an investment vehicle available for the Fund to implement its investment strategy or it does not represent value for money to transfer the assets.

Category	Asset Pool			Non-Asset Pool			Fund Total
	Direct £'000s	Indirect £'000s	Total £'000s	Direct £'000s	Indirect £'000s	Total £'000s	
Costs							
Investment Management Fee	0	7,042	7,042	4,199	4,124	8,323	15,365
Performance Fees	0	0	0	-12,139	3,348	-8,791	-8,791
Transaction costs	0	517	517	0	2,714	2,714	3,231
Operator Fees	0	436	436	0	0	0	436
Depository Fees	0	245	245	0	0	0	245
Custody	0	0	0	42	0	42	42
Total	0	8,240	8,240	-7,898	10,186	2,288	10,528

In 2020/21 £24.3m of performance fees were reported. During 2021/22 it was agreed with Baillie Gifford to reduce these fees to £12.1m. Therefore, the performance fees reported above include an offsetting reduction of £12.2m.

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

Recovery of Overpayments

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

Description	2020/21 £'000	2021/22 £'000
Brought Forward	82	74
Overpayment	66	30
Recovered	-40	-21
Adjustments	-2	-4
Written Off	-32	0
Carry Forward	74	79

Administration and Management Costs

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

This SF3 benchmark comparator is available for the prior year. Therefore the table below compares the Pension Fund's costs per member for 2020/21 against other Local Authorities SF3 Return alongside comparative information for WSPF only for 2020/21.³

Type of cost	2019/20	2019/20	2020/21	2020/21
	SF3	WSPF	SF3	WSPF
	£	£	£	£
Administrative, oversight, governance and investment management	245.41	216.15	274.34	471.97 ⁴
Administrative, oversight and governance costs only (excluding investment management)	35.70	31.15	35.90	26.90

³ The 2020/21 information can be found on the government [website](#)

⁴ This figure includes a performance fee which crystallised in 2020/21 following the end of a contract. This payment has since been reduced but the figures have not been adjusted.

Member Contribution Rates

The rates for member contributions is set nationally and is based on pay. The contribution table for 2021/22 and 2022/23 for the Main Scheme is below. The LGPS offers a member the flexibility to pay half their normal contribution rate and build up half their normal pension.

The contribution rates and/or pay bands are reviewed periodically and may change in the future. This is to maintain an average contribution from employees of 6.5% nationally and to ensure the long term costs of the LGPS are managed.

Pay Bands 2021/22 Actual pay for employment	Contribution Rate	Pay Bands 2022/23 Actual pay for employment
Up to £14,600	5.5%	Up to £15,000
£14,601 - £22,900	5.8%	£15,001 to £23,600
£22,901 - £37,200	6.5%	£23,601 to £38,300
£37,201 - £47,100	6.8%	£38,301 to £48,500
£47,101 - £65,900	8.5%	£48,501 to £67,900
£65,901 - £93,400	9.9%	£67,901 to £96,200
£93,401 - £110,000	10.5%	£96,201 to £113,400
£110,001 - £165,000	11.4%	£113,401 to £170,100
More than £165,001	12.5%	£170,101 or more

Appendix 3 – Contributions by Employer

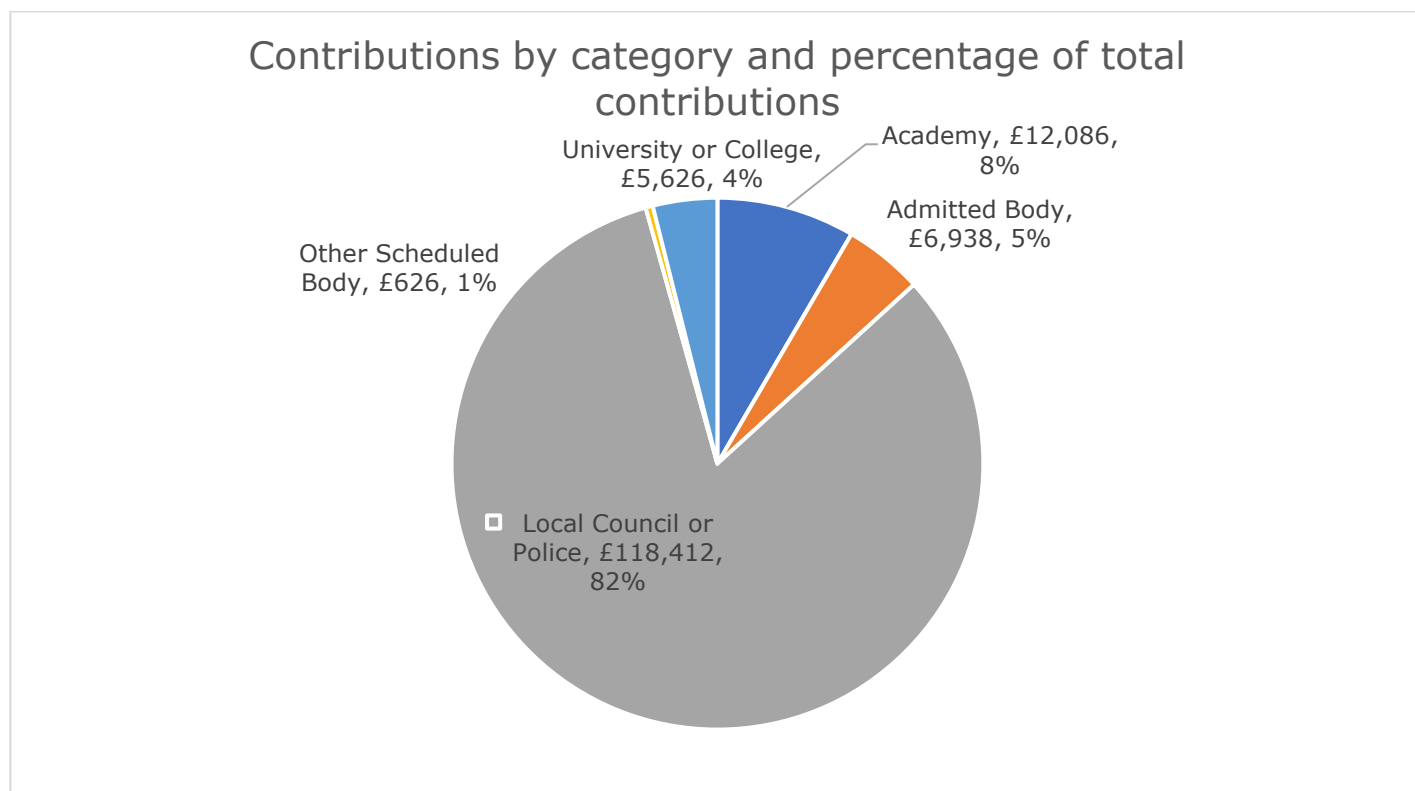
Contribution Receipts

The table below shows some key statistics for contribution receipts for 2021/22. Contributions, which are collected and paid over by employers, must be received by the Fund by the 22nd of the month following the deduction from pay.

Description	2020/21	2021/22
Number of employers paying contributions	214	212
Contributions received – Employer (£000)	111,956	111,547
Contributions received – Employee (£000)	31,134	32,142
Number of Contribution Payments Received	2,427	2,476
Payments received on time	98.3%	99.2%
Interest Charged	£0	£0

The number of employers paying contributions in the table above includes a number that either joined or ceased in year. The total number of employers paying contributions at the end of the year is 205.

Contribution receipts are analysed below by employer:



Of the Fund's total 205 active employers, the Fund received contributions from 16 employers in excess of £1m during the year – this equates to 84.9% of the total contributions received (87% in 2020/21).

The employers paying in excess of £1m per annum in contributions are listed below.

Employer	Employer and Employee Contributions £'000	% of Total Contributions to the Pension Fund
West Sussex County Council	63,076	43.9
Chief Constable Sussex Police	21,443	14.9
Adur/Worthing Joint Committee	4,903	3.4
Crawley Borough Council	4,506	3.1
Arun District Council	4,034	2.8
Chichester District Council	3,890	2.7
Chichester College	3,478	2.4
Mid-Sussex District Council	3,443	2.4
Horsham District Council	3,231	2.2
Greater Brighton Metropolitan College	2,634	1.8
University of Chichester	2,569	1.8
Worthing Borough Council	1,765	1.2
Saxon Weald Homes	1,654	1.2
Adur District Council	1,448	1.0
Shoreham Port Authority	1,422	1.0
South Downs National Park	1,353	0.9
All other active employers	18,840	13.1
Total	143,689	100.0

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

Scheduled Body	Employee Contributions £	Employer Contributions £	Total £
Adur District Council	102,778	1,344,964	1,447,741
Adur/Worthing Joint Committee	1,301,020	3,601,770	4,902,790
Angmering Parish Council	8,818	27,880	36,698
Ansty/Staplefield Parish Council	1,265	4,351	5,616
Ardingly Parish Council	1,396	4,962	6,358
Arun District Council	737,370	3,296,603	4,033,972
Ashington Parish Council	1,063	3,703	4,766
Ashurst Wood Parish Council	1,655	5,887	7,542
Balcombe Parish Council	1,382	5,691	7,073
Baldwins Hill School	9,677	37,829	47,506
Barnham & Eastergate Parish Council	3,024	10,638	13,662
Barnham Primary Academy	18,056	69,999	88,056
Bersted Parish Council	3,805	12,022	15,827
Bewbush Academy	38,549	146,216	184,765
Billingshurst Parish Council	10,679	36,110	46,788
Bishop Luffa School	70,743	239,327	310,070
Blackthorns Primary School	12,102	54,554	66,657
Blackwell Primary School	16,558	65,621	82,179
Bognor Regis Town Council	21,986	65,611	87,597
Bohunt Horsham	14,466	55,562	70,028
Bohunt Worthing Academy	30,758	111,354	142,112
Bolney Parish Council	632	2,321	2,952
Broadbridge Heath Parish Council	2,533	7,873	10,406
Broadfield Primary Academy	33,735	128,842	162,578
Burgess Hill Academy	25,455	106,116	131,571
Burgess Hill Town Council	29,733	86,298	116,032
Chichester City Council	20,364	59,279	79,643

Scheduled Body	Employee Contributions £	Employer Contributions £	Total £
Chichester College	915,525	2,562,260	3,477,784
Chichester District Council	1,031,154	2,859,246	3,890,400
Chichester Free School	39,711	148,557	188,268
Chichester Harbour Conservancy	52,961	158,793	211,755
Chichester High School	57,496	208,474	265,970
Chief Constable Sussex Police	4,959,470	16,483,060	21,442,529
Clapham & Patching C of E Primary School	4,018	16,143	20,161
Colgate Parish Council	503	1,847	2,350
Collyers College	92,830	330,391	423,221
Crawley Borough Council	1,133,757	3,372,130	4,505,887
Cuckfield Parish Council	6,346	20,796	27,142
Desmond Anderson Primary Academy	34,268	146,511	180,779
Donnington Parish Council	393	1,444	1,837
Downsbrook Primary School	11,128	45,964	57,092
Downview Primary School	26,700	99,121	125,821
Durrington High School	89,746	328,716	418,462
Earnley Parish Council	491	1,553	2,044
Easebourne Parish Council	649	2,440	3,089
East Grinstead Town Council	31,247	97,649	128,896
East Preston Junior School	10,526	43,535	54,061
East Preston Parish Council	4,309	13,937	18,246
East Wittering & Bracklesham Parish Council	2,325	7,270	9,595
Eastbrook Primary	24,474	96,106	120,581
Edward Bryant School	32,421	134,566	166,988
Felpham Parish Council	1,998	6,362	8,360
Fernhurst Primary School	9,949	40,781	50,730
Ferring Parish Council	1,624	5,047	6,671
Firefighters Charity	1,765	6,218	7,983
Fishbourne Parish Council	737	2,706	3,443
Fittleworth Parish Council	1,321	1,913	3,234
Forge Wood Academy	17,883	73,527	91,410

Scheduled Body	Employee Contributions £	Employer Contributions £	Total £
Gossops Green Community Primary School	30,450	117,841	148,291
Greater Brighton Metropolitan College	484,848	2,149,186	2,634,035
Greenway Academy	15,398	62,362	77,760
Halsford Park School	27,019	96,454	123,473
Harlands Primary School	16,529	64,926	81,455
Hassocks Parish Council	6,820	20,163	26,983
Haywards Heath Town Council	14,423	47,096	61,520
Hazelwick Academy	91,421	319,349	410,770
Henfield Parish Council	2,335	8,140	10,475
Hilltop Primary School	30,092	115,886	145,978
Holmbush Primary School	14,988	64,710	79,698
Homes & Communities Agency	43,133	209,347	252,480
Horsham District Council	872,760	2,358,507	3,231,266
Hunston Parish Council	866	2,974	3,840
Hurstpierpoint Parish Council	7,237	23,222	30,459
Kilnwood Vale School	13,987	55,730	69,718
Kingsham Primary School	20,936	88,302	109,238
Lancing Parish Council	8,884	28,533	37,417
Lindfield Parish Council	3,104	10,194	13,298
Lindfield Primary School	22,932	101,455	124,387
Lindfield Rural Parish Council	1,319	4,100	5,419
Littlegreen Academy	19,145	77,276	96,422
Littlehampton Academy	97,550	348,470	446,020
Littlehampton Harbour	14,880	39,907	54,786
Littlehampton Town Council	31,036	97,858	128,894
Medmerry Primary School	10,314	43,258	53,572
Midhurst Rother College	57,750	195,175	252,925
Midhurst Town Council	3,695	12,629	16,324
Mid-Sussex District Council	676,286	2,767,206	3,443,492
Mill Primary Academy	24,927	90,778	115,705
Milton Mount Primary School	23,433	95,293	118,726

