

Public Document Pack

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11 May 2023

Pension Advisory Board

A meeting of the Board will be held at **9.30 am** on **Monday, 22 May 2023** at **County Hall, Chichester PO19 1RQ.**

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 10 February 2023.

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. **Pension Advisory Board Membership**

The Constitution for the Pension Advisory Board concerning membership terms is as follows:

'The term of office for employer and scheme member representatives is four years and will be on a phased basis. This can be extended following reselection up to a maximum of three terms. Reselection will be at the invitation or discretion of the Chairman, with advice from the Director of Finance and Support Services and the Director of Law and Assurance.'

The Board are asked to note that the Chairman has agreed to re-appoint Richard Cohen as an Employer Representative on the Board for a third four year term.

6. **Progress Statement**

There are no outstanding issues for consideration.

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

The Board is asked to note the confirmed Part I minutes from the meeting of the Pensions Committee on 30 January 2023 and the agenda from the meeting of the Pensions Committee on 28 April 2023.

- a) **30 January 2023 - Part I Pensions Committee Minutes**
(Pages 11 - 16)
- b) **28 April 2023 - Pensions Committee Agenda**
(Pages 17 - 22)

8. **Business Plan Update** (Pages 23 - 92)

Report by the Chairman of the Pension Advisory Board.

The Board is asked to agree the performance report for 2022/23 and that the Pensions Committee and Governance Committee be informed; agree the performance information for inclusion in the pension fund annual report for 2022/23; agree the draft PAB Business Plan for 2023/24 and that the Pensions Committee be informed; and note the Pensions Committee's Business Plan for 2023/24 and full risk matrix.

9. **Administration procedures and performance** (Pages 93 - 108)

The Board is asked to consider the Administration Report from the 28 April 2023 Pensions Committee by the Director of Finance and Support Services.

10. **Communication Strategy** (Pages 109 - 120)

Report by Director of Finance and Support Services.

The Board is asked to note the updates in the report and communication set out in Appendix A.

11. **Regulations and Governance update** (Pages 121 - 126)

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 127 - 134)

Report by Director of Finance and Support Services.

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

13. **Date of Next Meeting**

The next meeting of the Board will be held at 9.30 am on Friday 28 July 2023.

Part II

14. **Exclusion of Press and Public**

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

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

15. **Part II Minutes of the last meeting** (Pages 135 - 138)

To confirm the part II minutes of the meeting of the Board held on 10 February 2023.

16. **Pensions Committee Minutes – Part II** (Pages 139 - 144)

The Board is asked to note the confirmed Part II minutes from the meeting of the Pensions Committee on 30 January 2023 (yellow paper).

17. **Investment Strategy Statement** (Pages 145 - 178)

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

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

18. **ACCESS Update** (Pages 179 - 238)

The Board is asked to consider the following report which went to the Pensions Committee on 28 April 2023.

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

19. **Investment Performance** (Pages 239 - 258)

The Board is asked to consider the following report which went to the Pensions Committee on 28 April 2023.

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

To all members of the Pension Advisory Board

Pension Advisory Board

10 February 2023 – At a meeting of the Pension Advisory Board held at 9.30 am at County Hall, Chichester PO19 1RQ.

Present: Peter Scales (Chairman)

Richard Cohen, Kim Martin, Becky Caney and Richard Walton

Apologies were received from Clare Williams

Absent: Miranda Kadwell

Also in attendance: Taryn Eves (Director of Finance and Support Services), 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

36. Welcome

36.1 The Chairman welcomed everyone to the meeting and gave a particular welcome to Taryn Eves to her first meeting of the Board.

36.2 The Chairman informed the Board that Chris Curry had stood down from his role on the Board due to work commitments. The Chairman would work with officers to recruit for the vacancy.

36.3 The Chairman also reported that Tara Atkins would be leaving the County Council and so this would be her last Board meeting. The Board thanked Tara for her assistance to the Board.

37. Declarations of Interests and Conflicts

37.1 None declared.

38. Part I Minutes of the last meeting

38.1 The Board commented that during the Communication Strategy item in November they had given praise to the Annual Benefit Statement template and wished for this to be formally recorded.

38.2 Resolved – That the minutes of the meeting of the Board held on 14 November 2022 be approved as a correct record and signed by the Chairman.

39. Progress Statement

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

39.2 Adam Chisnall introduced the report and confirmed that all actions from the previous meeting had been resolved.

39.3 The Board queried if the universal approach to expressions of wish was new. – Rachel Wood and Andrew Lowe, Head of Pensions – Investments and Borrowing, confirmed this was the approach for the current administration service. Tara Atkins reported that an exercise was not run to check all records, so there could be historic issues that arise.

39.4 Resolved – That the Board noted the report.

40. Pensions Committee Minutes - Part I

40.1 The Board considered the confirmed part I minutes from the 2 November 2022 Pensions Committee meeting and the Agenda from the 30 January 2023 Pensions Committee meeting (copies appended to the signed minutes).

40.2 The Board made comments including those that follow.

- In reference to minute 40.3 e, the Board queried if there had been any progress in separating the County Council and Pension Fund accounts. – Rachel Wood explained that the Scheme Advisory Board had raised a request for the accounts to be split. Vickie Hampshire confirmed that splitting the accounts would require a change in primary legislation.
- Sought details on the issue with property valuations. – Rachel Wood explained that the auditors, EY, had placed valuations under increased scrutiny. EY had been satisfied with their deep dive in Savills and their due diligence. Taryn Eves commented that recommendations had been given by EY for County Council assets, but no comments had been made on Pension Fund assets.
- In reference to minute 41.4 e, the board felt that 100% for ABS publication was never achievable in practical terms and that a breach would be unavoidable, and asked if this had ever been raised with The Pensions Regulator. – Rachel Wood did not know if this had ever been raised but confirmed that the administration team were able to provide transparency on any data that was unavailable. There were now only 35 outstanding statements, which was considered good compliance.

40.3 Resolved – That the minutes and agenda be noted.

41. Business Plan Update

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

41.2 The Chairman introduced the report and explained there had been no significant progress on central government actions. The climate change consultation response had been submitted by the Council and a response from Government was awaited.

41.3 Vickie Hampshire reported that The Pensions Regulator had announced at a recent conference that the Combined Code would be published soon, and the work on Good Governance by the Scheme Advisory Board should be completed soon.

41.4 The Chairman discussed annual 1:1s and agreed with the Board members that these could be done virtually if it was more convenient. The Chairman confirmed that he would also be scheduling 1:1s with the Chairman of the Pensions Committee and Taryn Eves.

41.5 Rachel Wood confirmed that the actuarial valuation was coming to a close and reported that there had been good engagement with employers. The results were expected to be published in line with statutory requirements, with the new employer rates being effective from April 2023.

41.6 The Board made comments including those that follow.

- Recalled that the government had made an ambition for all schools to become academies and asked if this was still the case. – Rachel Wood confirmed that this had been withdrawn.
- Noted that the training log did not reflect the current Board membership. – Rachel Wood resolved to correct for the next report.
- Commented on the length of the Local Government Association Fundamentals course and that the investment section was not particularly relevant for Board members. – Rachel Wood recommended the training and explained that the three sessions could be spread out across years to manage the time commitment. Feedback had previously been given from Board members that in person attendance at the session gave additional benefits to the content.

41.7 Resolved – That the Board note the update.

42. Communication Strategy

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

42.2 Tara Atkins introduced the report and reported that it had been a relatively busy quarter for pension communications. Pension Saving statements had been distributed, and an accompanying news article had been published for members where an annual allowance charge would apply. There had been an employer focus group and the autumn Pension Matters had been sent to employers. A workshop was scheduled on annual returns to ensure employer engagement.

42.3 The Board discussed the actuarial valuation meetings and commented that the Town, Parish and City Council session had discussed ill health insurance. – Rachel Wood confirmed that these Councils were unique bodies and so the actuary was mindful of engagement with them over strain costs and insurance.

42.4 Resolved – That the Board notes the update.

43. Regulations and Governance update

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

43.2 The Chairman introduced the report and confirmed that a consultation on the Good Governance Review would be likely.

43.3 Vickie Hampshire confirmed that a pooling consultation was due in the summer, a McCloud consultation was due soon, and the response to the Task Force on Climate-Related Financial Disclosures (TCFD) was expected in the spring.

43.4 The Chairman raised concerns about the new combined Code from the Pensions Regulator and whether the Local Government Pension Scheme (LGPS) position would be clear as it could be difficult to apply common requirements to all pension types.

43.5 The Chairman drew attention to Appendix B, the response to the tPR's Public Service Governance and Administration Survey 2022-23, which had been unavailable at the time of agenda publication and had been provided as a tabled document (copy appended to the signed minutes). The Chairman encouraged the Board to send comments to Vickie Hampshire ahead of the submission on 17 February 2023. Vickie Hampshire confirmed that the response would be submitted by the Scheme Manager in consultation with the Board.

43.6 The Board discussed the section on quorum arrangements and noted that the Board had previously increased in size to help ensure a quorum could be achieved.

43.7 Resolved – That the Board note the current issues relating to Scheme Regulations Governance.

44. Actuarial Valuation 2022

44.1 The Board considered the report by the Director of Finance and Support Services from the 30 January 2023 Pensions Committee (copy appended to the signed minutes).

44.2 Taryn Eves introduced the report which was the latest draft. The current fund valuation was at 125% and the valuation was on track for publication at the end of March 2023. The Funding Strategy had been shared with employers.

44.3 Rachel Wood highlighted that the Board will also receive the outcome of the Government Actuary Department's review of the valuation.

44.4 The Board made comments including those that follow.

- Queried if there were significant changes within the Funding Strategy Statement from those seen previously. – Rachel Wood highlighted that the document included tracked changes. Ill health and strain charges had been made clearer. There has also been an inclusion of covenant analysis.
- Asked if schools in Multi Academy Trusts (MAT) were no longer pooled together. – Rachel Wood explained that MATs could choose to use a MAT rate or the County Council rate. The wording in the strategy would be improved to make this clearer.
- Sought clarity over strain costs charges. – Rachel Wood explained that the default approach would be to charge the strain, but was

mindful of circumstances. The changes made for ill health strain recovery were to assist with the management of stable contribution rates. Conversations would be had on a case by case basis.

44.5 Resolved – That the Board notes the update.

45. Review of Pension Fund Policy Documents

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

45.2 Vickie Hampshire introduced the report and the attached Treasury Management Strategy. The Pensions Committee had recently questioned the impact of a bank failing and it was explained that the liability limit was linked to deposits with institutions.

45.3 The Board queried the level of cash that was held. – Vickie Hampshire explained that small levels of cash were held unless purchases or investments were required. Rachel Wood added that working balance was ~£15m a month, but the focus was on investing cash to provide returns. Taryn Eves explained that the strategy was the same as previous years, with investments only made in high credit ratings and in liquid options which could be reclaimed if required. The strategy was similar to the County Council's, but necessarily separate.

45.4 Resolved – That the Board notes the register of policy documents and the Treasury Management Strategy's compliance with regulations and guidance.

46. Administration procedures and performance

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

46.2 Tara Atkins introduced the report and explained that work on McCloud was continuing with data sets from employers being uploaded to the system. Andrew Lowe confirmed that work was being done to set out an approach for McCloud and hoped to provide more information in the next administration report.

46.3 The Board made comments including those that follow.

- Queried if the valuation work had impacted the Annual Benefit Statement process. – Andrew Lowe confirmed there was no impact.
- Sought clarity on the referred pension transfer request. – Tara Atkins confirmed that the individual had been referred to the Money Helper service for more info. Rachel Wood added that the decision had ultimately been to approve the transfer. Additional checks had been imposed as the transfer was overseas.
- Asked if the cost-of-living crisis had led to an increase in members moving to the 50:50 contribution Scheme. – Rachel Wood confirmed that the autumn figures had seen no particular increase in the uptake in the 50:50 Scheme or opt outs. There had been interest in the use of deferred pension pots. The annual report could include figures on this.

- Queried the status of the complaint that was with the Pensions Ombudsmen. – Rachel Wood explained that this was still outstanding and that the ombudsmen did not have a timetable for response.

46.4 Resolved – That the Board notes the update.

47. Date of Next Meeting

47.1 The Board noted that its next scheduled meeting would take place on Monday 22 May 2023 at 9.30 a.m. at County hall, Chichester.

48. 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.

49. Part II Minutes of the last meeting

The Board agreed the Part II minutes of the 14 November 2022 meeting and they were signed by the Chairman.

50. Pensions Committee Minutes – Part II

The Board noted the contents of Part II minutes from the 2 November 2022 Pensions Committee meeting.

51. Investment Strategy Review 2022

The Board considered the report by the Director of Finance and Support Services from the 30 January 2023 Pensions Committee (copy appended to the signed minutes).

The Board noted the report.

52. ACCESS Update

The Board considered the report by the Director of Finance and Support Services from the 30 January 2023 Pensions Committee (copy appended to the signed minutes).

The Board noted the report.