Scheduled Body	Employee Contributions £	Employer Contributions £	Total £
Muntham House School	97,005	317,417	414,422
National Southdowns Park	359,768	993,518	1,353,286
New Horizons Multi Academy Trust	1,001	3,917	4,917
North Horsham Parish Council	12,677	39,862	52,538
North Mundham Parish Council	643	2,181	2,825
Northlands Wood Primary School	23,331	83,575	106,905
Oaks Primary School	22,840	93,467	116,308
Orchards Junior School	24,195	90,626	114,820
Ormiston Six Villages Academy	36,846	136,515	173,361
Pagham Parish Council	932	3,246	4,177
Plaistow & Ifold Parish Council	1,693	5,261	6,954
Portfield Primary Academy	19,177	75,060	94,237
Pound Hill Infant Academy	14,989	64,456	79,445
Pulborough Parish Council	4,977	16,994	21,971
Pyecombe Parish Council	210	773	983
River Beach Primary	42,360	174,461	216,821
Rose Green Junior School	17,627	72,121	89,748
Rudgwick Parish Council	2,276	8,099	10,374
Rumboldswyke C of E Infant School	6,177	23,509	29,686
Rustington Academy	27,318	111,747	139,065
Rustington Parish Council	8,874	27,152	36,026
Schoolworks Academy Trust	30,474	85,790	116,265
Seal Primary Academy	15,970	64,206	80,176
Seaside Primary School	27,546	112,283	139,828
Selsey Town Council	11,299	37,962	49,261
Seymour Primary School	24,621	90,934	115,555
Shermanbury Parish Council	493	1,812	2,305
Shipley Parish Council	626	2,300	2,927
Shoreham Academy	100,522	337,558	438,081
Singleton & Charlton Parish Council	578	2,124	2,702
Sir Robert Woodard Academy	67,211	236,815	304,026

Scheduled Body	Employee Contributions £	Employer Contributions £	Total £
Slaugham Parish Council	2,330	7,241	9,571
Slinfold Parish Council	1,115	3,464	4,579
Sodexo Chichester High School	122	0	122
Sompting Parish Council	178	1,076	1,253
Southgate Primary School	17,357	68,846	86,203
Southwater Infants	17,831	69,567	87,399
Southwater Juniors	19,534	64,121	83,655
Southwater Parish Council	7,715	25,272	32,987
Southway Academy	33,815	123,120	156,936
St. Josephs Catholic Primary School	22,396	90,182	112,577
St. Josephs Infant	7,321	36,323	43,644
St. Joseph's Junior	8,780	33,396	42,176
St. Lawrence Primary	29,554	118,983	148,537
St. Mary's Catholic Primary School	16,317	64,480	80,797
St. Philip Howard Catholic High School	54,091	207,217	261,308
Steyning Parish Council	4,203	15,723	19,926
Steyning Grammar School	126,763	492,864	619,628
Storrington and Sullington Parish Council	4,411	14,484	18,895
Sussex Police & Crime Commissioner	106,685	287,902	394,588
Tangmere Parish Council	1,753	6,408	8,161
Tangmere Primary	12,050	44,989	57,039
The Academy Selsey	18,183	72,992	91,175
The Gatwick School	37,558	129,818	167,375
The Globe Academy	25,888	98,036	123,924
The Laurels Primary School	9,706	34,189	43,895
The March C of E Primary School	9,055	37,072	46,127
The Regis Academy	137,952	478,502	616,454
Thomas Bennett Community College	59,489	207,200	266,689
Turners Hill Parish Council	1,983	6,438	8,420
Twineham Parish Council	218	802	1,020
University of Chichester	660,557	1,908,124	2,568,680

Scheduled Body	Employee Contributions £	Employer Contributions £	Total £
Upper Beeding Parish Council	2,896	9,487	12,383
Warden Park Academy	89,851	296,502	386,352
Warden Park Primary School	29,453	106,160	135,612
Waterfield Primary School	18,191	70,750	88,941
West Chiltington Parish Council	1,291	4,131	5,421
West Grinstead Parish Council	1,812	5,630	7,441
West Hoathly Parish Council	1,033	3,908	4,941
West Itchenor Parish Council	492	1,807	2,299
West Sussex County Council	14,159,221	48,916,905	63,076,126
Westbourne Parish Council	1,229	4,282	5,511
White Meadows Schools	40,863	155,909	196,771
Whytemead Primary	4,885	20,306	25,191
Woodard Academies Trust	34,758	75,552	110,310
Worthing Borough Council	24,792	1,740,088	1,764,881
Worthing High School	67,363	214,108	281,471
Total	30,743,122	106,314,865	137,057,987

Admitted Body	Employee Contributions £	Employer Contributions £	Total £
Anti Graffiti System	2,306	7,591	9,896
Aspire Sussex Ltd	26,606	127,328	153,934
Balfour Beatty 2020	25,007	87,302	112,309
BAM UK Ltd	991	244	1,235
Capita	64,905	234,728	299,634
Capita (SSO)	137,187	546,061	683,247
Care Quality Commission	3,005	0	3,005
Carers Support 2017	2,037	7,515	9,552
Caterlink Bourne Community College	2,000	14,890	16,890
Caterlink Littlehampton Academy	0	1,850	1,850
Caterlink Shoreham Academy	679	2,567	3,246
Churchill Bersted Green Primary School	1,030	6,346	7,377
Churchill Bishop Tufnell	1,628	8,374	10,002
Churchill Bognor Regis Nursery School	132	678	809
Churchill Lancastrian Infant School	330	1,697	2,027
Churchill Northolmes Junior School	42	216	258
Churchill Steyning Grammar School	4,237	21,804	26,041
Churchill West Sussex County Council	1,285	6,612	7,897
Crime Reduction Initiatives/Change Grow Live	4,709	20,692	25,401
Energy Kidz Ltd (Chichester Free School)	1,860	11,171	13,031
Essex Cares Ltd 2017	16,853	77,682	94,535
Freedom Leisure - Arun DC Leisure Facilities	22,056	172,698	194,754
Grace Eyre Northern	4,263	16,577	20,841
Grace Eyre Western	4,808	25,762	30,570
Innovate Services Ltd	1,154	4,950	6,104
Martlet Homes Ltd	103,014	339,462	442,476
Mears Ltd	5,965	18,444	24,409
Medisort	1,058	5,070	6,128
NSL Ltd 2018	3,501	16,644	20,145
Places for People	35,042	261,962	297,004
PPP Taking Care	18,096	58,196	76,292

Admitted Body	Employee Contributions £	Employer Contributions £	Total £
Ridge Crest Cleaning Ltd - Littlehampton Academy	1,503	8,906	10,409
Ridge Crest Cleaning Ltd - Sir Robert Woodard	522	3,372	3,893
Ridge Crest Cleaning Ltd - Manor Field Primary School	625	2,581	3,206
RSPB	1,937	7,984	9,921
Saxon Weald Homes	334,520	1,319,609	1,654,129
Schoolsplus	572	3,681	4,252
Shaw Homes	19,886	80,533	100,419
Shoreham Port Authority	366,993	1,054,515	1,421,508
SLM Community Leisure	28,599	114,299	142,898
SLM Fitness & Health	7,781	32,874	40,655
SLM Food & Beverage	1,942	8,889	10,831
Southdowns Leisure	65,143	259,268	324,411
The Music Trust	11,609	30,052	41,660
Wates	10,887	35,340	46,227
Worthing Theatres & Museums	50,972	164,702	215,675
Total	1,399,274	5,231,720	6,630,994

Appendix 4 – Investment Performance

The table below shows the long-term performance of the Pension Fund and its underlying investments⁵. All figures are to 31 March 2022.

	12 months	3 years pa	10 years pa	15 years pa
Fund	-0.61 %	7.28 %	9.75 %	7.84%
Benchmark	7.92 %	8.37 %	9.51 %	7.45%
<i><u>Difference</u></i>	-8.53 %	-1.09 %	0.25 %	0.39%
Link (Baillie Gifford) ⁶	-6.04 %	7.67 %	11.15 %	9.41%
Link Benchmark	5.88 %	8.58 %	9.82 %	7.73%
<i><u>Difference</u></i>	-11.93 %	-0.91 %	1.33 %	1.68 %
Abrdn	20.73 %	7.19 %	n/a	n/a
Property Benchmark	19.61 %	6.84 %	n/a	n/a
<i><u>Difference</u></i>	1.12 %	0.35 %	n/a	n/a
Private Equity (Combined)	28.67 %	16.48 %	15.91 %	22.13 %
Private Equity Benchmark	14.91 %	14.76 %	13.14 %	10.20 %
<i><u>Difference</u></i>	13.75 %	1.72 %	2.77 %	11.93 %
Private Debt (Combined)	6.01 %	n/a	n/a	n/a
Private Debt Benchmark	6.00 %	n/a	n/a	n/a
<i><u>Difference</u></i>	0.01 %	n/a	n/a	n/a

⁵ Macquarie, Fidelity and JP Morgan investments have not been included as they commenced in year and therefore performance data for the periods shown is not yet available.

⁶ Performance reflects Baillie Gifford performance since 2002 (directly held and within the ACCESS Pool).

Appendix 5 – Audit Assurance

External Audit Certificate to follow

Appendix 6 – Pension Fund Documents

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

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

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

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

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

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

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

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

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

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

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

Appendix 7 – Contact and Services

Key services provided to pensioners, members and employing bodies:

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

Self-service portal

This is a secure portal for members. To sign in or register for the online Pension services please visit the [website](#).

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

Key information sources for members

Details of information that is relevant to West Sussex County Council Pension Fund members is held on the administrators [website](#).

Contacting us

Email: pensions@hants.gov.uk

Phone: 01962 845588

Or by writing to:

Hampshire Pensions Services
The Castle
Winchester
Hampshire
SO23 8UB

Ensuring accuracy and confidentiality

The West Sussex Pension Fund website includes the Fund [Privacy Notice](#) and the [compliments and complaints procedure](#).

LGPS Member and Employer site

The [Local Government Pension Scheme](#) has a national website for members of the LGPS in England and Wales. It provides information on how to join the LGPS and gives details about the scheme.

The Local Government Association also hosts a website for [LGPS employers](#) and pension funds in England and Wales. It provides information on the Scheme Regulations and other guides and resources on LGPS administration.

Money and Pensions Service & The Pensions Ombudsman

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

Website address: The Money and Pensions Service

Phone: 0800 138 7777

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

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

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

Email: enquiries@pensions-ombudsman.org.uk

Phone: 0800 917 4487

Address: 10 South Colonnade
Canary Wharf
E14 4PU

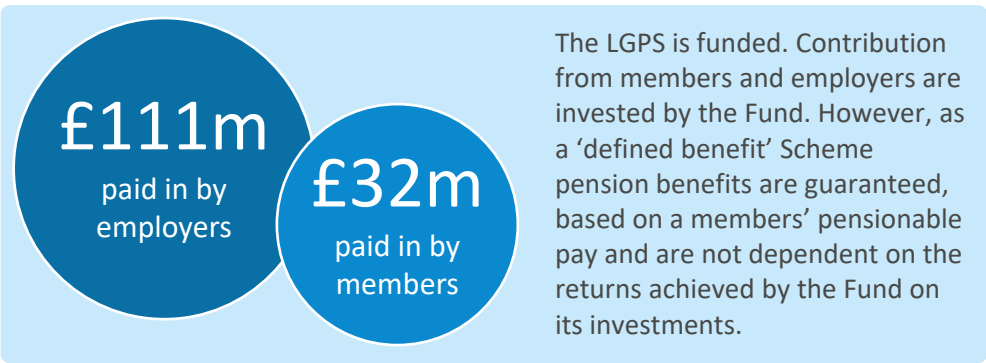
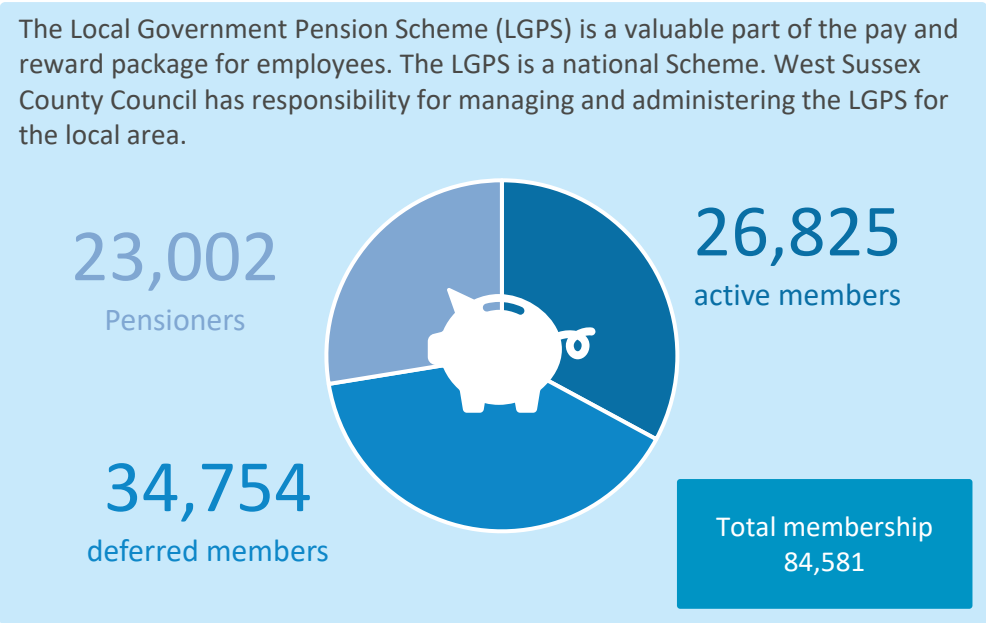
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205
employers actively paying into the scheme

£143m
received in contributions

£120m
benefits paid

£5.48bn
pension fund value

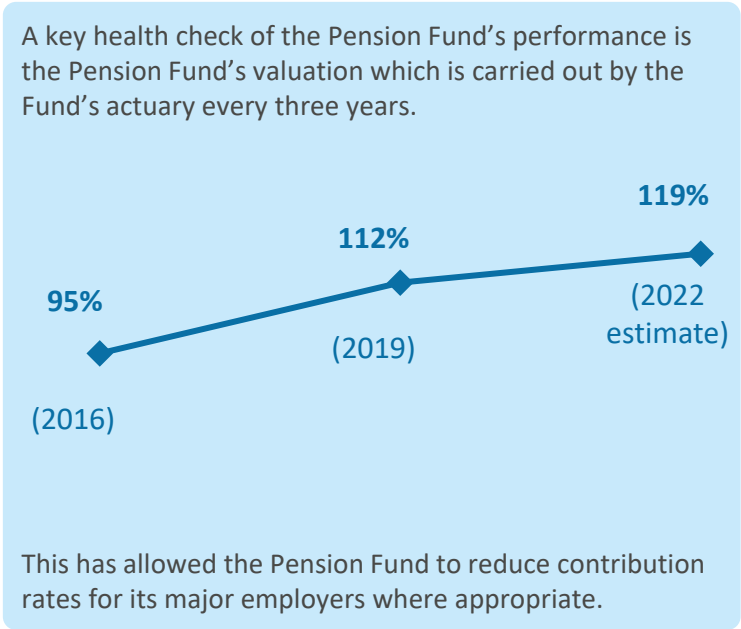


The Fund has a key objective to ensure the accuracy and completeness of the information held to deliver a good administration service to all stakeholders.

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

8,385 key member processes were completed in 2021/22.
100% of Key Performance Indicators were met.

Members can find out information about their benefits via the [Portal](#).

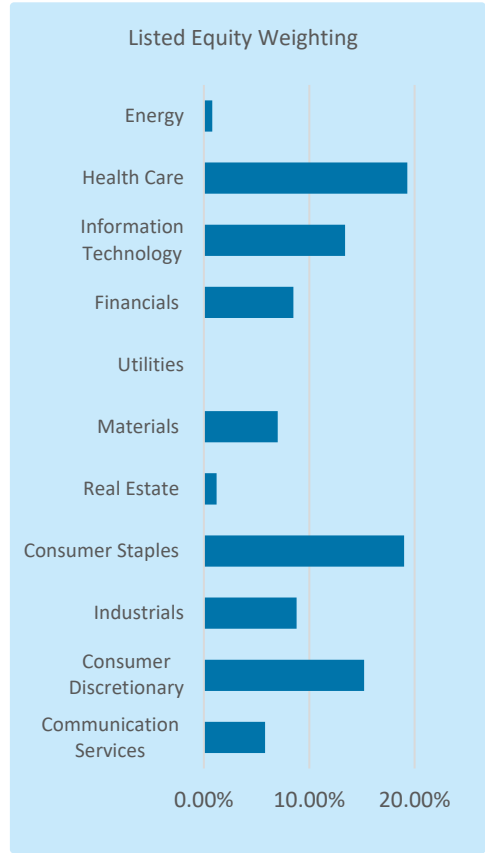
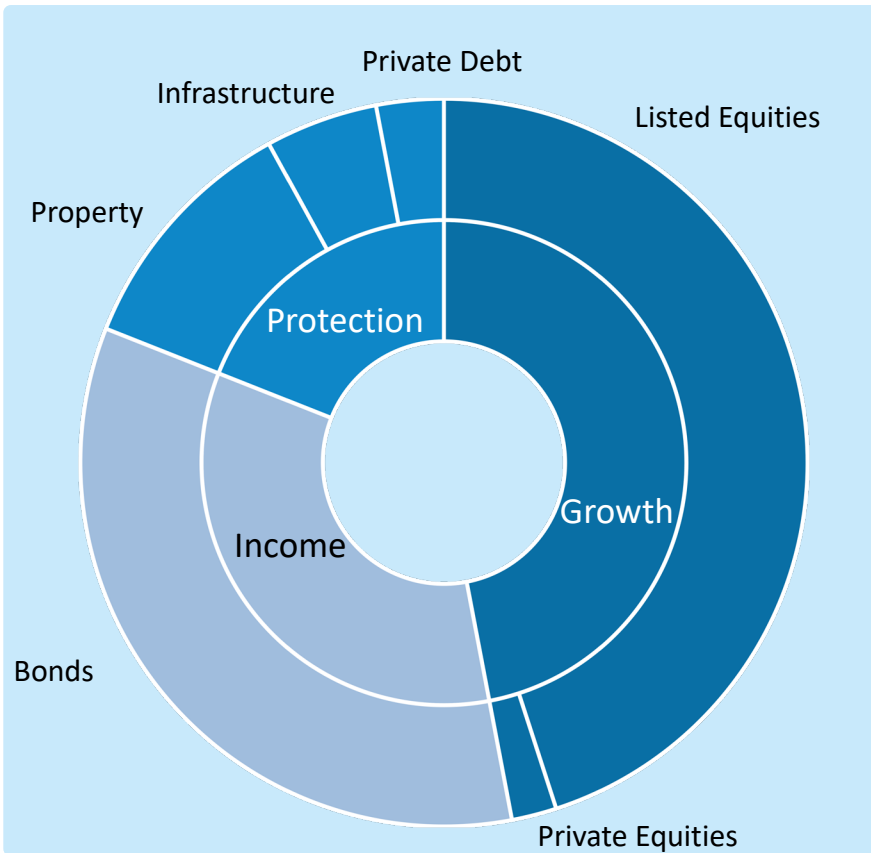


Pension benefits are based on membership in the Scheme and are set in statute – they are not dependent on the returns achieved by the Fund on its investments.

The Pension Fund’s investments help manage costs of the Scheme for employers and include assets which:

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

As at 31 March 2022,
our investments assets
total
£5.48bn



The Pension Fund is a long term investor and over the last 10 years has outperformed the market.



As a responsible investor, the Pension Fund requires its managers to actively engage with companies.

During the year areas of engagement have included climate strategy, net zero emissions and good governance practices. The Fund also uses its voting rights actively, and in 2021/22 have voted on 97% of resolutions proffered.

100% of the Fund’s investment managers participate in the Principles of Responsible Investment (PRI) initiative.

Report to Pensions Committee**27 July 2022****Pension Administration****Report by Director of Finance and Support Services**

Summary

On 30 June 2022, the Scheme had 89,992 members and 214 employers actively contributing.

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 32 months).

The Membership Portal allows access to Annual Benefit Statement, the ability for a member to run retirement estimates and the opportunity to update personal details. To date, 36.3% of members have now registered to use the site.

The Employer Portal facilitates the submission of data to the team and allows employers to run early retirement estimates for their employees. To date, 73.2% of employers are registered onto the site.

Data to assist the team in completing updating membership records following the McCloud judgement continues to be collected for all members in the Scheme between April 2014 up to 31 March 2022. To date 202 of 213 data sets received for the period 1 April 2014 to 31 March 2021, and 123 of 213 data sets have been received for the period 1 April 2021 to 31 March 2022.

All active employers, who need to submit an annual return (201) have returned their annual return. The receipt of this information from employers is a critical milestone in the production of the Annual Benefit Statements. As a result, 99.9% (34,742 out of 34,768) of Deferred Annual Benefit Statements have been produced. Actual Annual Benefit Statements are on track to be published in August. The statutory deadline for both is 31 August.

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 work closely with the West Sussex Pensions Team.
- 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 30 June 2022 the Scheme had 84,422 members as analysed below.

	31-Mar-22	30-June-22	Movement
Active	26,394	25,785	-2.3%
Deferred	34,781	35,368	1.7%
Pensioner	23,040	23,269	1.0%
Total	84,215	84,422	0.2%

- 1.4 In addition, there are 5,570 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. As noted previously a project is being scoped to provide options to those with preserved refunds in the Scheme.
- 1.5 On 30 June 2022 there were 214 employers actively contributing to the West Sussex Scheme. During the quarter seven employers were admitted to the Scheme (five of who had a retrospective admission date). No employers ceased.

2 Administration Performance – Business as Usual Activity

Contribution Receipt

- 2.1 All LGPS contributions 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 / non provision of relevant paperwork. The contribution monitor is included at Appendix B.

Administration Performance

- 2.2 The Administration Strategy sets out performance expectations for employers and the Administering Authority. The team completed 2,225 cases in scope of the service standards for key processes over the quarter and continue to deliver 100% compliance.¹

¹ The team has delivered 100% compliance against the service standards for the past 32 months.

- 2.3 The analysis below 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.

Type of Case	0-5 days	6-10 days	11-15 days	16-20 days	21-30 days	Total
Active Retirement	39	27	48	0	0	114
Deferred Retirement	34	46	123	0	0	203
Estimates	32	50	481	0	0	563
Deferred Benefits	35	11	51	39	772	908
Transfers In & Out	5	3	11	0	0	19
Divorce	5	7	28	0	0	40
Refunds	19	79	22	0	0	120
Rejoiners	8	5	10	49	0	72
Interfunds	11	30	68	0	0	109
Death Benefits	53	8	16	0	0	77
Total	241	266	858	88	772	2,225

- 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 seven complaints received in the last 12 months by theme and stage within the complaints process. Over the quarter, three complaints have been received or escalated (denoted on the table below with a *).

		Resolved / Ongoing	Current stage / Stage resolved
Response Time		Resolved	Stage 1
Response Time	*	Resolved	Stage 1
Error in pension figures		Resolved	Stage 1
Unhappy with Children's Pensions amounts payable		TBC	IDRP Stage 1
Enrolment Complaint		Resolved	Stage 1
Unhappy with issues logging into the Member Portal	*	Resolved	Stage 1
Aggregation Complaint	*	Ongoing	IDRP Stage 2

- 2.5 The team received eight compliments over the quarter, with 20 compliments over the previous 12 months.

Promotion of Portal

2.6 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. Since March 2022, the Fund have stopped sending hard copy payslips, P60s and pensioner newsletters and are encouraging pensioner members to register for the Member Portal. Employers can also register for access to a portal which allows them to submit data (including new starters and leavers) and run estimates for early retirements. It is anticipated that both sites provide efficiencies for the team and the opportunity to improve the quality of data held by the Scheme. The table below analyses registrations and the number of members who have actively opted-out of online communications by member status.

		31-Mar-22	30-Jun-22
Active	Registered	11,144	11,432
	Opt out of online		169
	No Response		14,184
Deferred	Registered	10,025	10,546
	Opt out of online		193
	No Response		24,629
Pensioner	Registered	7,765	8,672
	Opt out of online	5,591	6,024
	No Response	9,913	8,573
Total	Registered	28,934	30,650
	Opt out of online		6,386
	No Response		47,386
Employers	Registered	144	156
	% of employers	70%	73.2%

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 1 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. The team originally requested returns from employers for data to 31 March 2021. This has now been supplemented with a request to cover 1 April 2021 to 31 March 2022. The table below shows the position on both data sets.

Data Set	1 April 2014 – 31 March 2021	1 April 2021 – 31 March 2022
Deadline	30/06/2021	30/06/2022
Data Sets Received / Required	202 / 213	123 / 216
% of In Scope Membership	94.0%	24.1%

- 3.2 West Sussex County Council have been given an extension to provide their data (2021/2022) to 31 July 2022, due to resource pressures. The team continue to engage with all employers who have outstanding data sets for both periods.

End of Year Returns

- 3.3 As of 30 June 2022, all 201 employers, who needed to provide an annual return had returned their data. All annual returns have been reconciled and uploaded to the system resulting in data queries generated for 644 members (88 employers). The receipt of this information from employers is a critical milestone in the production of the Annual Benefit Statements. The team continue to engage with all employers who have outstanding queries.