The meeting ended at 11.10 am

Chairman

Pensions Committee

30 January 2023 – At a meeting of the Pensions Committee held at 10.00 am at County Hall, Chichester, PO19 1RQ.

Present: Cllr Hunt (left at 1pm) (Chairman)

Cllr Condie, Cllr Elkins, Cllr N Jupp (arrived at 1.30pm), Cllr Urquhart (Chairman from 1.00pm), Mr Kipling, Mr Wilding and Tim Stretton

Apologies were received from Cllr J Dennis and Cllr Turley

Part I

54. Election of Chairman

54.1 The Chairman opened the meeting and informed the Committee that he needed to leave in the afternoon and proposed Cllr Urquhart as the Chairman in his absence. This was seconded by Cllr Elkins.

54.2 Resolved that Cllr Urquhart takes on the role as Chairman for the meeting in Cllr Hunt's absence.

55. Declarations of Interests

55.1 None declared.

56. Part I Minutes of the last meeting

56.1 Resolved – That the Part I minutes of the Pensions Committee held on 2 November 2022 be approved as a correct record, and that they be signed by the Chairman.

57. Pension Advisory Board Minutes - Part I

57.1 The Committee considered the confirmed Part I minutes from the 05 September 2022 Pension Advisory Board meeting; and the agenda from the 14 November 2022 meeting (copies appended to the signed minutes).

57.2 The Committee made comments including those that follow.

- a. to thank the Pension Advisory Board for the work it undertook on administration and supervision issues
- b. to note that Peter Scales, Chairman of the Pension Advisory Board, had a standing invitation to join meetings of the Committee which he did take up when available.

57.3 Resolved – That the minutes and agenda be noted.

58. Business Plan

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

58.2 Rachel Wood, Pension Fund Investment Strategist introduced the report and highlighted, the final approval by the County Council's Regulation, Audit and Accounts Committee (RAAC) on the Audit Results Report by EY would be considered on 01 February, updates on risk themes including that relating to the Fund's Investment Strategy, the work of the internal audit team and that an update on the three audits was being scoped. Ms Wood apologised to Cllr Urquhart that completion of Cllr Urquhart's training modules had not been included in the report.

58.3 The Committee made comments including those that follow.

- a. to note that some Committee members had yet to complete Lola training
- b. regarding RT12, noted that Government had withdrawn the white paper, but it may yet be re-presented and preparations should be made for any necessary remedial action
- c. regarding RT5, to note that resource required in the West Sussex team was currently being reviewed following the resignation of one member and that the current staffing resource was sufficient to cover the work meanwhile and any additional support required would come from external third parties as required.

58.4 Resolved – that the Committee notes the updates on Business Plan activities for 2022/23 and risk matrix.

59. Actuarial Valuation 2022

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

59.2 Taryn Eves, Director Finance and Support Services, introduced the report and highlighted key points including an improvement in the reported funding level since 31 March 2019 from 112% to 125% and that the Funding Strategy Statement was on track to publish on 31 March 2023. Paula Picken, Actuary explained that the employer contribution rates were on a downward trajectory with many now reaching the 18% target. A funding level of 125% was thought to be sustainable and 18% would provide that. Contribution rates were looking positive.

59.3 The Committee made comments including those that follow.

- a. to note that the Committee had studied the Funding Strategy Statement well at previous meetings and that only technical changes remained going forward
- b. to note that the reduction in employer rates was as a result of the good performance of the fund. The main driver had been good investment over the previous three year period. Inflation had been very high in September to December 2022 but the current rate was still an improvement on that at March 2022
- c. noted that the funding level stood at 175/76% in November 2022 but with a 10.1% increase to liabilities due to inflation stood at 160% funded in December. It was felt that a 125% funded position was sustainable
- d. noted that the current employer contribution rate figure was 20.6%.

59.4 Resolved – that

- (1) The Committee notes the valuation outcome.
- (2) Feedback is provided by the Committee on the Funding Strategy Statement prior to its publication on 31 March 2023.
- (3) The Committee approves that the Director of Finance and Support Services could agree further changes required to the Funding Strategy Statement between the meeting date and 31 March 2023.

60. Treasury Management Review 2022/23 and 2023/24

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

60.2 Taryn Eves introduced the report and highlighted the bank rate for March set out at page 88 and forecast that this would reduce to 2.50% by September 2025; that the proposed Treasury Management Strategy 2023/24 was largely unchanged from 22/23, continuing to depend on internally managed investments only being deposited in creditworthy banks; that no breaches of the approved 2022/23 Strategy had occurred to date and that total investments to December 2022 had yielded £445,000k, a rate of return of 1.44%.

60.3 The Committee noted that bail-in risk/bank failure risk was not listed in the Fund matrix as it was not a risk in the context of high liquidity holdings in high credit rated counterparties. However, wording would be amended for future reports to clarify the extent of any liability.

60.4 Resolved – that

- (1) The Committee approves the 2023/24 Treasury Management Strategy as set out in Appendix A
- (2) The Committee notes the treasury activity undertaken during 2022/23 (01 April to 31 December 2022).

61. Pension Administration

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

61.2 Rachel Wood, Pension Fund Investment Strategist introduced the report and highlighted key points from the West Sussex County Council perspective including an additional employer training support offer, in respect of McCloud that it was hoped this would be addressed this year and regarding Administering Authority discretions, that one had been referred to the Director Law and Assurance in the past quarter.

61.3 The Committee made comments including those that follow.

- a. to question whether there was any understanding of the numbers of teachers who were affected by the McCloud judgement. Rachel Wood explained that the number of eligible employees was to be determined by the teacher's pension scheme administrators in

consultation with employers. Andrew Lowe, Assistant Director Pensions, Hampshire County Council, explained that once the data was received the administrators would work with WSCC to determine the required resolution and until that point it was not possible to calculate the Fund liabilities

- b. to note that the extra work done by teachers that was subject to the McCloud judgement was assumed to be overtime and after school activity
- c. to question the numbers involved. Andrew Lowe explained that it had been suggested that there were 18,000 teachers involved nationally and added that the Department for Levelling Up, Housing and Communities was leading on the work
- d. to question the significant increase in members of the Fund in the last quarter. Andrew Lowe explained this would relate to new employers coming in or to an increase in data coming in related to chasing of new starters and leavers.

61.4 Resolved – that the Pensions Committee notes the report.

62. Date of the next meeting

62.1 The Committee noted that its next scheduled meeting would take place on 28 April 2023 at County Hall, Chichester.

63. 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.

64. Part II Minutes of the last meeting

The Committee agreed the Part II minutes of the Pensions Committee held on 2 November 2022.

65. Pension Advisory Board Minutes - Part II

The Committee noted the contents of the Part II minutes from the 5 September 2022 Pension Advisory Board meeting.

66. Investment Strategy Review 2022

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

The Committee considered the recommendations within the report.

67. Update from ACCESS Joint Committee activity (December 2022)

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

The Committee considered the recommendations within the report.

68. 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.

69. Presentation by ABRDN

The Committee received an update on the portfolio performance for the quarter.

70. Presentation by Fidelity

The Committee received an update on the portfolio performance for the quarter.

The meeting ended at 3.10 pm

Chairman

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Tony Kershaw
Director of Law and Assurance

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20 April 2023

Pensions Committee

A meeting of the Committee will be held at **10.00 am** on **Friday, 28 April 2023** at **County Hall, Chichester, PO19 1RQ**.

Tony Kershaw
Director of Law and Assurance

Agenda

Part I

10.00 am 1. **Declarations of Interests**

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

It is recorded in the register of interests that:

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

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

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

The Committee is asked to agree the Part I minutes of the meeting of the Committee held on 30 January 2023 attached (cream paper).

10.04 am 3. **Urgent Matters**

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

10.04 am 4. **Part II Matters**

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

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

The Committee is asked to note the confirmed Part I minutes from the meeting of the Pension Advisory Board on 14 November 2022 and the agenda from the meeting of the Pension Advisory Board on 10 February 2023.

- (a) **14 November 2023 - Part I Pension Advisory Board Minutes** (Pages 7 - 12)
- (b) **10 February 2023 - Pension Advisory Board Agenda** (Pages 13 - 16)

10.09 am 6. **Terms of Reference**

At the County Council meeting on 17 February 2023, changes to the constitution were agreed for the Pensions Committee. The following functions have been added to the Pension Committee Terms of Reference:

11. Determination of all statutory policy documents as listed below and to consider from time to time those delegated to officers for review or amendment. Policy matters for determination by the Committee:

- Administering Authority Discretions
- Funding Strategy Statement
- Governance Policy and Compliance Statement
- Investment Strategy Statement
- Treasury Management Strategy Statement

Policy matters delegated to officers which are to be reviewed as required by the Committee:

- Administration Strategy
- Breaches policy
- Communications Policy
- Internal Dispute Resolution Procedure
- Privacy Notice

12. To consider the Annual Report in connection with the administration of the scheme.

Please note that the above changes have also impacted references to the responsibilities of the Director of Law and Assurance and the Director of Finance and Support Services.

Background papers
None

10.10 am 7. **Business Plan** (Pages 17 - 46)

Report by the Director of Finance and Support Services.

The Committee is asked to note the update and approve Business Plan activities, and provide comments on the risk matrix.

10.30 am 8. **Pension Administration** (Pages 47 - 62)

Report by the Director of Finance and Support Services.

The Committee is asked to note the report.

- 10.50 am 9. **Committee Business Planning**
- Members are invited to discuss and agree plans for the business of future meetings of the Committee.

The next meeting will be held at 10.00 am on 26 July 2023 at County Hall, Chichester.

Part II

- 10.50 am 10. **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.

- 10.50 am 11. **Part II Minutes of the last meeting** (To Follow)
- To confirm the Part II minutes of the meeting of the Committee held on 30 January 2023, for members of the Committee only (yellow paper).

- 10.55 am 12. **Pension Advisory Board Minutes - Part II** (Pages 63 - 66)
- The Committee is asked to note the confirmed Part II minutes from the meeting of the Pension Advisory Board on 14 November 2022 (yellow paper).

- 11.00 am 13. **Investment Strategy Statement** (Pages 67 - 90)
- Report by the Director of Finance and Support Services attached for members of the Committee only (yellow paper).

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

- 11.30 am 14. **Collaboration Opportunities** (Pages 91 - 100)
- Report by the Director of Finance and Support Services attached for members of the Committee only (yellow paper).

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

11.45 am 15. **ACCESS** (Pages 101 - 160)

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. **Investment Performance** (To Follow)

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

12.30 pm **Lunch break for the Committee**

1.00 pm 17. **Presentation by Baillie Gifford**

The Committee to receive a presentation on portfolio performance.

2.00 pm 18. **Presentation by ICG**

The Committee to receive a presentation on portfolio performance.

3.00 pm **Proposed end of Meeting**

To all members of the Pensions Committee

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Key decision: Not applicable
Unrestricted

Report to Pension Advisory Board

22 May 2023

Business Plan Update

Report by the Chairman of the Pension Advisory Board

Summary

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

The performance report reflects a series of one-to-one meetings held with each Board member. Similar review meetings are to be held with the chairman of the Pensions Committee and with the S151 Officer. The table sets out the achievement of key tasks and activities against those set in the Business Plan for 2022/23, which were reported to the Board provisionally in February.

The PAB Business Plan for 2023/24 has been drawn up to be consistent with that of the Pensions Committee and the Board receives regular update reports as submitted to the Committee at each meeting, which include a review of risks. The report to the Committee on 28 April 2023 is attached.

Recommendations

The Board is asked to:

- i. agree the performance report for 2022/23 in **Appendix A**, and that the Pensions Committee and Governance Committee be informed;
 - ii. agree the performance information for inclusion in the pension fund annual report for 2022/23 as set out in **Appendix B**.
 - iii. agree the draft PAB Business Plan for 2023/24 in **Appendix C** and that the Pensions Committee be informed; and
 - iv. note the Pensions Committee's Business Plan for 2023/24 and full risk matrix attached as **Appendix D**.
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Proposal

1. Background and context

- 1.1 The Board agreed its Business Plan for 2022/23 on 16 May 2022, and in line with the Terms of Reference, the Plan was agreed by the Governance Committee on 6 June.
- 1.2 As part of its core business activity, the Board reviews progress on achieving the key tasks and activities at each meeting. Similarly, the Board considers updates on progress for the Pensions Committee's Business Plan at each meeting.
- 1.3 Performance on responding to industry-wide developments in the current year has been severely constrained by the lack of progress by central Government and the Pensions Regulator. Proposals for change remain to be published in detail and, until they are, the Board cannot consider in any depth the implications for governance and compliance. It is anticipated that progress nationally will be made in the coming year.

2. Business Plan performance report for 2022/23

- 2.1 The draft report set out in **Appendix A** provides a summary of the Board's key activities and achievements over the past year, including an assessment of the Board itself. A draft of the information to be included in the Pension Fund Annual Report is included in **Appendix B**.
- 2.2 As agreed in previous years, the Chairman of the Board met (in virtual format) with each Board member on a one-to-one basis to discuss performance over the past year, plans for the coming year and future training needs. The Chairman will also meet with the Chairman of the Pensions Committee and officers to review the Board's role, performance, and plans.