Annual Benefit Statements

- 3.4 By 30 June 2022, 99.9% (34,742 out of 34,768) of deferred Annual Benefit Statements had been produced. The statutory deadline is 31 August, and the team will continue to work on the outstanding deferred statements
- 3.5 Active Annual Benefit Statements are on schedule to be published in August. As with deferred statements, the statutory deadline is 31 August.

4 Pension Scams – Controls and Reporting

- 4.1 At the April meeting, Committee members asked for information relating to the process in place to prevent Pension Scams.
- 4.2 Since November 2021, the Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021 requires that all pension providers must carry out certain checks and have processes in place for due diligence when dealing with pension transfer requests. These checks must determine whether the request to transfer meets the conditions to enable a statutory right to transfer, including whether a member is required to receive guidance from MoneyHelper. The checks are as set out below along with the number of pension transfer requests considered at each stage (November 2021 to 30 June 2022). In addition, the administration team have certified to the pledge to combat Pension Scams.

Stage	Action	No. Requests
Check # 1 Whether the receiving scheme either a Public Sector Pension Scheme, an authorised Master/Trust on the Pension Regulator's published list or an authorised Money Purchase Scheme.	If the team are satisfied that the receiving scheme fulfils this criterion then the transfer can proceed. Otherwise, further checks are required (see below).	24

<p>Check # 2</p> <p>If the first check is not met, then additional due diligence is needed. These additional checks include checking employment status, overseas residency and are there any additional amber or red flags².</p>	<p>If the Team are satisfied that there is appropriate evidence, then the transfer can proceed. Otherwise, it is referred to the Scheme Manager (see below).</p>	<p>0</p>
<p>Final decision</p> <p>If the team are not satisfied that they have the appropriate evidence, and that a potential scam has occurred then the case is referred to the Scheme Manager to make a final decision and discuss whether it is appropriate to report as a potential scam.</p>		<p>0</p>
<p>Total Cases</p>		<p>24</p>

5 Breach Reporting

- 5.1 There are several regulatory requirements within the Local Government Pension Scheme (LGPS) for which there is a statutory duty to report to the Pensions Regulator if a material breach occurs.
- 5.2 Since the Committee met in March there has been two low risk data breaches reported, which have been logged through West Sussex County Council’s IT Security Incident Report. These relate to information being sent to an incorrect email address. The Pensions Team have been reminded to use other identifiers before indexing information to a members records and not use autofill when sending emails.

6 Other options considered (and reasons for not proposing)

- 6.1 N/A

7 Consultation, engagement and advice

- 7.1 N/A

² Examples of red flags – The member has failed to provide the required information, The member has not provided evidence of receiving MoneyHelper guidance, someone carried out a regulatory activity without the regulatory rights to do so, the member has been offered an incentive to transfer. Examples of amber flags – The member hasn’t shown an employment link or overseas residency, The Scheme charges are high or unclear, Overseas investments are included in the Scheme, High-risk or unregulated investments are included in the Scheme.

8 Finance

8.1 N/A

9 Risk implications and mitigations

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

10 Policy alignment and compliance

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

Katharine Eberhart

Director of Finance and Support Services

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Appendices

Appendix A - Administration Performance Previous 12 Months

Appendix B – Contribution Receipts Previous 12 Months

Background papers

[The Occupational and Personal Pension Schemes \(Conditions for Transfers\) Regulations 2021 \(legislation.gov.uk\)](#)

[January 2021 Pensions Committee Administration Performance Report](#)

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Administration Performance Previous 12 Months (1 July 2021 to 30 June 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	Total
Active Retirement	157	98	164	0	0	419
Deferred Retirement	155	157	388	0	0	700
Estimates	152	186	1859	0	0	2,197
Deferred Benefits	204	79	162	309	2909	3,663
Transfers In & Out	15	14	75	0	0	104
Divorce	21	23	130	0	0	174
Refunds	273	198	33	0	0	504
Rejoiners	25	27	67	126	0	245
Interfunds	34	53	272	0	0	359
Death Benefits	250	59	67	0	0	376
Total	1,286	894	3,217	435	2,909	8,741

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	Sep-21	Dec-21	Mar-22	Jun - 22	Total
Active Retirement	147	102	56	114	419
Deferred Retirement	185	140	172	203	700
Estimates	663	464	507	563	2,197
Deferred Benefits	965	843	947	908	3,663
Transfers In & Out	37	27	21	19	104
Divorce	34	58	42	40	174
Refunds	127	121	136	120	504
Rejoiners	62	63	48	72	245
Interfunds	71	97	82	109	359
Death Benefits	100	93	106	77	376
Total	2,391	2,008	2,117	2,225	8,741

The table below shows work in progress on 30 June 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	15	5	8	0	0	0	28
Deferred Retirement	9	8	37	0	0	0	54
Estimates	11	20	140	0	0	0	171
Deferred Benefits	10	5	18	12	237	0	282
Transfers in / out	1	1	4	0	0	0	6
Divorce	0	3	10	0	0	0	13
Refunds	4	30	0	0	0	0	34
Rejoiners	4	3	5	7	0	0	19
Interfunds	4	6	26	0	0	0	36
Death Benefits	15	6	6	0	0	0	27
Total	73	87	254	19	237	0	670
Previous quarter (total)	108	197	180	69	149	19	812

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Contribution Receipts (1 April 2022 to 31 May 2022)

The table below shows Scheme Employer performance in respect of their statutory responsibilities to paying their contributions to the Fund (by 22 of each month following deduction) and to provide a valid remittance advice. This reporting template has been updated to provide additional detail about compliance.

Officers are working with employers who do not provide the required information in a timely manner.

	Apr	May
Total Active Employers	212	213
Fully compliant	204	201
Partially complaint – late remittance	7	7
Partially complaint – late payment	1	5
Not complaint – late remittance & payment	0	0
Total Value of Late Payments (£)	35,133	70,326
Number of Late payments still outstanding	-	0
Total Amount Still overdue (£)	-	0
Overdue Amount as a % of total contributions	-	0

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Pensions Committee

27 July 2022

Funding Strategy Statement

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.

As part of this the Funding Strategy Statement has been reviewed with the Fund Actuary. Under the LGPS Regulations the Administering Authority must, after consultation, with such persons as it considers appropriate, prepare, maintain and publish a written statement setting out its Funding Strategy Statement. This should be prepared have regard to guidance set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance.

The Statement sets out the approach to valuing employer liabilities, setting contribution rates and the approach when an employer exits the Scheme. The following are highlighted:

- As with the 2019 Actuarial Valuation, the Strategy has been prepared whilst there remains uncertainty in relation to the LGPS (McCloud, Cost Cap and consultation outcomes).
- The approach to setting the Strategy remains unchanged ie. keep employer contributions affordable and stable, ensuring (as far as possible) each employer covers their liabilities for member / dependent benefits as they fall due and the intention to be transparent and consistent.
- The funding target, time horizon and probability of being fully funded are applied dependent on whether they are a long/shorter term employer, whether they are open to new entrants, the strength of covenant etc.

The Committee will receive a presentation from the Fund Actuary.

Following feedback from the Committee it is proposed that the Fund will consult with employers on the Funding Strategy Statement ahead of the employer results meeting in the autumn.

The final Funding Strategy Statement must be published by 31 March 2023.

Recommendation

That feedback is provided by the Committee on the draft Funding Strategy Statement and the matters covered in the Fund Actuary's presentation, ahead of consulting with employers.

Agenda Item 9

Katharine Eberhart

Director of Finance and Support Services

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Appendices

Appendix A – Draft Funding Strategy Statement

Background papers

None

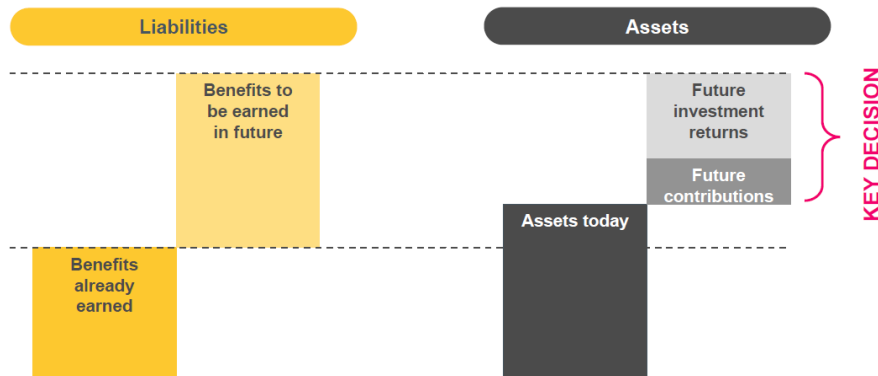
Funding Strategy Statement



Background

The LGPS is a funded pension scheme, with employee benefits guaranteed by the LGPS Regulations and funded through a combination of employee contributions (fixed nationally), investment returns and employer contributions.

The West Sussex Pension Fund manages a substantial investment portfolio which is there to help pay for benefits to members and their dependents now, and in the future (liabilities). The balance of cost between the value of member benefits, employee contributions and the return on investments is paid for through employer contributions. This is illustrated below. The extent to which liabilities are funded through contributions versus investments is a key decision.



This strategy has been prepared by the Fund in collaboration with its actuary, Hymans Robertson LLP, and after consultation with the Fund’s employers. It has been adopted for the purpose of the 2022 Actuarial Valuation and is effective from 1 April 2023. However, at the time of this document being prepared, there is uncertainty in relation to the LGPS. These are described below along with the approach being adopted by the Pension Fund in response:

Uncertainty	Consideration
<p>The McCloud case: In 2018 the Court of Appeal ruled that the ‘transitional protection’ offered to some members as part of previous pension reforms amounted to unlawful discrimination (directly on grounds of age and indirectly on other grounds). Changes to the Regulations are required to comply with the ruling.</p>	<p>In the absence of new Regulations, DLUHC issued a letter setting out instructions on how McCloud should be allowed for in the 2022 valuation. In particular, it sets out who the Actuary should assume has McCloud protections in order to make allowances when valuing the liabilities.</p>
<p>The HM Treasury and Scheme Advisory Board “cost control mechanism”: These mechanisms were introduced as part of the previous pension reforms with the intention to maintain a process for managing the cost of the scheme between members and employers. There will be a judicial review into whether McCloud should be included as a ‘member cost’ within the 2016 HM Treasury cost control mechanism. If it is deemed McCloud is not a member cost, then it is likely benefit changes will be required from 1 April 2019.</p>	<p>Liabilities at 31 March 2022 will be based on the Scheme presently in place. As a result:</p> <ul style="list-style-type: none"> Employers should collect employee contributions on the basis of current Regulations The 2019 valuations will proceed on the basis of the current benefit and member contribution structure for the purposes of valuing the liabilities, unless advised differently by DLUHC or SAB.
<p>Consultation Outcomes: Several consultations or Government decisions remain outstanding which may affect the LGPS. These include the outcome of the Government’s Fair Deal II Consultation, which may introduce new classes of employer into the LGPS and the rectification of issues associated with Guaranteed Minimum Pensions.</p>	<p>Liabilities at 31 March 2022 will be based on the Scheme presently in place. The Fund may revisit the FSS as and when the outcomes of the above consultations (and resulting legislative changes), decisions and guidance are known, and will seek wider consultation on any material changes in approach as a result of these changes.</p>

The Valuation Approach

The value of member benefits and the employer contribution rates required are calculated by the Fund Actuary. The Pensions Committee have agreed the following objectives:

- Keep employer contributions **affordable and stable** through the adoption of an investment strategy which balances risk and return, the use of reasonable assumptions to measure liabilities and through contribution stabilisation approaches for certain employers.
- Understand the diversity of the Pension Fund's employers and ensure (as far as possible) **each employer covers their liabilities for member / dependent benefits as they fall due** for payment by maintaining separate accounts for each employer, adopting different funding approaches to different employer groups and taking a prudent, long term view
- **Be transparent and consistent** in the strategy and its application

To achieve these objectives, the Fund Actuary calculates and sets employer contribution rates differently for different employers. The following sections describe the general approach taken with more detail by employer type in the Appendix.

To support these objectives, the Fund's risk management framework considers how it can manage risks that are most likely to impact the funding strategy. More context is in Appendix 4.

DRAFT

Valuing liabilities for member / dependent benefits as they fall due (the “funding target”)

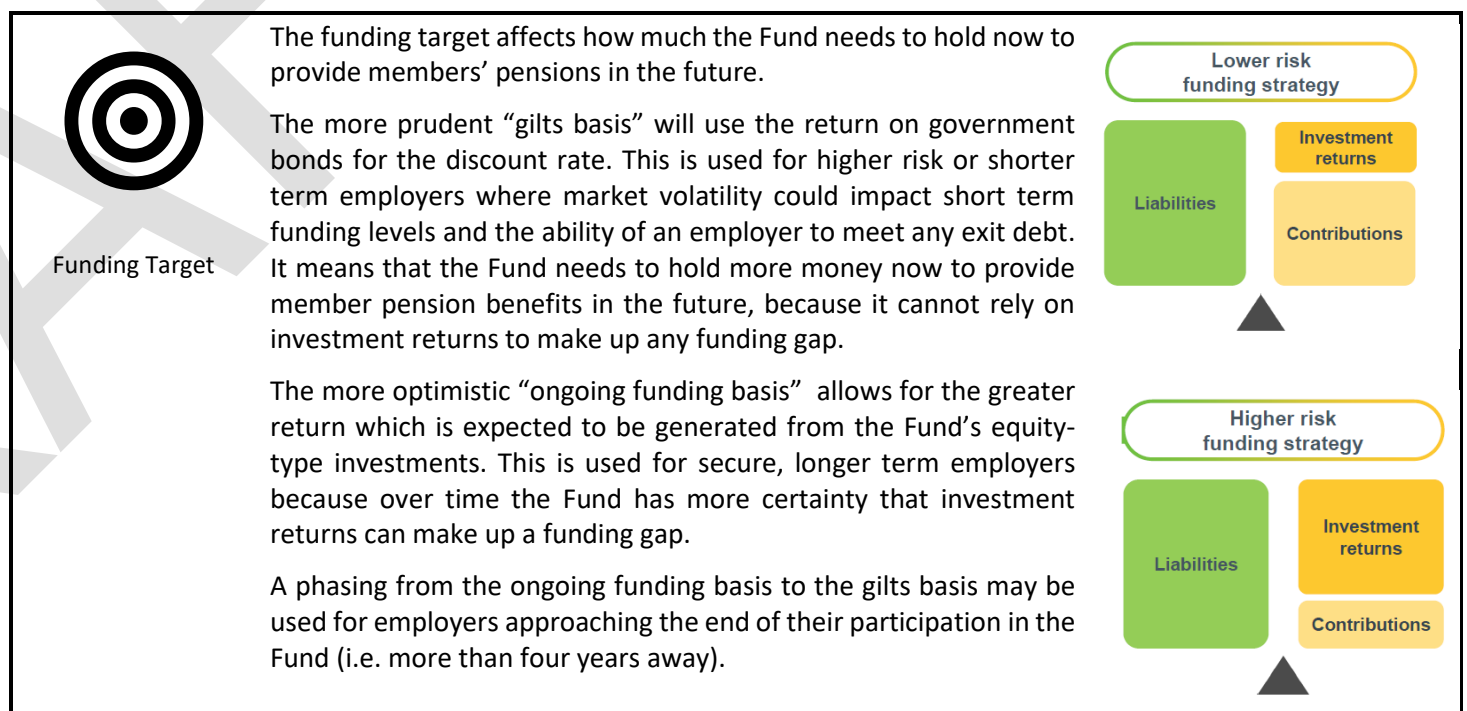
To ensure it holds sufficient assets to be able to pay all its members benefits the Pension Fund needs to ensure that the assets held on behalf of each employer meet (as closely as possible) the value of benefits built up to date for the employer’s employees and ex-employees (the liabilities) i.e. a funding position of 100%.

To place a value on these future and past service benefits (the liabilities) the Actuary will make both financial and demographic assumptions about the future.

1. Financial assumptions include investment returns, salary growth and pension increases;
2. Demographic assumptions include life expectancy, probabilities of ill-health early retirement, and proportions of member deaths giving rise to dependants’ benefits.

The combination of all assumptions becomes the funding target. A more optimistic funding target might involve higher assumed investment returns (discount rate), or lower assumed salary growth, pension increases or life expectancy; a more optimistic funding target will give lower liability values and lower employer costs. A more prudent funding target will give higher liability values and higher employer costs. A summary of the assumptions applied are shown in Appendix 2.

The funding target is adjusted to reflect employer characteristics – taking into account for example, whether an employer has any guarantees or whether an employer will eventually leave. The funding target for each type of employer is set out in Appendix 1.






Setting employer contributions

The balance of cost between the value of member benefits, employee contributions and the returns on investments is paid for through employer contributions. Employer contributions are set locally by the Fund Actuary and are normally made up of two elements:

1. **Primary Rate:** The estimated cost of new benefits being earned by members year to year, after deducting member's contributions and adding an allowance for administration expenses
2. **Secondary Rate:** Any adjustment to the primary rate to reflect the individual circumstances of each employer, to meet the Fund's desire for stable contribution rates and to recover any differences between the assets built up to date and the value of past service benefits.

As with the "funding target", employer contribution rates depend on employer characteristics. These characteristics determine the period over which the employers funding target should be met and the certainty required that the employer will achieve their funding target. The arrangements for each type of employer are set out in Appendix 1.

 Period to meet funding target	<p>Contributions are set to meet each employer's funding target by the end of their respective time horizon.</p> <p>Employers may be given a lower time horizon if they have a less permanent anticipated membership, they are approaching the end of their participation in the Fund or they do not have a known funding source to afford increased contributions if investment returns under-perform. The longest time horizon afforded any employer in the Fund is 20 years (generally reserved for long term employers with reliable funding sources).</p>
 Likelihood of meeting the funding target	<p>It is extremely unlikely that the contribution rate will absolutely ensure that the combination of contributions and market movements will return a funding position of 100% when an employer reaches the end of their time horizon and therefore the Fund applies likelihoods depending on the nature and security of an employer.</p> <p>Typically, a higher required likelihood (for employers with less permanent anticipated membership, those approaching the end of their participation in the Fund or those who do not have a guarantor) will give rise to higher contribution rates.</p> <p>Employers who are open to new entrants are considered to be long term and a lower likelihood may be appropriate. In general, the Fund will require all employers to have at least a 66% chance of being fully funded by the end of their time horizon.</p>
 Smoothing	<p>To achieve stability in contribution rates for employers who are relatively low risk or who provide appropriate security, the Fund may (at its absolute discretion) smooth changes in contributions.</p> <p>This can be done through capping contribution rate changes (stabilisation), phasing contribution changes, extending time horizons (maximum applied is 20 years), pooling employers, or limiting circumstances where negative secondary rates might apply.</p> <p>However, this can 'hide' the true contribution rates and employers should be aware that they will still be expected to fund their own long-term liability (i.e. the actual eventual cost of benefits payable to their employees and ex-employees) and paying a smoothed rate in the short term may impact on the return on an employer's assets meaning it takes longer to reach full funding, all other things being equal.</p>

Adjusted Employer Contribution

The certified rate within the Rates and Adjustments Certificate, which forms part of the formal Actuarial Valuation Report, is the minimum employer contribution due for the next three years – or until the next valuation. In addition:

- Employers can opt to pay contributions at a higher rate if they choose and this will be taken into account by the Actuary at subsequent valuations.
- All employers are required to make an upfront payment of strain charges wherever an employee retires before attaining this age (except for as a result of ill health). This is because the Actuary will assume that members' benefits are payable from the earliest age that the employee could retire without incurring a reduction to their benefit. An employer can request to pay instalments over a three-year period, but this would be by exception.
- [Payment for Ill Health Early Retirements to be confirmed ie pay as you go, budget, experience item at future valuation]
- Employer contribution rates may be amended by the Fund between valuations for any “significant change” to the liabilities or covenant of an employer. Significant changes are considered to be where it is likely that the employer will become an exiting employer, the employer has incurred costs following an award of additional pension,¹ there are changes to the LGPS benefit structure, an employer's liabilities, membership or covenant has changed significantly since the last valuation or where an employer has failed to pay contributions. It should be noted that any review may require increased contributions.
- An employer may request a review of contributions between valuations, provided they set out their reasoning (which would be expected to fall into one of the above categories) and they cover all costs incurred by the Fund in relation to their request. Except in exceptional circumstances, such as an employer nearing cessation, market volatility and changes to asset values will not be considered as a basis for a change in contributions outside a formal valuation. It should be noted that any review may require increased contributions.
- Some employers may elect to make an advance / lump sum payment for their employer contributions at the start of a financial year, or valuation period. In these circumstances a contribution rate adjustment reflecting appropriate actuarial discounts may apply (this is set out in the Rates and Adjustment Certificate). However, employers adopting this approach should acknowledge the risks involved, particularly in respect of the impact of investment returns during the inter-valuation period. This is subject to approval by the Fund, Actuary, employer and their auditors.

¹ [regulation 31\(3\) of the LGPS regulations 2013](#)

Exiting Employers

The Fund seeks to manage employer funding positions and contribution rates based on the time period over which they are actively participating in the Fund. However, when an employer exits the Fund will instruct the Fund Actuary to undertake an actuarial assessment of the assets and liabilities at the exit date.

An employer may exit the Fund because it no longer has active members participating, it becomes insolvent, is wound up or is liquidated or it breaches its obligations under the Admission Agreement (if relevant).

Full details on how each employer’s position on exit is determined are set out in Appendix 1.

Suspension Notice

In some circumstances a Suspension Notice may be put in place (at the discretion of the Fund) to defer an exit debt for up to three years if the employer is expected to acquire one or more active members in the Fund over the period. It should be noted, the employer may be required to pay secondary contributions during the period of the suspension notice. If the suspension notice lapses and the employer has not acquired one or more active members in the Fund, then an exit debt may become payable.

Cessation Valuation

When an employer exits, the Fund will instruct the Actuary to carry out a cessation valuation to determine whether there is any deficit or surplus in respect the exiting employer's current and former employees.

The approach adopted will look to protect other employers in the Fund from the likelihood of any material loss emerging in future and take into account future funding sources, guarantees or pooling arrangements.

The Fund Actuary’s valuation will either certify an exit debt (deficit) or an excess of assets in relation to the employer’s liabilities (surplus).

Exit debt (deficit)

Where there is a deficit, the normal approach is for payment of this amount in full as a single lump sum payment from the exiting employer or their guarantor. However, if this is not possible there are two options which could be considered by the Fund. Full details on how each employer’s position on exit is determined are set out in Appendix 1.

Option	Application
Deferred Debt Agreement	An employer may defer their obligations to make an exit payment and continue to make secondary contributions as determined by the Fund Actuary. This will be considered at an employer’s request provided they are expected to be a going concern and have a sufficient covenant (or security). It should be noted that the employer will remain exposed to all pension risks until final settlement is made. Employer’s requesting a deferred debt agreement must meet the Fund’s costs associated with considering, entering into and monitoring the agreement.
Payment Plan	An employer may be allowed to make regular payments to fund the remainder of the employer obligations over an appropriate period alongside provision of suitable security (bond, indemnity or guarantee). The appropriate period will be no longer than three years. It should be noted that the employer’s deficit is crystallised at their exit date and are therefore they are not exposed to any pension risks during the repayment period. Interest

	at the discount rate used to value the liabilities in the cessation valuation will apply at the discretion of the Pension Fund.
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Any unpaid amounts will fall to any related scheme employer (for admission bodies) or multi-academy trust (for academies). Where there is no related scheme employer or multi-academy trust, any unpaid amounts will be shared amongst all of the other employers in the Fund. This may require an immediate revision to the Rates and Adjustments Certificate affecting other employers in the Fund or instead be reflected in the contribution rates set at the next formal valuation following the exit date.

Exit Credit (Surplus)

Where there is a surplus the Fund will determine, at its absolute discretion, the amount of any exit credit payment due, having regard to any relevant considerations. The following are considered relevant:

- The extent to which there is an excess of assets in the Fund over the employer's liabilities;
- The proportion of excess assets which has arisen because of the value of the employer's contributions;
- Any representations made to the Fund by the exiting employer, the scheme employer in connection with that body and (where the employer is an admission body) any of the following:
 - a person who funds the admission body in whole or in part, the connected scheme employer
 - a person who owns, or controls the exercise of the functions of the admission body; and
 - the Secretary of State but only in the case of specific admission bodies (such as those established by or under any enactment and providers of probation services).
- any other relevant factors which may include:
 - the date that the employer joined the Fund
 - the level of pensions risk the employer has taken on during its period of participation (including pooling arrangements the employer has benefited from)
 - any agreements on the treatment of the employer on exit; and/or
 - whether there are any outstanding sums owed to the Fund;

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

If an exit credit is determined to be payable it must be paid within six months of the date on which the employer ceased to participate in the Fund, six months from the date their deferred employer arrangement ended, or such longer time as the Fund and exiting employer agree. Once the exit credit has been paid, no further payments are due from the Authority to the exiting employer in respect of the surplus. ²

In the event of any dispute or disagreement on the amount of any exit credit paid and the process by which that has been considered, the appeals and adjudication provisions contained in Regulations 74-78 of the Regulations would apply. The Pensions Ombudsman also has jurisdiction to hear complaints of maladministration against LGPS administering authorities, if the internal dispute resolution process is unsuccessful.

² Exit credits are to be authorised payments in accordance with section 176 of the Finance Act 2004 (payments by public service pension schemes).

Employers with no remaining active members

When an employer ceases their participation in the Fund, and provided their exit obligations are met, they will have no further obligation. However, as member benefits are guaranteed, it is expected that one of two situations will eventually arise:

- The employer's asset share runs out before all its ex-employees' benefits have been paid. In this situation the other employers participating in the Fund will be required to contribute to pay all remaining benefits by the apportioning the remaining liabilities on a pro-rata basis at successive formal valuations; or
- The last ex-employee or dependant dies before the employer's asset share has been fully utilised. In this situation the remaining assets would be apportioned pro-rata by the Fund Actuary to the other employers participating in the Fund at successive formal valuations.