3. Business Plan for 2023/24

- 3.1 A draft Business Plan for 2023/24, in a similar format to last year is set out in **Appendix C**. This reflects several key tasks planned in 2022/23 which have not been completed due to pending publication of Regulation and guidance by central Government and the Pensions Regulator.

4. Pensions Committee Business Plan 2023/24

- 4.1 The draft Business Plan for 2023/24 was reported to the Committee on 28 April and a copy of the report is attached as **Appendix D**. The Plan includes the full risk matrix, the training log for both the Committee and the Board, and internal audit results and planned activity.

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

- 5.1 N/A

6. Consultation, engagement and advice

6.1 N/A

7. Finance

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

8. Risk implications and mitigations

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

8.2 ***Failure to account for activities and performance*** – updates to each meeting ***monitor*** performance and the end year position will be reviewed in the usual way.

9. Policy alignment and compliance

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

Peter Scales

Chairman of the Pension Advisory Board

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Appendices

Appendix A - Business Plan Performance Report for 2022/23

Appendix B - Pension Advisory Board Chairman Foreword for inclusion in the Annual Report for 2022/23

Appendix C - Pension Advisory Board Business Plan for 2023/24

Appendix D - Pensions Committee's Business Plan Update report for 28 April

Background papers

None

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West Sussex Pension Advisory Board

Business Plan 2022/23 performance report

Board establishment

The Board's structure remains the same with six representative members and an independent (non-voting) Chairman. Consistency in Board member appointments has been maintained with the re-appointment of Miranda Kadwell and Kim Martin. However, two vacancies arose in the year with the retirement of Chris Scanes and the resignation of Tim Stretton, following his appointment to the Pensions Committee.

Both vacancies were filled following an interview process in July 2022 and the Board welcomed two new member representatives, Chris Curry and Richard Walton. Unfortunately, Chris Curry resigned in February due to an unexpected increase in workload.

Richard Cohen's appointment is due for review in May 2023, and he has indicated to the Chairman that he is prepared to continue for a final four year term. However, Miranda Kadwell is moving to a new job in the summer which means that she will no longer be eligible to be a member of the Board. The process for recruiting two new members is underway.

Notwithstanding the changes that have or will be taking place in the Board membership, the Board has continued to deliver its responsibilities, assisted by the training that has been undertaken.

Board meetings

In line with County Council policy, meetings moved to a 'hybrid' format in September 2022. This provides for as many members as are able and the public to meet at County Hall, with others able to attend remotely. This has proved to be particularly useful for those members who have not been able to travel to Chichester due to work commitments, and also for advisers attending for one or two items.

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

The Board meets a short period after each meeting of the Pensions Committee and receives the agreed minutes, certain reports as submitted to and considered by the Pensions Committee on the Business Plan updates, including risks, on

administration, on the ACCESS pool, and other issues. This avoids the need to produce separate reports for the Board which duplicate those submitted to the Committee. This has worked well in the year in keeping the Board informed of the Committee's decision-making process.

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

In terms of what has been achieved during the year, the schedule below shows actions against key tasks and demonstrates that a comprehensive programme of work has been completed. However, the aftereffects of the pandemic have continued to severely disrupt progress on national initiatives driven by central Government (the Department for Levelling Up, Housing and Communities (DLUHC)), SAB and tPR. This has meant that governance and regulatory changes deferred in 2020 and 2021 that the Board were expecting in 2022 did not happen, and recovery of progress remains slow.

Annual performance reviews

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

The current year 2022/23 - There was a general acceptance that physical meetings are preferred to virtual meetings as they give the opportunity for more interaction. The Board has continued to operate effectively and doing all that it can, despite the lack of progress on national initiatives.

The year ahead 2023/24 - There was a general consensus that the Board should continue to maintain its core work but that the Board's involvement in pending changes in governance and compliance requirements was to a large extent dependent on progress with national initiatives. The key areas for attention next year are listed below.

Knowledge and understanding - Members agree that the Board has a good standard of underlying knowledge and understanding and needs to maintain a process of regular updates and refreshers. The Hymans Robertson LGPS Online Learning Academy (LOLA) has proved to be very effective. Members also welcomed the internal training sessions held jointly with the Committee to cover common areas of interest.

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

Pensions Committee – The relationship with the Committee works well through the exchange of reports and members were aware of the offer to attend Committee meetings, although availability of time was a constraint. The appointment of Tim Stretton to the Committee was seen as a useful cross-over of experience.

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

Areas for attention

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

- Outcome of SAB Good Governance Review
- tPR's new General Code of practice (expected in the summer)
- Strategic investment issues, subject to DLUHC regulation changes
- Climate change reporting (awaiting DLUHC guidance)
- Pooling governance, due to be revised following the Spring Budget
- Implementation of the Pensions Dashboard programme
- Potential pensions/cyber scams – controls and warnings to members

Chairman's comments

The Board has continued to work well through difficult circumstances and completed its programme of core business, but is frustrated by the lack of progress on national initiatives. There was a distinct feeling that the Board has been 'marking time' over the past three years but that changes are coming finally during 2023.

I am extremely grateful for the input from each member without which the Board's work would not be as effective and I am reassured in the ability of the Board to tackle new challenges in the coming year.

Pension Advisory Board - Business Plan 2022/23
Annual update on special activities and reviews

Planned activity	Current progress
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Business Planning and Performance

<p>Agree programme of work and monitor progress</p>	<p>No special activities were planned.</p> <p>The Pension Advisory Board (PAB) held its first 'hybrid' meeting on 5 September 2022 and welcomed the flexibility this provided for those unable to make a meeting in person.</p>
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Compliance checks

<p>Review arrangements for replacing/updating CIPFA guidance in the future</p>	<p>The Scheme Advisory Board (SAB) has established a new Compliance & Reporting Committee. A review of their workplan was reported to the PAB meeting in November and further activity is being monitored.</p> <p>It is expected that the SAB Committee will take over the formulation of guidance under the CIPFA 'banner'</p>
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Governance arrangements

<p>Review new tPR Combined Code for compliance requirements (due in October 2022)</p>	<p>Although the draft Code was reviewed in the consultation in 2021/22, the final version has still not been issued, but is expected shortly. It is not yet clear how definitive the code will be in relation to the Local Government Pension Scheme (LGPS), and this will need to be reviewed.</p>
<p>Review any consultation from Department for Levelling Up, Housing and Communities (DLUHC) on implementing the SAB proposals on future governance arrangements, the Good Governance Review</p>	<p>DLUHC officials are said to be in agreement with much of what is proposed but there is no indication yet of the extent of change and when the consultation process will start.</p>

Planned activity	Current progress
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Administration procedures and performance

Consider scope for comparative standards and performance indicators	Scheme Annual Report published in May. Scheme fund account returns (SF3) data published by DLUHC in July 2022. This area is likely to form part of the governance review changes
Review controls relating to pensions/cyber scams	The PAB received a review and update of arrangements at its meeting in May 2022 and has reviewed the regular reports considered by the Pensions Committee.

Investment and funding

Review revised guidance on investment strategy issued by DLUHC when available	The DLUHC issued a consultation on the governance and reporting of climate change risks on 1 September 2022. The response from the Pensions Committee was considered by the Board prior to the deadline for submission on 24 November. The outcome is awaited. Further consultation on the investment regulations is expected later in 2023.
Monitor progress on the valuation and changes to funding strategy	Progress reported to each meeting. Revised Funding Strategy Statement reviewed at September 2022 and February 2023 meetings
Review any regulatory changes relating to compliance on pooling	Agreed to participate in observer arrangements for the ACCESS Pool Consultation on new regulations and guidance is expected soon following announcements in the Spring Budget The pooling arrangements and asset strategy are reviewed at each meeting.
Review guidance on responsible investment when issued	Consultation not expected until later in 2023

Planned activity	Current progress
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Communications

Review information provided on potential pensions/cyber scams	Issues raised at the May 2022 meeting and now reviewed at each meeting. Communications is now a standing item on the agenda.
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Forward by the Chairman of the Pension Advisory Board

The Pension Advisory Board, established in 2015, assists the Scheme Manager in ensuring compliance with regulations; the application of guidance and legislation; implementing requirements imposed by the Pensions Regulator; and securing 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 reverted to physical meetings on a 'hybrid' basis allowing virtual access where necessary. The business for each meeting has been planned by reference to the Business Plan agreed for 2022/23 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, cyber security, new regulations and guidance, the pooling arrangements with ACCESS, and knowledge and skills requirements. However, there is some frustration that new initiatives affecting governance have stalled centrally (by central government and national regulators) over the past three years.

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. The regular updates issued by the SAB are particularly useful and are reported to each meeting.

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 is concentrated on the use of the Hymans Robertson LGPS Online Learning Academy (LOLA), 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. A training log is maintained.

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). The requirements imposed by tPR are being met and their proposed new General Code of Practice is expected in the summer. The Board continues to monitor the effectiveness and efficiency of the governance and administration arrangements.

Peter Scales

Chairman of the Pension Advisory Board

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Pension Advisory Board

Business Plan 2023/24

Background

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

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

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

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

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

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

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

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

Statutory Responsibilities

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

Assist the Scheme Manager:

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

Accountability

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

Principal Functions

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

Objectives

7. The Board's main objectives are set out below:
 - Governance:** Act solely in terms of the public interest, with integrity, objectivity, accountability, openness, honesty and with leadership, and seek to ensure these are followed by all those involved in the Fund's administration.
 - Compliance:** Seek to understand the statutory framework of regulations and guidance, and ensure all aspects are complied with.
 - Administration:** Seek to ensure that proper procedures and controls are in place and are followed, and that performance expectations are met.
 - Communication:** Seek to ensure that standards of reporting and clear communications are maintained and improved.
 - Efficiency:** Seek to ensure improvements are being made in all processes, and minimise demands placed on officers in supporting the Board's work.
 - Effectiveness:** Seek to ensure that the Board is making an effective contribution to the governance of the Fund through careful planning and performance assessment.
 - Risk management:** Seek to ensure that fund risks are being identified, monitored and mitigated through proper procedures and controls.
 - Proper advice:** Seek to ensure that proper advice is being taken and considered in all aspects of decision-making.
 - Knowledge and understanding:** Seek to ensure that all Board members maintain a suitable level of knowledge and understanding.
 - Responsiveness:** Seek to ensure that the Board considers and responds to consultations, surveys and requests for information effectively.
8. The means by which the Board can deliver these objectives is set out in the detailed plan. As part of the agenda planning process, the officers and chairman have agreed a structured agenda as a standard and discuss the detailed agenda well in advance of each scheduled meeting.
9. The papers for each meeting are made available at least one week prior to the meeting and implementation of action agreed is monitored in a progress report at the following meeting.

Budget

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

Budget item	Budget 2022/23 £	Spend 2022/23 £	Budget 2023/24 £
Fee for independent chairman	17,500	17,500	17,500
Travel expenses/subsistence	1,000	458	1,000
Training provision	2,500	0	1,500
Democratic Services Support (0.2 FTE)	7,500	7,067	7,500
Meetings (incl. refreshments)	500	0	500
Provisional sums (if required):			
• Legal and other external advice	2,000	0	1,000
• Contingency	1,000	0	1,000
TOTAL INDICATIVE BUDGET	32,000	25,025	30,000

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

Training

11. The Pensions Committee has agreed a Training Strategy which incorporates the Board’s training needs. Training for Board members, including induction training, is provided primarily through the Hymans LGPS Online Learning Academy (LOLA). Regular updates are provided through the ‘Current Issues’ module. All current members have completed the LOLA modules.
12. This form of training is supplemented by internally developed training days on West Sussex specific issues, and by attendance, where appropriate, at external seminars which specialise in the needs of local pension boards. Reference is also made to the e-learning provided by the Pensions Regulator which includes a module specific to cyber risk.
13. In terms of self-learning and familiarisation, the Board has developed arrangements to keep members apprised on changes to the scheme regulations and guidance through access to the national LGPS and Scheme Advisory Board websites.

Risk Management

14. The Board does not consider it necessary to have its own risk register but monitors the Fund risk management arrangements as reported to the Pensions Committee on a regular basis. The schedule of key tasks and activities which follows includes references to the key risks applicable to each area.

Issues For Attention In 2023/24

15. These are the issues on which work is expected in the coming year, subject to progress on national initiatives:
 - Outcome of SAB Good Governance Review
 - TPR's new General Code of practice (expected in the summer)
 - Strategic investment issues, subject to DLUHC regulation changes
 - Climate change reporting (awaiting DLUHC guidance)
 - Pooling governance, due to be revised following the Spring Budget
 - Implementation of the Pensions Dashboard programme
 - Potential pensions/cyber scams – controls and warnings to members

Pension Advisory Board - Business Plan 2023/24

- Key tasks and activities

Core on-going work	Special activities and reviews 2023/24
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Business Planning and Performance	
<p>Agree programme of work, budget and resources for the coming year and monitor progress at each meeting.</p> <p>Undertake a self-assessment of performance for the year to include on-to-one interviews in January/February.</p> <p>Agree a report each year on activity for inclusion in the Fund Annual Report and for scheme employers.</p>	

Key Risks

- Failure to manage work efficiently and effectively.
- Failure to account for activities and performance within the PAB remit.