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Bulk transfers

Bulk transfers of members take place where ten or more members transfer to another Fund's LGPS fund or where two or more members transfer to a non-LGPS fund. Each case will be treated on its own merits, but in general, where active members are transferring, the Fund will pay bulk transfers in line with factors provided by the Government Actuary's Department for individual transfers with an allowance for known fund returns between the transfer date and payment date. This also forms the minimum amount the Fund will accept on a transfer in.

The Fund reserves the right to use alternative approaches if an Employer has an 'exit event' as a result of the bulk transfer.

For transfers involving deferred and pension members (such as when employers in different funds merge) the Fund will pay the asset share attributed to the transferring members including an allowance for known fund returns between the transfer date and payment date. This also forms the minimum amount the Fund will accept on a transfer in.

The Fund permits shortfalls to arise on bulk transfers if the employer participating in the Fund has suitable strength of covenant and commits to meeting that shortfall in an appropriate period. This may require the employer's contributions to the Fund to increase between valuations. Where this is not met, the Fund may require a higher transfer amount or immediate contribution from the employer(s) involved.

APPENDIX 1: Application of Funding Strategy by Employer Group

The following pages set out how the Funding Strategy is applied to different employer groups, as summarised below:

Scheduled Bodies

	Local Authority / Police	Academies	Town and Parish Councils	Other Scheduled Bodies
General	Open Long term Tax raising	Open Long term Reliable funding Government guarantee	Open Long term	Open
Opening Position	Case by case Individual rate	Share of assets and liabilities from West Sussex County Council	Case by case but usually no assets or liabilities	Case by case Individual rate
Maximum Time Horizon	20 years	20 years	20 years	Future working lifetime (subject to a maximum of 20 years)
Minimum Likelihood	66%	70%	66%	70%
Funding Target	Ongoing funding basis	Ongoing funding basis	Ongoing funding basis	Ongoing funding basis
Smoothing	Stabilisation	Pooled (if agreed) Phasing in rate changes in limited circumstances Minimum rate in limited circumstances	Pooled (default) Phasing in rate changes in limited circumstances. Minimum rate in limited circumstances	Phasing in rate changes in limited circumstances Minimum rate in limited circumstances
Exit Basis	Gilts funding basis	Gilts funding basis	Gilts funding basis	Gilts funding basis
Suspension Notice	Considered	Considered	Considered	Considered
Exit Payment Terms (Deficit)	Lump sum (default) Payment Plan Deferred debt agreement	Lump sum (default) Payment Plan Deferred debt agreement	Lump sum (default) Payment Plan Deferred debt agreement	Lump sum (default) Payment Plan Deferred debt agreement
Ill Health				

Admission Bodies

	Pass Through	Guarantor	No Guarantor
General	(Normally) closed Shorter Term No assets or liabilities	(Normally) closed Shorter term Related scheme employer guarantee	Shorter term
Opening Position	No assets or liabilities Individual rate unless otherwise agreed with related scheme employer	Fully funded on an ongoing funding basis unless agreed otherwise Individual rate unless otherwise agreed with related scheme employer	Case by case Individual rate
Maximum Time Horizon	Same as letting authority	Shorter of future working lifetime or contract length (subject to maximum of 20 years)	Shorter of future working lifetime or contract length (subject to a maximum of 20 years)
Minimum Likelihood	Same as letting authority	Same as letting authority	50%-75% dependent on Funding Target
Funding Target	Same as letting authority	Ongoing funding basis	Gilts funding basis or blended depending on time horizon
Smoothing	None	None	None
Exit Basis	No assets or liabilities	Ongoing funding basis	Gilts funding basis
Suspension Notice	N/A	Very limited circumstances	Very limited circumstances
Exit Payment Terms (Deficit)	N/A	Lump sum (default) Payment Plan Deferred debt agreement	Lump sum (default) Payment Plan Deferred debt agreement
Ill Health			

APPENDIX 1A: Funding Strategy for Local Authorities and Police

Opening Position

Scheduled Bodies are listed in LGPS Regulations and therefore, it is unusual for new Scheduled Bodies, including Local Authorities or the Police, to join the Fund.

As these events are rare and tend to be unique in nature, there is no prescribed method for allocating an opening position. This would be determined on a case-by-case basis.

For any new Local Authority or the Police, the initial contribution rate is likely to be an individual rate calculated by the Fund Actuary.

Funding Target

The funding target for Local Authority and Police will be the ongoing funding basis.

Time Horizon & Likelihood

Because Local Authorities and the Police are considered a long term employer, the Fund will require a 66% minimum likelihood that the assets held on behalf of the Local Authorities and the Police meet (as closely as possible) the value of benefits built up (i.e. a funding position of 100%) at the end of their time horizon. The maximum time horizon used will be 20 years.

Smoothing

The key principle for Local Authorities and the Police is the Fund’s approach to stabilising contribution rates. “Stabilisation” is an approach which allows for short term volatility to be managed and keep employers’ rates relatively stable. Provided there are no anticipated material events the following will be adopted:

	Near fully funded	Other scenarios
Min contribution level	18% of pay	18% of pay
Max contribution level	TBC	TBC
Max contribution increase	TBC	TBC
Max contribution decrease	TBC	TBC

Employers whose contribution rates have been “stabilised” may be paying more or less than they might otherwise have paid which hides the true long-term liability, and it may take longer to reach full funding, all other things being equal.

Some Local Authorities or the Police may be allowed to make an advance / lump sum payment of employer contributions at the start of a financial year, or valuation period. In these circumstances a contribution rate adjustment reflecting appropriate actuarial discounts may apply. However, employers adopting this approach should acknowledge the risks involved, particularly in respect of the impact of investment return during the inter-valuation period.

Additional Costs

Early Retirement

No allowance has been made within employer contribution rates for early retirement of members. As a result, employers are required to pay an upfront, additional contributions ('strain') wherever an employee retires with an unreduced pension before attaining their earliest retirement age. An employer can make a request to the Chief Finance Officer to pay instalments over a maximum three year period, but this would be by exception.

Ill Health Early Retirement

[TBC]

Exit and Exit Obligations

The Fund considers a Local Authority and the Police to be long term employers. However it is important to consider arrangements when a Local Authority or the Police leaves the Fund, for whatever reason.

Suspension Notice

If and when a Local Authority or the Police ceases to have active members contributing to the Fund but the individual employer position is in deficit the Fund may issue a Suspension Notice - provided it reasonably believes that the employer is likely to have one or more active members contributing to the LGPS Fund within a three year period.

Where a Suspension Notice is issued, the Local Authority or Police may be required to pay secondary contributions during the period of the Suspension Notice.

The suspension notice will be lifted if one or more active members join the Local Authority or Police's individual position. If lifted, an individual contribution rate will be calculated by the Fund Actuary.

Other circumstances

In all other cases, and if the employer does not have one or more active members actively participating in the Fund at the conclusion of a Suspension Notice, the Fund will request that a cessation valuation is carried out by the Fund Actuary to determine the level of deficit or surplus in the individual employer position.

Whenever completing this the Actuary will adopt an approach which, to the extent reasonably practicable, protects other employers in the Fund from the likelihood of any material loss emerging in future.

Therefore, on exit, liabilities will be valued using expected returns on government bonds only (the "gilts basis"). The calculation may include an allowance for future administration costs, reserves for retrospective changes to Fund benefits, and/or additional prudence for the risk of members living longer than anticipated.

Where there is a deficit, the full amount is expected to be paid as a single lump sum. Alternatively, the Local Authority or Police may be permitted to make regular payments or enter a deferred debt agreement at the discretion of the Fund.

Where there is a surplus, the Fund will determine the amount of exit credit to be paid in accordance with the Regulations and in line with the Funding Strategy Statement.

Contractors

Local Authorities and the Police should note the impact of setting up new Admission Bodies on their liabilities. It is normal for an Admission Body to be set up in the Fund as a new employer.

- The new employer can have responsibility for all the accrued (and future) benefits of the transferring employees and if this is the case, the Admission Body will usually start fully funded on an ongoing funding basis. The contractor's initial contribution rate would be set on an individual basis by the Fund Actuary and the Local Authority or Police will carry out an assessment (taking account of actuarial advice) concerning the level of risk arising on the premature termination of the service or in the event of insolvency, winding up or liquidation. This

risk assessment needs to be carried out to the satisfaction of the Fund and where required an indemnity or bond must be put in place to meet the level of risk. This should be reviewed periodically. When an Admission Body exits the Fund and it is not possible to obtain all or part of the exit payment due from the exiting Admission Body, or from an insurer, or any person providing an indemnity, bond or guarantee on their behalf, any unpaid amounts will fall to any related Fund employer.

- Alternatively, the new employer can be set up on a “Pass Through” basis. Under most pass through arrangements no pension fund assets or liabilities will transfer to the contractor’s portion of the Fund. The contractor would pay a fixed contribution rate agreed with the Local Authority or Police, over the entire contract length. When the Admission Body exits the Fund, provided that all pass through arrangements have been complied with, the Local Authority or Police will have responsibility for any future liabilities.

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APPENDIX 1B: Funding Strategy for Academies and Free Schools

Opening Position

All Academies will have an initial opening position which is based on:

- **Liabilities** reflecting the value of benefits built up by the transferring members of staff active in the Fund on the day before conversion. Ex-employees of the school who have deferred or pensioner status will not be included in these liabilities.
- **Assets** allocated from West Sussex County Council's assets in the Fund, using the estimated funding position of WSCC on the day of the conversion. The asset position for WSCC assumes that ex-employees of the school who have deferred or pension status are fully funded. The maximum starting funding level at outset is 100% of the liabilities.

Free schools typically start with no assets and liabilities. Where members do transfer from other employers in the Fund, the opening position will be set consistently to that done for new academies.

For an Academy, the initial contribution rate will be equal to that of WSCC except where the Academy elects to be pooled with other Academies who are part of the same Multi Academy Trust (where the rate set will be equal to the MAT's pooled rate) or where the Academy wishes to pay an individual rate calculated by the Fund Actuary.

For a Free School, the initial contribution rate will be an individual rate calculated by the Fund Actuary except where the Free School elects to be pooled with other Academies who are part of the same Multi Academy Trust (where the rate set will be equal to the MAT's pooled rate).

Funding Target

the Funding Target used for Academies and Free Schools is the "ongoing funding basis".

For Academies or Free Schools nearing the end of their participation in the Fund, the Fund may use the "gilts basis" as the Funding Target.

Time horizon & Likelihood

Because Academies and Free Schools are considered long term employers, the Fund will look for a 70% minimum likelihood that the assets held on behalf of the Academy or Free School meet (as closely as possible) the value of benefits built up (i.e. a funding position of 100%) at the end of a maximum time horizon of 20 years.

Smoothing

A key principle for Academies and Free Schools is the Fund's approach to keeping contribution rates as stable as possible through "pooling". "Pooling" is a way for some Academies and Free Schools to share experience of membership movements and smoothing out the effects of costly, but relatively rare events, such as ill health retirements or death in service by setting a combined single contribution rate.

Whilst over the longer time periods, it would be expected that the experience for an individual may even out between Academies and that each Academy in the pool will, on average, pay a fair level of contributions it should be noted that Academies who pay "pooled" contributions may be paying more or less than they might otherwise have paid which hides the true long-term liability, and it may take longer to reach full funding, all other things being equal.

Due to the long term nature of Academies and Free Schools, changes to contribution rates may be phased in where the assessed total rate changes by 2% of pay or more (for example, if rates were to increase or reduce by 3% of pay, this would be phased in by changing contributions 1% of pay per annum).

Additional Costs

Early Retirement

No allowance has been made within employer contribution rates for early retirement of members. As a result, employers are required to pay an upfront, additional contributions ('strain') wherever an employee retires before attaining their earliest retirement age. An employer can make a request to the Chief Finance Officer to pay instalments over a maximum three year period, but this would be by exception.

Ill Health Early Retirement

[TBC]

Exit and Exit Obligations

The Fund considers an Academy or Free School to be a long term employer. However it is important to consider arrangements when an Academy leaves the Fund, for whatever reason.

Suspension Notice

If and when an Academy or Free School ceases to have active members contributing to the Fund and the individual employer position is in deficit, the Fund may issue a Suspension Notice - provided it reasonably believes that the employer is likely to have one or more active members contributing to the Fund within a three year period.

Where a Suspension Notice is issued, the Academy or Free School may be required to pay secondary contributions during the period of the Suspension Notice.

The suspension notice will be lifted if one or more active members join the Local Authority or Police's individual position. If lifted, the Academy or Free School will either pay their MAT's rate where pooled with their associated MAT or an individual contribution rate calculated by the Fund Actuary.

Other circumstances

In all other cases, and if the employer does not have one or more active members actively participating in the Fund at the conclusion of a Suspension Notice, the Fund will request that a cessation valuation is carried out by the Fund Actuary to determine the level of deficit or surplus in the individual employer position.

Whenever completing this the Actuary will adopt an approach which, to the extent reasonably practicable, protects other employers in the Fund from the likelihood of any material loss emerging in future.

Therefore, on exit, the liabilities will be valued on the "gilts basis". The calculation may include an allowance for future administration costs, reserves for retrospective changes to Fund benefits, and/or additional prudence for the risk of members living longer than anticipated.

Where there is a deficit, the full amount is expected to be paid as a single lump sum. Alternatively, the Academy or Free School may be permitted to make regular payments (payment plan) or enter a deferred debt agreement at the discretion of the Fund.

Where there is a surplus, the Fund will determine the amount of exit credit to be paid in accordance with the Regulations and in line with the Funding Strategy Statement.

Provided the Academy or Free School meets its exit obligations, they will have no further obligation to the Fund. The Academy will remain in the pooling arrangement even when they have no active members.

Contractors

Academies should note the impact of setting up new Admission Bodies on their liabilities. It is normal for an Admission Body to be set up in the Fund as a new employer.

- The new employer can have responsibility for all the accrued (and future) benefits of the transferring employees and if this is the case, the Admission Body will usually start fully funded on an ongoing funding basis. The contractor's initial contribution rate would be set on an individual basis by the Fund Actuary and the Academy will carry out an assessment (taking account of actuarial advice) concerning the level of risk arising on the premature termination of the service or in the event of insolvency, winding up or liquidation. This risk assessment needs to be carried out to the satisfaction of the Fund and where required an indemnity or bond must be put in place to meet the level of risk. This should be reviewed periodically. When an Admission Body exits the Fund and it is not possible to obtain all or part of the exit payment due from the exiting Admission Body, or from an insurer, or any person providing an indemnity, bond or guarantee on their behalf, any unpaid amounts will fall to any related Fund employer.
- Alternatively, the new employer can be set up on a "Pass Through" basis. Under most pass through arrangements no pension fund assets or liabilities will transfer to the contractor's portion of the Fund. The contractor would pay a fixed contribution rate agreed with the Academy, over the entire contract length. When the Admission Body exits the Fund, provided that all pass through arrangements have been complied with, the Academy will have responsibility for any future liabilities.

APPENDIX 1C: Funding Strategy for Town and Parish Councils (Designating Employers)

Opening Position

Typically, new Town or Parish Councils constitute new membership in the Fund (there is no past service liabilities at outset and no assets). However, this would be determined on a case-by-case basis.

The new Town and Parish Council's initial contribution rate will be set equal to that of the Town and Parish Councils pool.

Funding Target

To value the Town and Parish Council's benefits built up to date, and future benefits, the Fund will use the "ongoing funding basis").

In the unlikely event that a Town or Parish Council is considered to be nearing the end of their participation, the Fund may move towards using expected returns on government bonds only (the "gilts basis") and the Town or Parish Council may have an adjustment to their secondary contribution rates.

Time horizon & Likelihood

Because Town and Parish Councils are considered a long term employer, the Fund will look to be at least 66% sure that the assets held on behalf of the Town and Parish Councils meet (as closely as possible) the value of benefits built up (i.e. a funding position of 100% on the relevant funding target) over a maximum time horizon of 20 years.

Smoothing

The key principle for Town and Parish Councils is the Fund's approach to keeping contribution rates as stable as possible through "pooling". "Pooling" is a way to share experience of membership movements for smaller, similar, employers, and smoothing out the effects of costly, but relatively rare events, such as ill health retirements or death in service by setting a combined single contribution rate.

Whilst over longer time periods, it would be expected that the experience may even out between employers and that each employer in the pool will, on average, pay a fair level of contributions it should be noted that employers who pay "pooled" contributions may be paying more or less than they might otherwise have paid which hides the true long-term liability, and it may take longer to reach full funding, all other things being equal.

All Town and Parish Councils participate in the 'Town and Parish Councils' pool. Changes to the pooled contribution rate may be phased in where the assessed total rate changes by 2% of pay or more (for example, if rates were to increase or reduce by 3% of pay, this would be phased in by changing contributions 1% of pay per annum).

Additional Costs

Early Retirement

No allowance has been made within employer contribution rates for early retirement of members. As a result, employers are required to pay an upfront, additional contributions ('strain') wherever an employee retires before attaining their earliest retirement age. An employer can make a request to the Chief Finance Officer to pay instalments over a three year period, but this would be by exception.

Ill Health Early Retirement

[TBC]

Exit and Exit Obligations

Whist Town or Parish Councils are considered to be long term employers, it is important to consider arrangements when a Town or Parish Council leaves the Fund, for whatever reason.

Suspension Notice

If and when a Town or Parish Council ceases to have active members contributing to the Fund but the individual employer position is in deficit the Fund may issue a Suspension Notice provided it reasonably believes that the employer is likely to have one or more active members contributing to the LGPS Fund within a three year period.

Where a Suspension Notice is issued, the Town or Parish Council may be required to pay secondary contributions during the period of the Suspension Notice.

The suspension notice will be lifted if one or more active members join the Town or Parish Council's individual position. If lifted, the Town or Parish Council will resume paying the Town and Parish Councils pooled rate.

Other circumstances

In all other cases, and if the employer does not have one or more active members actively participating in the Fund at the conclusion of the three-year Suspension Notice, the Fund will request that a cessation valuation is carried out by the Fund Actuary to determine the level of deficit or surplus in the individual employer position.

Whenever completing this the Actuary will adopt an approach which, to the extent reasonably practicable, protects other employers in the Fund from the likelihood of any material loss emerging in future.

Therefore, on exit, liabilities will be valued using expected returns on government bonds only (the "gilts basis"). The calculation may include an allowance for future administration costs, reserves for retrospective changes to Fund benefits, and/or additional prudence for the risk of members living longer than anticipated.

Where there is a deficit, the full amount is expected to be paid as a single lump sum. Alternatively, the Town or Parish Council may be permitted to make regular payments (payment plan) or enter a deferred debt agreement at the discretion of the Fund.

Where there is a surplus, the Fund will determine the amount of exit credit to be paid in accordance with the Regulations and in line with the Funding Strategy Statement.

Provided the Town or Parish Council meets its exit obligations, they will have no further obligation to the Fund. These bodies will remain in the Town and Parish Councils pool after exit.

APPENDIX 1D: Funding Strategy for Other Scheduled Bodies

Opening Position

Scheduled Bodies are listed in LGPS Regulations and therefore, it is unusual for new Scheduled Bodies to join the Fund. As these events are rare and tend to be unique in nature, there is no prescribed method for allocating an opening position. This would be determined on a case by case basis.

For any new Scheduled Body, the initial contribution rate is likely to be an individual rate calculated by the Fund Actuary.

Funding Target

To value the Scheduled Body's benefits built up to date, and future benefits, the Fund will use the "ongoing funding basis".

Where the Scheduled Body is considered to be nearing the end of the participation, the Fund would move towards using expected returns on the lowest risk investments held (government bonds) only (the "gilts basis").

Time Horizon & Likelihood

Because Scheduled Bodies are considered a long term employer, the Fund require a minimum 70% likelihood that the assets held on behalf of the Scheduled Body meet (as closely as possible) the value of benefits built up (i.e. a funding position of 100%) over the future working lifetime of their active membership (to a maximum of 20 years).

Smoothing

Due to the long term nature of Scheduled Bodies, changes to contribution rates may be phased in where the assessed total rate changes by 2% of pay or more (for example, if rates were to increase or reduce by 3% of pay, this would be phased in by changing contributions 1% of pay per annum).

Security

There may be flexibility when setting employer contributions if a Scheduled Body provides added security (to the satisfaction of the Fund). Such security may include a suitable bond or guarantee from an appropriate third party or security over an asset of sufficient value.

Whatever rate is certified by the Fund Actuary in the Rates & Adjustment Certificate is the minimum employer contribution payable.

Additional Costs

Early Retirement

No allowance has been made within employer contribution rates for early retirement of members. As a result, employers are required to pay an upfront, additional contributions ('strain') wherever an employee retires before attaining their earliest retirement age. An employer can make a request to the Chief Finance Officer to pay instalments over a three year period, but this would be by exception.

Ill Health Early Retirement

[TBC]

Exit and Exit Obligations

The Fund considers a Scheduled Bodies to be long term employers. However it is important to consider arrangements when a Scheduled Body leaves the Fund, for whatever reason.

Suspension Notice

If and when a Scheduled Body ceases to have active members contributing to the Fund but the individual employer position is in deficit the Fund may issue a Suspension Notice provided it reasonably believes that the employer is likely to have one or more active members contributing to the Fund within a three year period.

Where a Suspension Notice is issued, the Scheduled Body may be required to pay secondary contributions during the period of the Suspension Notice.

The Suspension Notice will be lifted if one or more active members join the Scheduled Body's individual position. If lifted, an individual contribution rate calculated by the Fund Actuary.

Other circumstances

In all other cases, and if the employer does not have one or more active members actively participating in the Fund at the conclusion of the three-year Suspension Notice, the Fund will request that a cessation valuation is carried out by the Fund Actuary to determine the level of deficit or surplus in the individual employer position.

Whenever completing this the Actuary will adopt an approach which, to the extent reasonably practicable, protects other employers in the Fund from the likelihood of any material loss emerging in future.

Therefore, on exit, liabilities will be valued using the "gilts basis". The calculation may include an allowance for future administration costs, reserves for retrospective changes to Fund benefits, and/or additional prudence for the risk of members living longer than anticipated.

Where there is a deficit, the full amount is expected to be paid as a single lump sum. Alternatively, the Scheduled Body may be permitted to make regular payments (payment plan) or enter a deferred debt agreement at the discretion of the Fund.

Where there is a surplus, the Fund will determine the amount of exit credit to be paid in accordance with the Regulations and in line with the Funding Strategy Statement.

Provided the Scheduled Body meets its exit obligations, they will have no further obligation to the Fund.

APPENDIX 1E: Funding Strategy for Admission Bodies (Pass Through Risk Sharing)

Opening Position

Different 'pass through' arrangements have been adopted by letting employers when commissioning services from a third party.

However, (unless advised otherwise) where there is a new Admission Body set up under a pass through arrangement the letting employer will retain responsibility for all the accrued and future benefits of the transferring employees. As a result, no assets will be transferred (so no funding position will be calculated for the Admission Body).

The contractor's initial contribution rate will be set on an individual basis except if agreed otherwise between the letting authority and the Fund.³

Funding Target, Time Horizon & Likelihood

Because an Admission Body is not considered to have any assets or liabilities in the Fund no individual funding position will be calculated.

Smoothing

Under normal circumstances, no specific smoothing is applied to Admission Body contribution rates as the rates are dictated within the pass through arrangement.

Additional Costs

Early Retirement

No allowance has been made within employer contribution rates for early retirement of members. As a result, employers are required to pay an upfront, additional contributions ('strain') wherever an employee retires before attaining their earliest retirement age. An employer can make a request to the Chief Finance Officer to pay instalments over a three year period, but this would be by exception.

Ill Health Early Retirement

[TBC]

Exit and Exit Obligations

When an Admission Body leaves, the Fund will request that a cessation valuation is carried out by the Fund Actuary to determine whether there is any deficit or surplus.

An Admission Body on a pass through arrangement is not normally considered to have any assets or liabilities in the Fund provided it has met the conditions of the pass through arrangement. Therefore, no exit debt or credit will be due

³ The main approach adopted is for a rate to be calculated which is the estimated cost of new benefits being earned by members year to year (after deducting member's contributions and adding an allowance for administration expenses) using the funding target of the letting employer unless otherwise specified in the pass through agreement or as agreed between the letting authority and the Fund.

provided the conditions of the pass through arrangement are met. Provided the Admission Body meets its exit obligations, they will have no further obligation to the Fund. These bodies will be pooled with the letting employer.



APPENDIX 1F: Funding Strategy for Admission Bodies (Guarantor)

Opening Position

Where there is a new Admission Body set up as a result of a TUPE transfer of staff from a letting employer to the contractor, the Admission Body would be set up in the Fund as a new employer with responsibility for all the accrued benefits of the transferring employees. Unless agreed otherwise, the funding level will be calculated as the market value of assets being equal to the value placed by the actuary on the benefits built up to date for the transferring employees on the ongoing funding basis (so the admission body will start fully funded on an ongoing funding basis).

The Admission Body's initial contribution rate will be set on an individual basis except if agreed otherwise between the letting authority and the Fund.

Funding Target

To value the Admission Body's benefits built up to date, and future benefits, the Fund will use the "ongoing funding basis".

Time Horizon & Likelihood

Because an Admission Body is considered to be a shorter term employer, the Fund will use the likelihood associated with the letting authority as the minimum likelihood that assets held on behalf of the Admission Body meets (as closely as possible) the value of benefits built up (i.e. a funding position of 100%) over the shorter of the future working lifetime of the active membership or the remaining contract term (to a maximum of 20 years).

Smoothing

Under normal circumstances, no smoothing is applied to Admission Body contribution rates.