Compliance checks	
<p>Review the Council’s policy on conflicts of interest annually, ensure interests are declared at each meeting and maintain a register of interests for the Board on the website.</p>	
<p>Review the Pension Fund Annual Report and Accounts for content and compliance.</p>	<p>Monitor any new CIPFA guidance</p>
<p>Review statutory policy statements on a regular basis and on a three-year rolling basis</p>	
<p>Monitor and review changes to regulations and guidance at each meeting</p>	

Key risks

- Failure to manage conflicts properly.
- Non-compliance with regulations and guidance.
- Changes being implemented at short notice due to delayed notification.

Core on-going tasks	Special activities and reviews 2023/24
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Governance arrangements	
Review decisions of the Pensions Committee	
Review management and monitoring of the pension fund risk register	
Monitor audit reports and assurances on internal controls	
Monitor work planned by the Pensions Regulator (tPR)	Review new tPR General Code of practice and assess implications
Monitor reports and initiatives from the Scheme Advisory Board (SAB)	Review planned consultation on future governance arrangements and assess implications
Respond to surveys and requests for information from the tPR and the SAB	
Report to the Pensions Committee and Governance Committee on a regular basis and as required	
Report to tPR, DLUHC and SAB in exceptional circumstances	

Key risks

- The decision-making process is not fully effective.
- Key risks are not managed properly.
- Failure to be aware of scheme-wide developments and changing requirements.
- Failure to properly account for the Board’s activities.

Core on-going tasks	Special activities and reviews 2023/24
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Administration procedures and performance	
Consider a report on the administration of the scheme at each meeting	
Monitor notifiable events and the recording and reporting of breaches	
Monitor key performance indicators and recovery action	
Monitor recording of compliments and complaints, and progress on IDRPs cases	
Monitor movements in membership numbers	
Monitor data quality and integrity, and progress on improvement plans	Monitor implementation of the Pensions Dashboard programme
Monitor timeliness of receipt of contribution payments and any recovery action required	
Review operation of key internal procedures and controls relating to third party contracts	

Key risks

- Failure in the efficient and effective administration of the scheme.
- Non-compliance with reporting requirements.
- Failure to detect potential problems, including fraud at an early stage.

Core on-going tasks	Special activities and reviews 2023/24
Investment and funding	
Review the investment strategy statement to assess compliance with regulations and guidance issued by DLUHC and CIPFA	Review any revised guidance on investment strategy issued by DLUHC
Review the funding strategy statement to assess compliance with regulations and guidance	
Review the process of consultation with appropriate persons, particularly scheme employers	
Review the valuation process for compliance and good practice	
Review developments on the pooling arrangements, particularly in relation to governance and investment management	Review any regulatory changes relating to compliance on pooling
Monitor arrangements for monitoring investment performance and costs	
Monitor developments in relation to responsible investing and ESG issues insofar as they relate to the Board's responsibilities	Review guidance on climate change reporting

Key risks

- Non-compliance with investment regulations and Government guidance.
- Failure of proper governance arrangements in the pooling of Fund assets.
- Failure to comply with or respond to developments in good practice or regulatory compliance.
- Net asset values are insufficient to meet future liabilities.
- Lack of clarity on role of PAB in relation to ACCESS and on responsible investing.

Core on-going tasks	Special activities and reviews 2022/23
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Communications	
Monitor disclosure of information in line with statutory requirements, including annual benefit statements	Review information provided on potential pensions/cyber scams
Review newsletters for content and clarity	
Review communications with employing authorities	
Monitor developments in the website and pensions portal	
Consider more effective links to scheme members	

Key risks

- Failure to keep employers and scheme members properly informed.
- Non-compliance with Administration Strategy.
- Scheme members fail to understand scheme benefits and opt-out.

Training	
Maintain training log and review activity regularly	
Monitor implementation of training strategy	
Identify opportunities for in-house training after each meeting and for external training courses or events	

Key risks

- Failure of Board members to maintain a suitable level of knowledge and understanding.
- New training requirements imposed on PAB in relation to compliance testing.

Unrestricted

Pensions Committee

28 April 2023

Business Plan

Report by Director of Finance and Support Services

Summary

The Pensions Committee approved its Business Plan for 2022/23 in April 2022 and officers have prepared a Business Plan for 2023/24 for the Committee's consideration.

The following updates are highlighted:

- The 2022 Actuarial Valuation is completed, and the full Actuarial Report and Funding Strategy Statement have been published by the Statutory deadline of 31 March 2023. All employers have been notified of their results.
- The Committee undertook a review of the Pension Fund's investment Strategy following the Actuarial Valuation outcomes.

The Business Plan for 2023/24 highlights the overarching objectives, summarised below:

- Robust governance framework through consideration of the Good Governance guidance and the Single Code from the Pensions Regulator and by taking further steps to protect members and assets against the cyber risk. Reflecting the expiry of existing contractual arrangements, the Pension Fund will run competitive tenders for the appointment of a Fund Actuary and property manager and support a timetabled procurement for Operator Services to the ACCESS pool in 2024
- Managing investment and funding to make the best use of resources through reviewing and implementing the Investment Strategy Statement, considering Climate Risk Reporting requirement and disclosures, and supporting the work of the ACCESS Joint Committee in undertaking its functions to pool assets. On the funding side engagement with employers will be developed further to support improved processes and practice relating to their statutory responsibilities.
- The delivery of a high-quality administration service to all stakeholders through the implementation of Scheme changes, further data improvements and To develop a campaign informed by member demographics which describes the benefits of LGPS membership and targeted communications to help inform members of their individual benefits in the Scheme.

A full risk matrix has been included (Appendix B). The following are highlighted:

- The insertion of a risk specifically relating to climate and its potential to impact Pension Fund investment returns, inflation and life expectancies.
- The lowering of the risk in relation to reliance on one contract for majority of investment management.
- Risks in relation to resourcing for the Pensions team and the County Council in relation to its pension functions.
- A risk in relation to the level of expertise and ongoing development of the Pensions Committee and Pension Advisory Board not complying with guidance.

Recommendation:

- (1) The Committee notes the update on Business Plan activities for 2022/23.
- (2) The Committee approves the Business Plan activities for 2023/24.
- (3) The Committee provides comments on the risk matrix.

1 Background

- 1.1 The Pensions Committee maintains a Business Plan which sets out its key priorities and how they will be delivered. This is [published on the Pension Fund's webpage](#). The Committee is updated on a quarterly basis on progress against delivery of the priorities set out within the Business Plan. The Business Plan is reviewed on an annual basis at the start of each financial year. The 2023/24 business plan has been prepared for consideration by the Committee at this meeting.
- 1.2 This report is shared with the Pension Advisory Board.

2 2022/23 Business Plan

- 2.1 The 2022/23 Business Plan was approved by the Committee at its meeting in April 2022.
- 2.2 Page 6 of the 2023/24 Business Plan (Appendix A) provides an update on delivery against the activities agreed for the 2022/2023 financial year.

3 2023/24 Business Plan

- 3.1 The 2023/24 Business Plan is attached (Appendix A) and page/s 7-17 of the Business Plan sets out the priorities for 2023/24. The Business Plan highlights:
 - a) Overarching objectives around governance (a robust and well based governance framework), investment / funding (making the best use of resources and minimising the long-term cash contributions from employers) and administration / communication (to deliver a high-quality administration service to all stakeholders).

- b) The role of the Director of Finance and Support Services for the delivery of the LGPS, ensuring sufficient resources are in place to effectively carry out the service. The Director is currently supported by the Pensions Team, expertise from other areas of the County Council (e.g., treasury management, IT, or legal services) and external advisers.
 - c) The expected policy, regulation, and guidance updates during the year to deal with changes required following the McCloud (age discrimination) judgement, asset pooling, pension fund governance, and climate risk.
 - d) An overarching theme relating to the cost of living and high inflation.
 - e) Scheduled procurement activity for the year relating to the management of the Pension Fund's direct property portfolio and a Fund Actuary and preparatory work for Operator Services, in collaboration with colleagues within the ACCESS pool.
- 3.2 It is also proposed within the Business Plan that a "Strategy Day" is held in January 2024 to provide the Pensions Committee an opportunity to discuss progress on the implementation of funding, investment, and administration strategies, to revisit plans, consider risks and consider future actions. This will be in line with the normal meeting cycle.

4 Update on Risks faced by the Fund

- 4.1 A full risk register has been provided and is set out in (Appendix B). This is regularly reviewed by officers and an update on themes provided to the Committee each quarter.
- The insertion of a risk specifically relating to climate and its potential to impact Pension Fund investment returns, inflation and life expectancies.
 - The lowering of the risk in relation to reliance on one contract for majority of investment management reflecting the work underway in preparation for the scheduled procurement activity in 2024.
 - Risks in relation to resourcing for the Pensions team and the County Council in relation to its pension functions reflecting changes to the team which require work to be prioritised and external resource to be used when appropriate.
 - A risk in relation to the level of expertise and ongoing development of the Pensions Committee and Pension Advisory Board not complying with guidance which could impact on the Pension Fund's investor status, and its ability to implement the investment strategy.
 - A continued red risk in relation to cyber-crime.

5 Update on Training

- 5.1 A Training Strategy has been established to ensure the the Pension Committee and Pension Advisory Board members are updated of new regulations and have 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 in the CIPFA Knowledge and Skills framework. in order to remain members of the Committee. . Training is also a requirement for WSCC to maintain its professional investor status.

- 5.2 Appendix A shows the training completed up to 31 March 2023. Members should continue to ensure they notify officers when they attend external training, so it can be recorded appropriately. The Committee are reminded of the importance of completing the Hymans LGPS Online Learning Academy training. Future external training available has been summarised below:

Event	Date	Location
Hymans LGPS 2022 Valuation: the bigger picture	24 April 2023 at 14:00	Online
Barnett Waddingham - Market Focus	26 April 2023 at 10:00	Online
PLSA Local Authority Conference	26-28 June 2023	Gloucestershire
LGC Investment & Pensions Summit 2023	7-8 September 2023	Royal Armouries and New Dock Hall, Armouries Drive, Leeds LS10 1PZ
SPS LGPS Sustainable Investment & Other Topical Issues	19 October 2023	The View at the Royal College of Surgeons, London
LGA LGPS Governance Conference	18-19 January 2024	York

6 Update on Audit and Controls

- 6.1 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. The Audit work is reviewed on a regular basis and the completed audits and those planned for 2023/24 planned is summarised in Appendix D.

7 Consultation, engagement, and advice

- 7.1 N/A

8 Finance

- 8.1 The Fund's administration expenses are charged to the Fund and funded through employer contribution rates which are reviewed by the actuary every three years.

9 Risk implications and mitigations

- 9.1 Covered in main body of report and appendices.

10 Policy alignment and compliance

- 10.1 N/A

Taryn Eves

Director of Finance and Support Services

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Appendices

Appendix A – Business Plan

Appendix B – Full Risk Matrix (*To Follow*)

Appendix C – Training Log

Appendix D – Internal Audit Work Completed / Planned

Background papers

None

Recommended Training

None

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Business Plan 2023/24



Introduction

The Business Plan is an important document which sets out the aims and objectives of the fund over the coming few years and the outcomes the Committee want to achieve for its stakeholders. The Fund's overarching objectives are set out below:

Governance

To put stakeholders at the centre of everything we do, act with integrity and be accountable for decisions made.

This will be achieved through a robust, and well based governance framework which considers risk management, compliance and appropriate resourcing.

Investment and Funding

To make the best use of our resources and minimise the long-term cash contributions which employers need to pay to the Fund.

This will be achieved through recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return.

Administration and Communication

To build on the improvement journey in relation to the administration and deliver a high-quality administration service to all stakeholders.

This will be done through working closely with our partners and the establishment of processes and procedures to ensure that the Fund receives all income due and payments are made to the right people at the right time, clear communication and robust accounting and reports.

Pensions Committee

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

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



West Sussex County Council the Fund for its own employees and those of the seven District and Borough Councils and numerous other bodies. In total there are over 200 employers actively participating in the West Sussex Scheme.

Has 87,000 members, 23,000 of whom were receiving a pension, and 26,000 actively paying contributions into the Scheme.



The Pension Fund is valued at £5.32bn and was 125% funded at its formal valuation at 31 March 2022.

Flexibility is provided for each Administering Authority to determine their own governance arrangements and for the West Sussex Pension Fund, responsibility sits with the Pensions Committee. The Pension Committee’s Terms of Reference are within the Constitution, and summarised below:

- Determination of the investment strategy and oversight of its delivery.
- Appointment of advisers and managers.
- Consideration of and response to key scheme governance, funding and administration issues, including responses to consultations and communications with stakeholders.
- Monitoring the Fund’s performance.
- Consideration of the work of the Regulation, Audit and Accounts Committee with regards to the Pension Fund accounts, auditors’ reports, risk management and anti-fraud and corruption.

The Business Plan reflects the delivery of the Pension Committee’s responsibilities.

The Pensions Committee normally meet quarterly.

At each meeting they will consider the progress against the business plan milestones, updates on risk, the implementation of the investment strategy, cashflow and funding updates. The meeting schedule for 2023/24 is below:

Date	Areas of Focus
26 July 2023	Annual review of performance of the Pension Fund including Statement of Accounts.
1 November 2023	
29 January 2024	“Strategy day” to provide an opportunity to discuss progress on the implementation of funding, investment and administration strategies, to revisit plans, consider risks and consider future actions.
TBC April 2024	

Resource & Advisers

The Director of Finance and Support Services has responsibility for the delivery of the LGPS function and must ensure that there are sufficient resources in place to do this following agreement from the Pensions Committee.

The Director of Finance and Support Services is supported by the Pension Fund Strategist and Pensions Officers (equivalent to 8.22FTE). The Pensions Team also support the County Council in discharging its responsibilities as Scheme Manager to the Firefighters Pension Schemes.

Whilst key functions such as investment, administration, employer liaison, communications and fund accounting sit within the Pensions Team, resource and expertise from other areas of the County Council are also utilised - for example treasury management, IT or legal services. Etc. The Fund's financial statement provide more detail about the costs incurred.

- **Administration**

The pension administration is provided through a partnership with Hampshire County Council. The Fund pays an annual charge relating to the pensions and payroll administration and relevant staff costs, as agreed between the Director of Finance and Support Services and Hampshire County Council.

- **Oversight and Governance**

The Fund has access to services within the County Council's finance team including banking, income collection and treasury management and access to services within the County Council's legal team, who may also commission advice from outside legal firms as appropriate. Costs are charged to the Fund based on a proportion of time spent by officers and associated overheads.

- **Professional Advisers**

External advisers including the Fund Actuary, Independent Advisers and Independent Property Valuer have been appointed to provide appropriate advice to Officers and Members. Costs are agreed on appointment.

- **External Fund Managers**

Fund management has been outsourced to external fund managers. Most investments are now made via the ACCESS ACS, managed by Link Fund Solutions. Fees are agreed in the respective mandates governing their appointment and are mainly based on the market value of the investments under management.

More information about professional advisers and external fund managers is within the section on "Contract Management and Value for Money".

Review 2022/23

During the 2022/23 financial year the Fund successfully

- Completed the 31 March 2022 Actuarial Valuation by the statutory deadline (31 March 2023). This showed funding positions had improved (on average from 112% to 125%) and 88% of employers saw a reduction in their contribution rate from 1 April 2023. An updated Funding Strategy Statement was published alongside the Actuarial Valuation report, following consultation with employers.
- Undertook a review of the Pension Fund's investment Strategy taking into consideration the Fund's liability characteristics (e.g. membership profile, benefit cashflows and contribution schedule) and the suitability (in terms of risks and returns) of the current strategic asset allocations to allow the Pension Fund to meet its objectives.
- Collected data from most employers in readiness to implement changes to benefits required following the McCloud judgements in October 2023.
- Actively considered the content and presentation within published documents when reviewed, with particular focus on the Funding Strategy Statement.
- Completed its external audit of its Statement of Accounts and Annual Report, by the required statutory deadlines and with an unqualified audit opinion, with the Statements agreed by the Regulation, Audit and Accounts Committee in November 2022).

Priorities 2023/24

There are a number of business-as-usual activities which are necessary to ensure the Pension Fund provides services to employers, members and other stakeholders and fulfils its statutory responsibilities to fulfil its obligations under the Regulations.

Whilst these are of critical importance, the Business Plan focuses on more project based work.

It is anticipated that during 2023/24, the Pension Fund will have to deal with new - and not-so-new - policy, regulation, and best practice. This includes:

- Implemented McCloud changes
- Further guidance on pooling
- Further guidance on Good Governance
- The outcome of the Government's consultation on Taskforce for Climate-related Financial Disclosure requirements
- Consideration of UK Stewardship Code
- Further developments on Government policy on boycotts, divestments, and sanctions
- Potentially far-reaching changes in UK financial services regulations (the "Edinburgh Reforms")

These have informed the Business Plan priorities for the year.

The cost of living and high inflation is also considered to be an overarching theme which runs through governance, investment and funding and administration aspects. It will be necessary for the Pensions Committee to monitor factors including member opt-outs, employer exits, contribution reductions, delayed retirements, increase in transfer outs and impact on commutation, develop strategies to engage with members and employers during the year to ensure benefits and flexibilities of the Scheme are known and pay particular attention to cashflow and investment impacts.

Governance | Supporting fund governance

The Scheme Advisory Board, who support the LGPS nationally, agreed in 2012 to consult on proposals to separate the pensions function from administering authorities. Following a pause, this work re-commenced in 2018 as the “good governance project”. The objective was to examine the effectiveness of current LGPS governance models and to consider alternatives or enhancements to existing models to strengthen LGPS governance going forward. In 2019 the Scheme Advisory Board made recommendations to Government about how to improve the high standards of governance and administration of the LGPS. The Government’s consultation is expected this year.

In March 2021, the Pensions Regulator (TPR) opened a consultation process to bring together 10 of the 15 existing codes of practice into one single code – and applied across the pensions industry. It is expected that new Code will be published this year.

Informed by the above, priorities for 2023/24 are:

- Review current governance arrangements and compliance position against the expected changes to determine key actions to drive future compliance.
- Agree consultation response to Good Governance guidance to ensure that views are represented in any final decisions.
- Review fund-specific policies and strategies to ensure that these reflect the management of the Fund and align to TPR expectations.
- Complete compliance review against TPR Single Code and determine any actions required to meet best practice.
- Review the Training Strategy in recognition that training is recognised is a continual process.

To deliver the above, additional resources may be required as set out below:

- **External advice:** To consider the changing LGPS landscape and the management of conflicts, key person risks in certain areas, knowledge and training requirements, resourcing, delegations, and accountabilities.
- **Training:** To support the Pensions Committee, Pension Advisory Board, and officers consideration will be given to various training resources available in delivering training. These will include the LGPS Online Learning Academy (LOLA), The Pension Regulator’s e-learning programme and attending courses, seminars and events (internal and external).

Governance | Cyber security

Pension schemes hold large amounts of personal data and assets which can make them a target for fraudsters and criminals. It is therefore necessary for the Pension Fund to take steps to protect members and assets against the cyber risk, and to have a resilient plan in place to respond to a cyber incident when it arises.

The Pension Committee recognise the risk of a successful cyber-attack directly from external threats; or indirectly because of members or staff falling prey to social engineering or phishing attacks within its risk register. This is currently shown as a red risk.

Informed by the above, priorities for 2023/24 are:

- Work with third parties to identify and manage cyber and data risks and impacts.
- Create a cyber incident response plan, and to walk through scenarios to ensure responsibilities are understood.

To deliver the above, additional resources may be required as set out below:

- **External advice:** To undertake a cyber assessment and ongoing monitoring.
- **Training:** Specific, specialist, training of the Pensions Committee, Pension Advisory Board and officers on the nature of cybercrime and how it could impact on the scheme and members.

Governance | Contract Management and Value for Money

It is important that all contracts managed for the benefit of the Pension Fund secure Value for Money, are awarded (where applicable) following market competition through transparent, fair and consistent ways of working and support supplier diversity, sustainability objectives, and equality of treatment. All contracts in place are actively managed by the Pension Fund to support good outcomes and the delivery of the Pension Committee's objectives.

The existing contractual arrangements are summarised in Appendix A. The Pension Fund has also invested in several investment funds.

Informed by the above, priorities for 2023/24 are:

- A timetabled open tender for a property manager will be run in late 2023 to conclude in early 2024, in line with the expiry of the current arrangements.
- A timetabled call off against the National LGPS framework for a Fund Actuary will be run in mid-2023 to conclude in the autumn, in line with the expiry of the current arrangements.
- Prepare documents with colleagues within the ACCESS pool to support a timetabled procurement for Operator Services in 2024, in line with the expiry of the current arrangements.
- Analyse costs, risk and performance of investment portfolios and understand opportunities to optimize performance and manage your costs.

To deliver the above, additional resources may be required as set out below:

- **External advice:** To provide market insight to inform procurement activity
- **External legal advice:** To negotiate contractual terms as part of the above procurement activity.
- **External consultants:** To undertake supplementary performance analysis.

Investment and Funding | Investments

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.

The Pensions Committee is responsible for the determination of the Pension Fund's investment strategy and oversight of the delivery of the strategy and has documented its approach in the Investment Strategy Statement. The investment strategy is reviewed in conjunction with each actuarial valuation and is therefore being considered following the 2022 valuation to recognise any changes to the funding requirements, to consider the appropriateness of risk within the investment strategy (and how this helps meet its objective of stable and affordable contribution rates for employers), any changes to government regulation and guidance, market conditions and any changes in environmental, social and governance risks and opportunities. The Committee will then consult stakeholders on the Strategy Statement.

It is recognised that further amendments may be required to the Strategy Statement when government provide a response to its November 2022 consultation on requiring the LGPS to have an approach to climate risk aligned with the Taskforce for Climate Financial Disclosures (TCFD). As part of this, there may be requirements for further descriptions of how the Pension Committee have oversight of climate related risks and opportunities, how climate-related risks and opportunities that could impact the investment and funding strategy over the short, medium and long term are measured and reporting on metrics relating to climate risk. It is expected that the government will require a Climate Risk Report to be published every year, from 1 April 2024.

Further requirements are also anticipated from Government in relation to investment opportunities in illiquid assets such as venture and growth capital and how LGPS investments might support the levelling up agenda, potentially requiring a 5% allocation to "levelling up" asset allocation. This was referenced again in the Spring Budget (2023).

Informed by the above, priorities for 2023/24 are:

- To review and update the Investment Strategy Statement to reflect the latest decisions and current approach of the Pensions Committee.
- To consider interim objectives on climate change
- To continue to consider the impact of environmental, social and governance risk and opportunities on the Pension Fund's investment strategy
- To strengthen engagement with managers (and portfolio companies).
- To understand the data coverage and quality of information and working with the industry to support financial disclosure requirements and develop a Climate Risk Report template.
- Actively consider consultation when published and consider requirements of changes proposed to identify key activities for future compliance / adherence to best practice.

To deliver the above, additional resources may be required as set out below:

- **External advice:** To provide proper advice when considering the Pension Fund's investment strategy.
- **External advice:** To provide proper advice when making decisions relating to climate-related risks and opportunities and when receiving metrics and scenario analysis.
- **Training:** To support the delivery of this business plan objective.

Investment and Funding | Asset Pooling

In 2015 the Government encouraged LGPS Administering Authorities to work together to “pool investments to significantly reduce costs, while maintaining investment performance”. West Sussex Pension Fund is a participating Fund in the ACCESS pool and on 31 March 2023, 80% of its portfolio was invested within the ACCESS pool arrangement.

Whilst each Authority retains autonomy to make decisions about strategic asset allocations, the ACCESS Joint Committee is responsible for making collective decisions in relation to contract management and budgets and investments are made via the ACCESS pool arrangement.

The ACCESS pool maintains its own business plan, and priorities for 2023/24 include the launch of further investment vehicles, including pooled asset solutions for private debt and private equity, reporting support on responsible investments and the implementation of the outcome of a third-party review of pool governance and the ACCESS Support Unit.

It is expected that during the year, the government will consult on investment pooling with a challenge to the LGPS to consolidate at a faster pace, potentially with proposals for transferring all listed assets to pool companies by March 2025 and possibly with a smaller number of pools being established, with assets more than £50 billion to optimise benefits of scale.

Informed by the above, priorities for 2023/24 are:

- To provide officer resources for the purpose of providing support to the Joint Committee in undertaking its functions.
- To consider the pooled asset solutions for management of illiquid assets.
- Actively consider consultation when published and consider requirements of changes proposed to identify key activities for future compliance / adherence to best practice.

West Sussex contributes to the delivery of the ACCESS pool Business Plan.

Investment and Funding | Employers

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 Pensions Committee completed its review of employer funding positions (on 31 March 2022) to ensure contributions are set at a level to ensure 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).

It is now important that employer positions are monitored and managed in line with the regulations and Funding Strategy Statement including appropriate reviews of an employer's covenant, any adjustments to contribution rates and employer events (including exits).

It is also important that the Pension Fund works with employers to manage admissions and outsourcing arrangements which is acknowledged as a risk within the risk register.

Informed by the above, priorities for 2023/24 are:

- Reviewing the funding position of all employers to understand what any changes mean for their position in the Fund and formally monitor key funding risks and opportunities.
- Engagement with employers to support raise knowledge levels and improve processes and practice relating to their statutory responsibilities, outsourcing contracts, risk sharing arrangements and employer management.

To deliver the above, additional resources may be required as set out below:

- **External advice:** An independent covenant adviser will be engaged to support the consideration of individual employer positions.

Administration and Communication | McCloud and Goodwin

When the Government reformed public service pension schemes in 2014 and 2015 they introduced protections for older members. In December 2018, the Court of Appeal ruled that younger members of the Judges' and Firefighters' Pension schemes have been discriminated against because the protections do not apply to them. The Government has confirmed that there will be changes to all main public sector schemes, including the LGPS, to remove this age discrimination. These changes will be implemented in October 2023, following further consultation.