Security

Security to the satisfaction of the letting authority and the Fund (such as a suitable bond, a legally-binding guarantee from an appropriate third party or security over an employer asset of sufficient value) may permit greater flexibility within the framework for setting employer contributions.

Additional Costs

Early Retirement

No allowance has been made within employer contribution rates for early retirement of members. As a result, employers are required to pay an upfront, additional contributions ('strain') wherever an employee retires before attaining their earliest retirement age. An employer can make a request to the Chief Finance Officer to pay instalments over a three year period, but this would be by exception.

Ill Health Early Retirement

[TBC]

Exit and Exit Obligations

When an Admission Body leaves, the Fund will request that a cessation valuation is carried out by the Fund Actuary to determine whether there is any deficit or surplus.

Provided that the Admission Body's opening position was calculated as fully funded on an ongoing funding basis then the same approach will be adopted when the Actuary completes a cessation valuation.

Therefore, on exit, liabilities will be valued using the "ongoing basis". Allowances may be made for future administration costs and/or reserves for retrospective changes to scheme benefits.

Where there is a deficit, the full amount is expected to be paid as a single lump sum. Alternatively, the Admission Body may be permitted to make regular payments (payment plan) or enter a deferred debt agreement at the discretion of the Fund.

Where there is a surplus, the Fund will determine the amount of exit credit to be paid in accordance with the Regulations and in line with the Funding Strategy Statement. If it is determined that an exit credit is payable, the Fund must pay this within six months of the date of the Admission Body leaving the Scheme or such longer time as the Fund and exiting Admission Body agree.

Provided the Admission Body meets its exit obligations, they will have no further obligation to the Fund. These bodies will be pooled with the letting employer.

APPENDIX 1G: Funding Strategy for Admission Bodies (No Guarantor)

Opening Position

The circumstances where an employer would be admitted to the Fund without a body guaranteeing their liabilities or providing security are rare and tend to be unique in nature.

Therefore, when setting the opening position, the particular circumstances related to an Admission will be considered on a case-by-case basis.

Funding Target

To value the Admission Body's benefits built up to date, and future benefits, the Fund usually use the "gilts basis".

Security to the satisfaction of the Fund (such as a suitable bond, a legally-binding guarantee from an appropriate third party or security over an employer asset of sufficient value) may permit a blended funding target between the ongoing funding basis and the gilts basis.

Time Horizon & Likelihood

Because Admission Bodies with no guarantor are considered to be a shorter term employer, the Fund requires a minimum 75% likelihood that the assets held on behalf of the Admission Body meets (as closely as possible) the value of benefits built up (i.e. a funding position of 100%) over the shorter of the future working lifetime of the active membership or the remaining contract term (to a maximum of 20 years).

Security to the satisfaction of the Fund (such as a suitable bond, a legally-binding guarantee from an appropriate third party or security over an employer asset of sufficient value) may permit greater flexibility in terms of time horizon and likelihood.

Where an Admission Body is nearing cessation, the Fund may vary the probability of being fully funded by the end of their time horizon to 50%. This is to reduce the chances of a surplus on cessation.

Smoothing

Under normal circumstances, no smoothing is applied to Admission Body contribution rates.

Additional Costs

Early Retirement

No allowance has been made within employer contribution rates for early retirement of members. As a result, employers are required to pay an upfront, additional contributions ('strain') wherever an employee retires before attaining their earliest retirement age. An employer can make a request to the Chief Finance Officer to pay instalments over a three year period, but this would be by exception.

Ill Health Early Retirement

[TBC]

Exit and Exit Obligations

When an Admission Body leaves, the Fund will request that a cessation valuation is carried out by the Fund Actuary to determine whether there is any deficit or surplus. Whenever completing this the Actuary will adopt an approach which, to the extent reasonably practicable, protects other employers in the Fund from the likelihood of any material loss emerging in future.

Therefore, on exit, liabilities will be valued using the “gilts basis” and the calculation will include an allowance for future administration costs, reserves for retrospective changes to scheme benefits, and/or additional prudence for the risk of members living longer than anticipated.

Where there is a deficit, the full amount is expected to be paid as a single lump sum. Alternatively, the Admission Body may be permitted to make regular payments (payment plan) or enter a deferred debt agreement at the discretion of the Fund.

Where there is a surplus, the Fund will determine the amount of exit credit to be paid in accordance with the Regulations and in line with the Funding Strategy Statement. If it is determined that an exit credit is payable, the Fund must pay this within six months of the date of the Admission Body leaving the Scheme or such longer time as the Fund and exiting Admission Body agree.

Provided the Admission Body meets its exit obligations, they will have no further obligation to the Fund.

APPENDIX 2: Actuarial assumptions

Actuarial assumptions are expectations of future experience used to place a value on future benefit payments (“the liabilities”).

Changes in assumptions will affect the measured value of future service accrual and past service liabilities, and hence the measured value of the past service deficit. However, different assumptions will not affect the actual benefits payable by the Fund in future.

The table below shows the assumptions for the 2022 valuation. The assumptions used in the 2019 and 2016 valuation have been shown for comparison. The same financial assumptions are adopted for all employers. The demographic assumptions, in particular the life expectancy assumption, reflect the different membership profiles of employers.

Assumption		31 March 2022	31 March 2019	31 March 2016
Financial assumptions				
Discount rate	Annual returns over the next 20 years on the Fund’s investment portfolio under 5,000 different economic scenarios. The investment return assumption has then been set such that more than 75% of the scenarios produced a return in excess of the assumption.	3.5% p.a. (the return on long dated gilts plus 1.7% p.a. investment return assumption)	3.1% p.a.	3.8% p.a.
Salary growth	The same salary assumptions are applied to all employers.	[TBC]	2.8% p.a.	2.9% p.a.
Pension Increases	Reflects best estimate of long term CPI Under the 5,000 different economic scenarios used to model the Fund’s annual returns.	2.7% p.a.	2.3% p.a.	2.1% p.a.
Longevity assumptions				
Longevity Baseline Improvements	This is the best estimates of future experience in the Fund based on detailed analysis of past experience of LGPS funds which participate in Club Vita, the longevity analytics service used by the Fund, and endorsed by the actuary. These are specifically tailored to fit the membership profile of the Fund.	Club Vita CMI 2021 Standard smoothing (7.0) Initial adjustment of 0.25% 0% weighting to 2020 and 2021 data 1.5% p.a. long term improvements	Club Vita CMI 2018 Standard smoothing (7.0) Initial adjustment of 0.5% for males and 0.25% for females 1.5% p.a. long term improvements	Club Vita CMI 2013 "Non-peaked" projections 1.5% p.a. long term improvements
Male Pensioner		[TBC]	22.2	23.6

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Male Non Pensioner		[TBC]	23.3	26.0
Female Pensioner		[TBC]	24.2	25.0
Female Non Pensioner		[TBC]	25.9	27.8
Other Demographic Assumptions				
Withdrawals		2022	2019	2016
Ill health retirements		2022	2019	2016
Promotional salary growth		2022	2019	2016
Cash commutation		All retirements commute 50% of the maximum allowed by HMRC	50% of future retirements elect to exchange pension for additional tax free cash up to HMRC limits for service to 1 April 2008 (equivalent 75% for service from 1 April 2008)	50% of future retirements elect to exchange pension for additional tax free cash up to HMRC limits for service to 1 April 2008 (equivalent 75% for service from 1 April 2008)
50:50 option take up		0.3%	1%	1%

The Fund may adopt alternative actuarial bases for some employees for both funding valuations and exit valuations as set out in the main FSS document and Appendices detailing the application of the FSS on different employer groups.

The gilts cessation basis assumes the Fund will invest in fixed interest gilts to ‘match’ the expected cashflows of an exiting employer’s membership. The discount rates adopted are set in line with the Bank of England yield curve. To be consistent with these discount rates, CPI will be determined by subtracting 1% p.a. from the corresponding Bank of England inflation curve up to 2030 and 0.1% p.a. thereafter.

Where an employer is approaching exit, or where additional security is put in place, the fund may consider “blended” strategies that lie between the gilts cessation basis and the ongoing basis.

In the opinion of the actuary, the current financial assumptions are consistent with the current investment strategy of the Fund. The asset outperformance assumption contained in the ongoing discount rate is within a range that would be considered acceptable for funding purposes. It is also considered to be consistent with the requirement to take a “prudent longer-term view” of the funding of liabilities as required by the UK Government.

APPENDIX 3: Actuarial Results

The table below compares previous valuation results (all figures at at 31 March)

2007	2007	2010	2013	2016	2019	2022
Assets £m	1,549	1,759	2,370	2,989	4,374	TBC
Liabilities £m	1,763	2,047	2,741	3,141	3,919	TBC
Surplus / (Deficit) £m	(214)	(288)	(371)	(152)	455	TBC
Funding Level	88%	86%	86%	95%	112%	TBC

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APPENDIX 4: Key risks and controls

The Fund has an active risk management programme in place and the full risk register is reviewed regularly. The risk register includes those risks that may impact on the funding strategy and appropriate measures are in place to mitigate those risks.

Risk management is central to the Fund and measures are in place to manage the risk that future employer income streams will be able to meet future pensions liabilities by creating a reserve from which future liabilities will be met.

The risks that are most likely to impact the funding strategy are –

- **Investment risk:** the risk of investments not performing (income) or increasing in value (growth) as forecast.
- **Employer risk:** those risks that arise from the ever-changing mix of employers; from short-term and ceasing employers; and the potential for a shortfall in payments and/or orphaned liabilities.
- **Liquidity/maturity risk:** the LGPS is going through a series of changes, each of which will impact upon the maturity profile of the Fund and have potential cash flow implications. The increased emphasis on outsourcing and other alternative models for service delivery, which result in active members leaving the Fund; transfers of responsibility between different public sector bodies; scheme changes that might lead to increased opt-outs; the implications of spending cuts – all of these will result in workforce reductions that will reduce membership, reduce contributions and prematurely increase retirements in ways that may not have been taken account of fully in previous forecasts.
- **Liability risk:** inflation, life expectancy and other demographic changes, and interest rate and wage and salary inflation will all impact upon future liabilities.
- **Regulatory and compliance risk:** occupational pensions in the UK are heavily regulated, with thousands of pages of both general and LGPS-specific legislation that must be complied with.
- **Climate related risk:** the impact of the physical and transitional risks of climate change in the long term, and the responses of policy makers, on the finances of the Fund.

The above risks are included within the overarching risk management framework and strategy of the Fund.

APPENDIX 5: Statutory reporting and comparison to other LGPS funds

Under Section 13(4)(c) of the Public Service Pensions Act 2013 The Government Actuary's Department (GAD) must, following each actuarial valuation, report to the Department of Levelling Up, Housing and Communities (DLUHC) on whether the rate of employer contributions are set at an appropriate level to ensure the solvency of each fund in the LGPS England & Wales and to ensure the long term cost efficiency of each fund in the LGPS England & Wales. This additional oversight may have an impact on the strategy for setting contribution rates at future valuations.

Solvency

For the purposes of Section 13 of the Public Service Pensions Act 2013, the rate of employer contributions shall be deemed to have been set at an appropriate level to ensure solvency if the rate of employer contributions is set to target a funding level for the Fund of 100% over an appropriate time period and using appropriate actuarial assumptions (where appropriateness is considered in both absolute and relative terms in comparison with other funds); and either

- employers collectively have the financial capacity to increase employer contributions, and/or the Fund is able to realise contingent assets should future circumstances require, in order to continue to target a funding level of 100%; or
- there is an appropriate plan in place should there be, or if there is expected in future to be, no or a limited number of scheme employers, or a material reduction in the capacity of fund employers to increase contributions as might be needed.

Long term cost efficiency

The rate of employer contributions shall be deemed to have been set at an appropriate level to ensure long term cost efficiency if the rate of employer contributions is sufficient to make provision for the cost of current benefit accrual, with an appropriate adjustment to that rate for any surplus or deficit in the Fund. In assessing whether the above condition is met, GAD may have regard to following absolute and relative considerations. A relative consideration is primarily concerned with comparing LGPS pension funds with other LGPS pension funds. An absolute consideration is not primarily concerned with comparing funds with a given benchmark. Relative considerations include:

- the implied deficit recovery period; and
- the investment return required to achieve full funding after 20 years.

Absolute considerations include:

- if there is a deficit, the extent to which the contributions payable are sufficient to cover the cost of current benefit accrual and the interest cost on the deficit over the current inter-valuation period;
- if there is no deficit, the extent to which contributions payable are likely to lead to a deficit arising in the future; Funding Strategy Statement 25
- the extent to which the required investment return under "relative considerations" above is less than the estimated future return being targeted by the Fund's investment strategy;
- the extent to which contributions actually paid have been in line with the expected contributions based on the extant rates and adjustment certificate; and

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- the extent to which any new deficit recovery plan can be directly reconciled with, and can be demonstrated to be a continuation of, any previous deficit recovery plan, after allowing for actual experience of the Fund.

DLUHC may assess and compare these metrics on a suitable standardised market-related basis, for example where the local funds' actuarial bases do not make comparisons straightforward.



APPENDIX 6 – Regulatory framework

To be added

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APPENDIX 7 – Responsibilities of key parties

To be added



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