In the case of Mrs Goodwin v Department of Education, it was concluded that a female member in an opposite sex marriage was treated less favourably than a female in a same sex marriage or civil partnership, and that treatment amounts to direct discrimination on the grounds of sexual orientation. Changes will be required to the Scheme to ensure greater equality across all relationships and to take account of membership that was previously not counted when calculating a survivor's pension.

Informed by the above, priorities for 2023/24 are:

- Working with employers to ensure as much data can be provided to the administration team to update member records. Where employers are not able to provide the required data, appropriate assumptions will need to be made.
- Consider communications to members to help them make choices.

To deliver the above, additional resources may be required as set out below:

- **Specialist communications:** To review Scheme documentation and provide feedback on continuous improvements or campaigns.

Administration and Communication | Pensions Dashboard

The Pensions Dashboards Programme is a national initiative under the supervision of the Money and Pensions Service, to allow individuals to view information about their pensions, including State Pension, in one place online. The government considers that this will put savers in control and help reconnect them with their lost pension pots.

LGPS funds were originally required to be ready to connect and respond to matching requests is 30 September 2024. However, this deadline has been delayed, recognising that this is a highly complex project. New deadlines are to be determined.

Informed by the above, priorities for 2023/24 are:

- To work with the Pension Fund's administration partners to review guidance and resources available to support compliance and best practice.
- Monitor implementation against the Pensions Regulator checklist
- Consider any data improvement work specifically to support the Pensions Dashboards Programme
- Consider training and guidance to employers to help fulfil their obligations.

To deliver the above, additional resources may be required from the Pension Fund's administration partners, or software provider.

Administration and Communication | Data Improvement Projects

The administration of the Scheme is critically dependent on the membership data provided to the Fund by employers. Since April 2014, the data required to carry out the day-to-day administration has increased in complexity as employee benefits are no longer based only on the members' salary when leaving the Scheme but are also based on the pay earned in each year of their participation.

Work has been undertaken by the Pension Fund's administration partners over the past few years and the Fund Actuary has commented that the data held by the Fund is of good quality and had significantly improved.

However, it remains important that the Pensions Committee have processes in place to continually improve the data held by the Scheme. Business as usual activities play a key role in this, but it is also important for the Committee to consider data improvement projects to address any wider issues.

Informed by the above, priorities for 2023/24 are:

- Contact members where the Fund holds a "frozen refund".
- Carry out an annual data cleansing exercise, reconciling membership data with accounts data.
- Resolve any issues identified as part of the reconciliation between records held by HMRC and the Pension Fund in relation to Guaranteed Minimum Pension (GMP).

To deliver the above, additional resources may be required from the Pension Fund's administration partners, or software provider.

Administration and Communication | Engagement

The Local Government Pension Scheme provides excellent benefits to support members during your retirement and financial security through immediate life cover, death benefits and (for those who have been in the scheme for two years, immediate ill-health benefits).

However, pensions can be complex and confusing for members and employers.

It is therefore important that information provided by the Pension Fund is engaging, helps individuals understand key information about the pension Scheme and ultimately supports informed decision making.

The Pensions Committee is committed to continually improving the content, format and delivery of communication to ensure it is relevant, clear and considered and inclusive.

Informed by the above, priorities for 2023/24 are:

- To work with a specialist communication provider and industry bodies to develop initial branding for documents prepared and developed for the Pension Fund
- Support training to the Pension Fund officers to allow for continuous improvement and development on best practice.
- To develop a campaign informed by member demographics which describes the benefits of LGPS membership and encourages member to utilise online facilities to understand their individual benefits, update their Expression of Wish and make changes.
- Complete an options appraisal for future website delivery opportunities, taking into account existing platforms and practice across the LGPS.

To deliver the above, additional resources may be required as set out below:

- **Specialist communications:** To support officers to deliver this business plan objective.

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Ref	Risk Theme	Action / Update	Jan-23	Apr-23
RT4	The Fund Investment Strategy is not appropriate to meet the Funds liabilities and cash flow requirements.	Investment Strategy has been reviewed and advice confirms that the Fund is in a very strong position regarding future funding levels. Property Manager procurement specification will reflect the Fund requirements regarding income and cashflow.	Green	Green
RT5	Insufficient resources to comply with the Administering Authority's Regulatory responsibilities and ability to deliver the business plan.	There is currently a vacancy with work being prioritised and managed across team members. External advice to be provided to consider the changing LGPS landscape and the management of conflicts, key person risks in certain areas, knowledge and training requirements, resourcing, delegations and accountabilities. A number of consultations are expected in 2023/24 along with the Pension Regulator combined code of practice which will assist with understanding of obligations.	Amber	Amber
RT6	Poor quality data resulting in error and misstatement.	Positive feedback from Hyman on improvements in data. Data improvement included within Fund Business Plan for 2023/24. Risk rating reflects impact at whole fund level.	Green	Green
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 and needs of Committee and Board. Vacancy for employer and member representatives on Pension Advisory Board and active recruitment is underway.	Amber	Amber
RT9	Failure to secure value for money through managing contracts with third parties	Two significant procurements due in 23/24. Procurement and Legal teams within WSCC have been engaged to assist with process and ensure compliance and value for money.	Green	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 2023/24.	Green	Green
RT12	Increase in variety and number of employers participating in the Scheme resulting in risk of non-compliance with obligations.	Numbers of employers have consistently increased year on year. Review of current processes to ensure efficiency planned. 2023/24 Business Plan includes objective regarding engagement with employers.	Amber	Green

Agenda Item 8

Ref	Risk Theme	Action / Update	Jan-23	Apr-23
RT13	There is a risk of a successful cyber attack directly from external threats; or indirectly as a consequence of members or staff falling prey to social engineering or phishing attacks. The potential outcome may lead to service disruption, financial or data loss.	<p>Cyber security is one of the risks on the County Council Pension Fund and applies to the Pension Fund.</p> <p>Officers are taking appropriate advice in considering how risk can be managed/mitigated.</p> <p>Liaising with internal IT team and external providers, including Hampshire County Council to understand procedures in the event of cyber attack and gain continuing assurance on the actions and mitigations in place.</p>	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.	<p>Awaiting Government consultation on remedy.</p> <p>Employers have provided data returns to the admin team.</p> <p>Admin team are increasing resource based on their understanding of requirements.</p>	Amber	Amber
RT15	Ability of asset pool to allow participating authorities to execute their locally decided investment strategies.	<p>All liquid assets are now invested via the ACCESS ACS.</p> <p>Officers actively participating at all levels of the pool to ensure that local requirements are understood and considered.</p> <p>Consultation on pooling expected.</p>	Amber	Amber
RT16	Political environment (locally or nationally) impacts on funding and/or investment strategy	<p>Awaiting changes to regs on Exit Cap, McCloud etc. along with various consultations.</p> <p>Full impact is difficult to quantify until further information/guidance is received from Government and Scheme Advisory Board.</p> <p>Representatives on the Pensions Committee are not appointed to represent the body appointing them or of which they are a member nor any political or personal interest.</p>	Amber	Amber
RT17	Reliance on one contract for majority of investment management through the pool.	<p>Officers continue to engage with the ACCESS Support Unit over the management of the contract with the Operator.</p> <p>Officers are supporting delivery of the ACCESS business plan in preparation for, and the commencement of, the reprocurement of operator services.</p> <p>2023/24 is the penultimate year of the Operator Agreement.</p>	Red	Amber

Ref	Risk Theme	Action / Update	Jan-23	Apr-23
RT18	Climate risk has the potential to impact Pension Fund investment returns, inflation and life expectancies.	Task Force on Climate Related Financial Disclosures consultation responded to in autumn. Awaiting outcome. Engagement with managers and consultants to understand Fund exposure to risk.		Amber

Risk Overview

Impact	Likelihood				
	Very Low	Low	Medium	High	Very High
Critical	0	4	5	0	1
Major	2	5	5	4	1
Moderate	1	6	3	1	0
Minor	0	2	0	0	0
Negligible	0	0	0	0	0

Green	23
Amber	11
Red	6

Risk No	Risk Description	Risk Owner	Risk Impact	Initial Impact Score	Initial Likelihood Score	Initial Score	Risk Strategy	Target Impact Score	Target Likelihood Score	Target Score	Risk Control/Action	Risk Update	23/24 Impact Score	23/24 Likelihood Score	23/24 Score	23/24 RAG Status
PEN 1	Insufficient funds to meet pension obligations resulting in higher employer contribution rates i.e. cash injection	Director of Finance and Support Services	<ol style="list-style-type: none"> Increase in Council Tax or budget reductions Employers unable to meet Pension obligations Default by Employers resulting in liabilities being funded by remaining active employers in the Scheme 	4	3	12	Treat	4	2	8	<p>Prudent assumptions based on real returns on assets and bespoke mortality assumptions used when setting employer contribution rates.</p> <p>Modelling work undertaken regularly to monitor fund performance against its assumptions.</p> <p>Modelling work undertaken to understand the impact of contribution rate strategy.</p> <p>Monitor, maintain and review the Investment Strategy Statement and Funding Strategy Statement.</p> <p>Regularly review investment performance and funding levels.</p> <p>Monitor and review the cash flow of the Fund.</p>	<p>Regular cashflow planning built into work plans.</p> <p>Investment Strategy has been reviewed and advice confirms that the Fund is in a very strong position regarding future funding levels.</p> <p>Property Manager procurement needs to be completed by 31 March 2024. Specification will reflect the Fund requirements regarding income and cashflow.</p>	4	2	8	GREEN
PEN 2	Funding level falls below 90% funded resulting in the Fund considering changing to a higher risk investment strategy	Director of Finance and Support Services	<ol style="list-style-type: none"> Higher volatility of investments returns leading to changes in employer contribution rates and potential increase in Council Tax or budget reductions Adverse publicity, reputational damage Employers unable to plan and budget in the medium term Default by Employers resulting in liabilities being funded by remaining active employers in the Scheme 	4	2	8	Treat	4	1	4	<p>Monitor, maintain and review the investment strategy including parameters for any re-risking.</p> <p>Monitor and review the investment manager performance and processes.</p> <p>Regularly review investment performance and funding levels.</p> <p>Monitor, maintain and review the Investment Strategy Statement and Funding Strategy Statement.</p> <p>Modelling work undertaken regularly to monitor fund performance against its assumptions.</p>	<p>Prudent assumptions adopted by the Fund Actuary.</p> <p>2022 valuation complete with increase in funding level to 125%.</p> <p>Investment Strategy has been reviewed and advice confirms that the Fund is in a very strong position regarding future funding levels.</p>	4	1	4	GREEN

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PEN 3	Employer contribution rates fluctuate between actuarial valuations due to membership experience	Director of Finance and Support Services	<ol style="list-style-type: none"> Increase in Council Tax Default by Employers resulting in liabilities being funded by remaining active employers in the Scheme Employers unable to meet Pension obligations Employers are unable to plan and budget in the medium term Adverse publicity, reputational damage 	4	2	8	Treat	3	2	6	<p>The Pension Fund pools certain employers to help manage fluctuations in contribution rates.</p> <p>The Pension Fund has also adopted a policy of stabilisation for large, secure employers i.e. contribution rates move within a threshold level reviewed at the Valuation.</p> <p>Strain costs are monitored and each employer has an ill health budget. Ill health insurance is offered to all employers.</p> <p>Regularly review investment performance and funding levels.</p> <p>Monitor, maintain and review the Investment Strategy Statement and Funding Strategy Statement.</p>	<p>Prudent assumptions adopted by the Fund Actuary.</p> <p>Most employers received a reduction in contribution rates following 2022 valuation.</p> <p>Funding Strategy Statement sets out how the Fund will manage contribution rates to reduce risk of rate fluctuation.</p> <p>Employer contribution rates may be amended by the Fund between valuations for any "significant change" to the liabilities or covenant of an employer.</p>	3	1	3	GREEN

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PEN 4	Employer no longer actively participating in the Scheme but deficit/surplus exists.	Director of Finance and Support Services	<ol style="list-style-type: none"> Employers unable to meet Pension obligations Default by Employers resulting in liabilities being funded by remaining active employers in the Scheme Adverse publicity, reputational damage 	4	3	12	Treat	4	1	4	<p>Covenant review at least every three years and contributions set on the basis of an employers ongoing participation in the fund and their security.</p> <p>Admission Agreements are regularly reviewed and enhanced by external advisers to reflect best practice and current Regulations and set out the employer obligations clearly.</p> <p>Bond / Guarantee Agreements in place which clearly set out level of a funding guarantee from another scheme employer, external body or government agency.</p> <p>Monitor, maintain and review the Investment Strategy Statement and Funding Strategy Statement.</p> <p>Membership changes are monitored regularly and employer costs, such as early retirement and ill health early retirement, are charged to an employer as appropriate.</p>	<p>Prudent assumptions adopted by the Fund Actuary.</p> <p>Admission process amended to reflect exit credit policy.</p> <p>Funding Strategy Statement revised to set out Fund approach to exiting employers.</p> <p>Work being undertaken to engage with employers to understand contractual position on exit.</p>	3	2	6	GREEN

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PEN 5	Declining membership numbers from some employers	Director of Finance and Support Services	<ol style="list-style-type: none"> Employers unable to meet Pension obligations Benefit payments are higher than contribution income Default by Employers resulting in liabilities being funded by remaining active employers in the Scheme 	4	3	12	Treat	4	3	12	<p>Membership numbers are monitored regularly and employers with low membership are contacted.</p> <p>Employers are required to pay additional contributions wherever an employee retires before attaining this age.</p> <p>Monitor, maintain and review the Investment Strategy Statement and Funding Strategy Statement.</p> <p>Engagement with employers to ensure workforce changes are identified at an early stage.</p> <p>Communication with employees of employers in the Fund setting out the benefits of the Scheme.</p> <p>Monitor and review the cash flow of the Fund.</p>	<p>Prudent assumptions adopted by the Fund Actuary.</p> <p>Improvements in data quality has provided more robust review and challenge.</p> <p>Increase in cost of living placing pressure on members prioritising expenditure.</p> <p>2023/24 Business Plan includes objective regarding engagement with members and employers.</p>	3	3	9	GREEN
PEN 9	The Pension Fund does not provide a clear and suitable investment strategy for selection of investments	Director of Finance and Support Services	<ol style="list-style-type: none"> Volatility of investment returns and/or net performance impacting the funding level. The fund is unable to implement its investment strategy or choose best in class or appropriate managers. The fund takes on more risk than appropriate Negative impact on officer time and resources The funding level of the fund reduces 	5	2	10	Treat	5	1	5	<p>Monitor, maintain and review the Investment Strategy Statement</p> <p>Investment performance is monitored quarterly against the performance of the fund-specific benchmark and the returns assumed in the actuarial valuation.</p> <p>Investment Managers held to account at Committee meetings.</p> <p>Investment documentation clearly set out the required benchmark and targets.</p> <p>The Fund takes appropriate advice from professional advisors</p>	<p>Asset liability modelling was been carried out as part of valuation.</p> <p>Monitoring implementation against current investment strategy.</p> <p>Investment Strategy Statement reviewed.</p> <p>Property Manager procurement needs to be completed by 31 March 2023. Specification will reflect the Fund requirements regarding income and cashflow.</p>	5	2	10	GREEN

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PEN 29	The benefits payable each month are more than the income received each month	Pension Fund Strategist	<ol style="list-style-type: none"> On a short term basis the Fund is not able to pay benefits or has to borrow money Inability to meet liabilities Need to recall monies from Investment Managers resulting in a loss of investment returns or sale of assets 	4	3	12	Treat	3	2	6	<p>Cashflow monitor and projections implemented and reviewed on a monthly basis</p> <p>Work with Actuary to ensure long term planning of cash flow</p> <p>Investment strategy includes changing cash flow requirements and specific allocation to income generating assets.</p> <p>Regular meetings with Treasury Management team to discuss cash balances</p>	<p>Investment Strategy reviewed following valuation to ensure any reductions in contribution rates are sufficiently mitigated through investment in income generating assets.</p> <p>Property Manager procurement needs to be completed by 31 March 2023. Specification will reflect the Fund requirements regarding income and cashflow.</p>	3	3	9	GREEN
PEN 8	Pension Fund accounts not accurately maintained	Finance Manager - Pension Fund	<ol style="list-style-type: none"> Adverse Audit opinion Under/overstatement of investments Investment decisions made on incorrect information resulting in higher risk Adverse publicity, reputational damage Negative impact on officer time and resources Pension information within employers accounts needing to be restated 	4	3	12	Treat	4	2	8	<p>Detailed reconciliations are carried out on a regular basis.</p> <p>Plan to close down accounts with timetable including robust quality assurance.</p> <p>Ensure staff are trained appropriately</p> <p>Maintain a good working relationship with the Actuary and auditors.</p> <p>Involvement with CIPFA resulting in best practice being adopted.</p> <p>Engagement with employers to ensure requirements are met.</p>	<p>Accounts team established with good level of experience and expertise. Proactive engagement with audit team.</p> <p>Audit team stable.</p>	4	2	8	GREEN
PEN 10	Failure to comply with changes to LGPS Regulations and/or HMRC Rules	Head of Finance	<ol style="list-style-type: none"> This could potentially create additional liabilities and administration difficulties for employers and the administering authority The Pensions Regulator can fine us for breach of regulations Actuary impaired in making an assessment of an employers liabilities Adverse publicity, reputational damage 	4	3	12	Treat	4	2	8	<p>All consultation papers issued by the DHLUC, Revenue & Customs, and other bodies are commented on where appropriate.</p> <p>Officers to review all relevant regulation changes.</p> <p>Input from Actuary and other advisors as needed.</p>	<p>A number of consultations are expected in 2023/24 along with the Pension Regulator combined code of practice which will assist with understanding of obligations.</p>	4	2	8	GREEN

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PEN 19	Pensions team not resourced appropriately	Head of Finance	<ol style="list-style-type: none"> Key work deliverables are not completed. Key staff leaving due to work load. Lack of continuity and knowledge transfer 	4	4	16	Treat	3	3	9	<p>Develop succession plan to manage key person risk</p> <p>Document tasks and develop process notes where required</p> <p>Review of Pensions Team work plan and resources</p> <p>Regular team meetings to understand workload pressures and transfer knowledge</p> <p>Develop training plan for officers</p>	<p>There is currently a vacancy with work being prioritised and managed across team members.</p> <p>External advice to be provided to consider the changing LGPS landscape and the management of conflicts, key person risks in certain areas, knowledge and training requirements, reourcing, delegations and accountabilities.</p>	4	4	16	RED
PEN 46	County Council not resourced appropriately to support Pensions functions	Finance Manager - Pension Fund Governance	<ol style="list-style-type: none"> Key work deliverables are not completed. Key staff leaving due to work load. Lack of continuity and knowledge transfer Major employer in the Fund not complying with obligations Reputational risk due to impact on IAS 19 Accuracy of data within accounts 	4	4	16	Tolerate	3	2	6	<p>Document tasks and develop process notes where required</p> <p>Understanding of single point of failure</p> <p>Communication between CC teams</p> <p>Monitor regular tasks to ensure completion. Agree escalation route with managers.</p> <p>Reviewing practices and processes to maximise efficiency.</p>	<p>Working with County Council to ensure appropriate process are in place to fulfil obligations.</p>	4	4	16	RED
PEN 28	New County Council financial system does not meet Pension Fund requirements	Finance Manager - Pension Fund Governance	<ol style="list-style-type: none"> Potential loss of historical information (payroll and contributions) Replacement system does not meet Fund requirements 	4	3	12	Tolerate	3	2	6	<p>Early engagement</p> <p>Consider alternative archiving of key information.</p> <p>Be clear in requirements of the Fund with regards to reporting standards required</p>	<p>Team feeding in to wider project.</p> <p>Concern over timeframes and resource required to deliver.</p> <p>Working to understand archive options.</p>	5	3	15	AMBER
PEN 48	New County Council financial system implementation impacts workload and resources	Finance Manager - Pension Fund Governance	<ol style="list-style-type: none"> Delay to implementation of financial system conflicts with valuation and/or end of year work New system doesn't meet the Pension Fund needs due to lack of resource to fully test 	3	4	12	Tolerate	3	3	9	<p>Engagement with team working to implement new system to ensure Pension Fund needs are understood which will reduce workload later in the year.</p> <p>Document processes so that non Pension Team member can test.</p> <p>Work load and resource planning to cover whole team.</p>	<p>Delay to implementation, concern over timeframe and resource given work and resource required.</p> <p>Work load increasing as 'tidy up' of SAP is underway.</p>	4	4	16	RED

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PEN 30	Freedom of Information requests not dealt with appropriately	Finance Manager - Pension Fund Governance	<ol style="list-style-type: none"> Breach of contract with Fund Managers where information is provided Challenge against statutory obligations if information is not provided Referral to Information Commissioners Office 	4	3	12	Treat	3	2	6	<p>Liaise regularly with Fund Managers regarding requests.</p> <p>Liaise with legal advisers</p> <p>Ownership of process within the team to ensure compliance</p> <p>Keep accurate records of what has been responded to and reasons why information is provided/withheld</p>	Officers proactively liaising with colleagues within ACS to ensure compliance.	3	2	6	GREEN
PEN 31	Policies are not updated in adherence to new guidance issued	Finance Manager - Pension Fund Governance	<ol style="list-style-type: none"> Policies are not compliant. Challenge from stakeholders Referral to the Pensions Regulator. 	3	3	9	Treat	2	2	4	<p>Register of policy documents maintained to manage review expectations.</p> <p>Policy documents compliance review included as a standing item of the Pension Advisory Board agendas.</p>	<p>Carry out review of policy register in line with best practice.</p> <p>Review County Council policies to ensure currency.</p>	2	2	4	GREEN
PEN 16	Inaccurate and/or incomplete data retained by the Pension Fund. Legislation specifies the records that must be kept and failure to comply is a breach of the law.	Director of Finance and Support Services	<ol style="list-style-type: none"> Pay incorrect pension amounts Impact on investment decisions Additional time and cost within the team and with external advisers Fined by the Pension regulator or fined by the Information Commissioner Actuary impaired in making an assessment of an employers liabilities due to quality of data (and through to their contribution rates). Members make decisions based on incorrect or incomplete information Adverse publicity, reputational damage 	4	4	16	Treat	3	2	6	<p>All employers are provided with Administration and Employer Guides setting out their roles and responsibilities whilst participating in the Scheme.</p> <p>Escalation in place where employers fail to supply the correct data.</p> <p>Internal auditors undertake work on systems and processes.</p> <p>Review procedures and controls and implement changes where appropriate.</p> <p>Maintain and implement a Data Improvement Plan</p> <p>End of year returns from employers provides a control whereby data is checked annually.</p>	<p>Positive feedback from Hymans on improvements in data.</p> <p>Data improvement included within Fund Business Plan for 2023/24.</p> <p>Risk rating reflects impact at whole fund level.</p>	3	2	6	GREEN

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PEN 14	Level of expertise and ongoing development of the Pensions Committee and Pension Advisory Board does not comply with guidance.	Finance Manager - Pension Fund Governance	<ol style="list-style-type: none"> Poor decision making Fined by The Pension Regulator Non engagement of Committee and Board members. Inability to invest due to loss of Professional Investor status. 	3	2	6	Treat	3	1	3	<p>Maintain and implement Training Strategy which draws on guidance.</p> <p>Monitoring PC, PAB and Officer completion of LOLA and Toolkit.</p>	<p>Training provision reviewed and amended to reflect membership of Committee and Board.</p> <p>External training purchased.</p> <p>Training strategy approved by Pensions Committee.</p> <p>Vacancy for employer and member representatives on Pension Advisory Board and active recruitment is underway.</p>	4	4	16	RED
PEN 15	Pension Board Members and Pensions Committee Members do not declare conflicts of interest.	Finance Manager - Pension Fund Governance	<ol style="list-style-type: none"> Breach of regulations Fined by The Pension Regulator 	3	1	3	Treat	2	1	2	<p>Clear conflict of interest and disclosure requirements are maintained for the Pension Fund and the Pension Board in line with WSCC overriding policies.</p> <p>Members of the Pension Board and Pensions Committee are asked to make declarations at the start of and during each meeting as appropriate.</p>	<p>Review of Good Governance recommendations and development of Fund Conflict of Interest Policy.</p>	4	1	4	GREEN
PEN 20	Knowledge and understanding of Officers may not comply with the requirement to have the appropriate knowledge and understanding.	Finance Manager - Pension Fund Governance	<ol style="list-style-type: none"> Poor decision making/recommendations Fined by The Pension Regulator Non compliance with County Council e.g. Standing Orders, Procurement Requirements Inability to invest due to loss of Professional Investor status. Non engagement of officers in required decision making 	4	2	8	Treat	3	2	6	<p>Maintain and implement Training Strategy which draws on guidance.</p> <p>Training requirements identified at yearly appraisals</p> <p>Regular meetings between line managers and team members</p> <p>Monitoring PC, PAB and Officer completion of LOLA and Toolkit.</p> <p>Officers proactively seek advice as appropriate.</p>	<p>Training provision reviewed and amended to reflect needs of officers.</p> <p>External training purchased.</p> <p>Training strategy approved by Pensions Committee.</p>	4	3	12	AMBER

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PEN 21	Contractual requirements not met by investment managers	Pension Fund Strategist	<ol style="list-style-type: none"> 1. Impairment of investment outcomes. 2. Breach in legislation 3. Poor provision of financial data provided to Pension Fund Team resulting in poor audit opinion 	4	4	16	Treat	4	2	8	<p>Regular communication with all contracting entities and foster good working relationships.</p> <p>Service levels set out clearly in contract and monitored</p> <p>Continued strong involvement in the work of the ACCESS Group at officer and at Fund Chairman level.</p> <p>Compliance with procurement requirement and standing orders for provision of services to the Fund.</p> <p>Maintain and manage contract register.</p>	Greater reliance on one contract managed outside of WSPF control.	4	3	12	AMBER
PEN 22	Contracts expiring or becoming invalid	Finance Manager - Pension Fund Governance	<ol style="list-style-type: none"> 1. No valid legal agreement in place with suppliers 2. Breach in legislation 3. Breach of County Council Standing Orders 4. Potential challenge from suppliers. 	3	3	9	Treat	3	2	6	<p>Maintain and manage contract register.</p> <p>Engaging with procurement and legal to ensure compliance</p> <p>Compliance with procurement requirement and standing orders for provision of services to the Fund.</p>	<p>Two significant procurements due in 23/24.</p> <p>Procurement and Legal teams within WSCC have been engaged to assist with process and ensure compliance.</p>	3	2	6	GREEN
PEN 41	Partnership expectations not met in delivery of administration	Head of Finance	<ol style="list-style-type: none"> 1. Failure to deliver high quality admin service to all stakeholders 2. Processes and procedures do not ensure that the Fund receives income due and payments are made correctly. 3. Casework is not progressed by the team in line with SLA 4. Failure to account appropriately 	4	3	12	Treat	4	2	8	<p>Regular review through partnership meetings</p> <p>Close working between teams.</p> <p>Engagement with administration team to understand business priorities and development of service.</p>	Continuous review of processes and partnership working following changes within the team.	4	2	8	GREEN
PEN 33	Conflict of interest between the County Council and the Fund	Director of Finance and Support Services	<ol style="list-style-type: none"> 1. Advice and decisions taken in best interests of Council or Fund which may differ. 2. Employers do not understand the difference between the Council and the Fund 	4	3	12	Treat	3	2	6	<p>Be clear in requirements of the Fund and roles and responsibilities of all entities.</p> <p>Be clear in requirements of the County Council and roles and responsibilities of all entities.</p>	<p>Specific Pension Fund Conflict of Interest Policy will be required following implementation of SAB Good Governance project.</p> <p>Consultation on guidance expected in 2023/24.</p>	3	2	6	GREEN

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PEN 25	Increase in number of employers admitted to Fund	Pension Fund Strategist	<ol style="list-style-type: none"> Increase in the workload across the team Delays resulting in impact on members and benefit payments Additional complexity to be managed for BAU processes 	3	3	9	Treat	3	3	9	<p>Work planning to ensure new admissions are anticipated and communicated appropriately</p> <p>Clear processes in place for the monitoring of contributions</p> <p>Liaising with Actuary regularly to ensure employers are admitted appropriately</p> <p>Guidance published and reviewed relating to the Scheme requirements.</p>	<p>Numbers of employers have consistently increased year on year.</p> <p>Review of current processes to ensure efficiency planned.</p>	3	4	12	AMBER
PEN 26	Employers do not pay contributions, pay incorrect amount, pay contributions late or do not provide required information	Finance Manager - Pension Fund	<ol style="list-style-type: none"> Default by employers increasing obligation on the remaining employers in the Fund Increase in number of bonds/guarantees in place Reporting to the Pensions Regulator Benefits calculated incorrectly Employer contribution rates calculated incorrectly Increased liabilities which are not funded 	3	2	6	Treat	2	1	2	<p>Clear employer guide in place setting out responsibility of employers regarding provision of information and contributions</p> <p>Clear admin strategy that can be reported on so that issues can be dealt with at an early stage</p> <p>Regular monitoring and reconciliation of contribution payments received with clear escalation process</p> <p>Identify issues to relevant parties including the Fund Actuary</p>	<p>Improvement in processes to ensure early identification of employer admissions and cessations.</p> <p>Review of current processes to ensure efficiency planned.</p>	2	2	4	GREEN
PEN 34	Reliance on external payrolls (including outsourced providers)	Principal Pensions Consultant	<ol style="list-style-type: none"> Incorrect or insufficient information is provided by employers payroll providers Contribution income and remittances are not received Missing historical data due to changes in payroll providers/systems 	3	4	12	Treat	3	2	6	<p>Provide clear guidance regarding what the requirements are for a payroll provider/system</p> <p>Provide clear guidance regarding what an employers responsibilities are</p>	Known change to two major employer systems being monitored.	5	3	15	AMBER

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PEN 35	Changes to employer circumstances	Principal Pensions Consultant	<ol style="list-style-type: none"> Delays in implementing changes Reduced opportunity to manage the employers circumstances or exit. Wrong contact information is held 	4	4	16	Treat	3	3	9	<p>Liaise with employers regularly</p> <p>Monitor active membership of all employers</p> <p>Work with Actuary to ensure managed exits</p>	<p>Merger of large employers within the Fund completed.</p>	3	3	9	AMBER
PEN 38	Insolvency of an employer resulting in unpaid liability	Pension Fund Strategist	<ol style="list-style-type: none"> Employers not paying contributions or paying reduced contributions for either resourcing or finance reasons Impact on cashflow Employers exiting the Fund with little or no warning 	4	4	16	Treat	4	3	12	<p>Communication with advisors to understand options regarding contribution regulations</p> <p>Implement cashflow monitor and projections and review on a monthly basis.</p> <p>Covenant review discussions</p>	<p>Employer covenant reviewed as part of valuation.</p> <p>Liaising with Legal to understand actions following insolvency.</p> <p>Strong funding position following valuation.</p>	3	2	6	GREEN
PEN 42	Delay to admissions of employers to the Fund	Principal Pensions Consultant	<ol style="list-style-type: none"> Members not admitted to the Fund in a timely manner Contributions not received on time resulting in increased workload to recover Inability to complete processes in a timely manner Delays resulting in impact on members and benefit payments 	4	3	12	Treat	4	2	8	<p>Work planning to identify new admissions.</p> <p>Clear processes in place for the admittance of new employers</p> <p>Liaising with Actuary regularly to ensure employers are admitted appropriately</p>	<p>2023/24 Business Plan includes objective regarding engagement with employers.</p>	4	3	12	AMBER
PEN 27	There is a risk of a successful cyber attack directly from external threats; or indirectly as a consequence of members or staff falling prey to social engineering or phishing attacks. The potential outcome may lead to service disruption, financial or data loss.	Director of Finance and Support Services	<ol style="list-style-type: none"> The Fund suffers significant financial loss or cost. The Fund's reputation is damaged. Member's and employer's trust in the Council is undermined. Partners will not share data or information with the Fund. Punitive penalties are made on the Fund 	4	4	16	Treat	3	3	9	<p>Staff awareness of personal and business information security practices and identification of cyber-security issues including evolving threats.</p> <p>Have processes in place which assist with identifying cyber-attack early, that it is reporting & monitoring is effective, and recovery can be prompt.</p> <p>Robust arrangements in place with all data processors of the Fund's data</p>	<p>Cyber security is one of the risks on the County Council Pension Fund and applies to the Pension Fund.</p> <p>Officers are taking appropriate advice in considering how risk can be managed/mitigated.</p> <p>Liaising with internal IT team and external providers, including Hampshire County Council to understand procedures in the event of cyber attack and gain continuing assurance on the actions and mitigations in place.</p>	5	5	25	RED

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PEN 43	Fund not able to implement changes required as a result of McCloud judgement	Pension Fund Strategist	<ol style="list-style-type: none"> Not calculating members benefits in line with regulations Impact on funding Investigation by tPR Reputational damage 	5	3	15	Treat	3	3	9	<p>Project team set up by admin team</p> <p>Communication with employers letting them know requirements and to flag any issues</p> <p>Data has been collected from employers and pension administration software provider has adapted system.</p>	Awaiting Government consultation on remedy. Some teachers are now retrospectively eligible due to which increases the complexity and may delay implementation.	5	3	15	AMBER
PEN 44	Employers do not hold required information for the Fund to be able to complete the changes required as a result of the McCloud Judgement	Pension Fund Strategist	<ol style="list-style-type: none"> Not calculating members benefits in line with regulations Impact on funding Investigation by tPR Reputational damage 	5	3	15	Treat	3	3	9	<p>Project team set up by admin team</p> <p>Communication with employers letting them know requirements and to flag any issues</p>	<p>Employers have provided data returns to the admin team.</p> <p>Awaiting Government consultation on remedy.</p>	5	2	10	GREEN
PEN 45	Insufficient resources for the Fund to be able to complete the changes required as a result of the McCloud Judgement	Pension Fund Strategist	<ol style="list-style-type: none"> Not calculating members benefits in line with regulations Impact on funding Investigation by tPR Reputational damage 	5	3	15	Treat	3	3	9	<p>Project team set up by admin team</p> <p>Communication with employers letting them know requirements and to flag any issues</p>	<p>Admin team are increasing resource based on their understanding of requirements.</p> <p>Awaiting Government consultation on remedy.</p>	5	3	15	AMBER
PEN 6	Failure to comply with Government expectations on asset pooling or arrangements agreed via ACCESS	Director of Finance and Support Services	<ol style="list-style-type: none"> The Secretary of State takes over investment functions of the Fund and directs its investment strategy and to invest in specific assets. Impairment of the Fund's ability to meet its pension obligations Adverse publicity, reputational damage 	5	2	10	Treat	5	1	5	<p>Continued strong involvement in the work of the ACCESS Group at officer and at Fund Chairman level.</p> <p>Involvement in the procurement work and the Pool's governance work</p> <p>Engagement with external advisers.</p>	<p>All liquid assets are now invested via the ACCESS ACS.</p> <p>Consultation on pooling expected.</p>	5	2	10	GREEN

Risk No	Risk Description	Risk Owner	Risk Impact	Initial Impact Score	Initial Likelihood Score	Initial Score	Risk Strategy	Target Impact Score	Target Likelihood Score	Target Score	Risk Control/Action	Risk Update	23/24 Impact Score	23/24 Likelihood Score	23/24 Score	23/24 RAG Status
PEN 7	Arrangements agreed via ACCESS do not meet the needs of West Sussex Pension Fund	Director of Finance and Support Services	4. The fund is unable to implement it's ISS or choose best in class or appropriate managers. 5. The fund takes on more risk than necessary 6. The funding level of the fund reduces 7. Negative impact on officer time and resources	5	3	15	Treat	5	2	10	Continued strong involvement in the work of the ACCESS Group at officer and at Fund Chairman level. Involvement in the procurement work and the Pool's governance work Engagement with external advisers. Regular review of the funds investment strategy	All liquid assets are now invested via the ACCESS ACS. Officers actively participating at all levels of the pool to ensure that local requirements are understood and considered. Consultation on pooling expected.	5	2	10	GREEN
PEN 23	Role of government policy on the management and benefits of the Scheme.	Head of Finance	8. Changes in legislation 9. Changes to benefit structure	4	4	16	Tolerate	3	4	12	Keeping up to date with Government progress Maintain links with experts and advisers.	Awaiting changes to regs on Exit Cap, McCloud etc.. Expecting consultation. Representatives on the Pensions Committee are not appointed to represent the body appointing them or of which they are a member nor any political or personal interest.	4	4	16	RED
PEN 49	Global events have an adverse impact on the pension fund investment portfolio and the Fund's cashflow.	Pension Fund Strategist	10. Pressure on rental income as tenants request rent free/reduced rent periods following pandemic 11. Ability to make changes to investments may be impacted 12.	4	4	16	Treat	3	3	9	Communication with Fund Manager to understand their approach Discuss options with investment advisors Monitoring liabilities	Fund remains in surplus despite volatile markets. Investment Strategy Statement reviewed.	4	2	8	GREEN

Risk No	Risk Description	Risk Owner	Risk Impact	Initial Impact Score	Initial Likelihood Score	Initial Score	Risk Strategy	Target Impact Score	Target Likelihood Score	Target Score	Risk Control/Action	Risk Update	23/24 Impact Score	23/24 Likelihood Score	23/24 Score	23/24 RAG Status
PEN 32	Pressure from stakeholders and/or changes in Regulation or guidance results in change to investment strategy due to potential Environmental, Social or Governance factors.	Director of Finance and Support Services	13. Fund Manager investments restricted resulting in impaired investment outcomes. 14. Fund challenged regarding fiduciary duty 15. 16.	4	4	16	Tolerate	3	4	12	Requirement for active engagement by Fund Managers and regular dialogue regarding rationale behind investment decisions. Make the Funds approach to responsible investment available to stakeholders and report on Fund progress to improve communication and transparency. Training for all decision makers regarding obligations and responsibilities Keep up to date with Scheme Advisory Board and Government guidance	TCFD consultation responded to in autumn. Awaiting outcome. 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. 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. Full impact is difficult to quantify until further information/guidance is received from Government and Scheme Advisory Board.	4	5	20	RED
PEN 50	Reliance on one contract for majority of investment management through the pool.	Director of Finance and Support Services	17. Impairment of investment outcomes. 18. Breach in legislation 19.	4	4	16	Treat	2	4	8	Engagement with legal and investment advisors to understand risks and options. Engagement with ACCESS Funds and Support Unit to plan and prepare for scenarios Build scenario plans in to work plan for upcoming year	Officers continue to engage with the ACCESS Support Unit over the management of the contract with the Operator. Officers are supporting delivery of the ACCESS business plan in preparation for, and the commencement of, the reprocurement of operator services. 2023/24 is the penultimate year of the Operator Agreement.	4	3	12	AMBER

Risk No	Risk Description	Risk Owner	Risk Impact	Initial Impact Score	Initial Likelihood Score	Initial Score	Risk Strategy	Target Impact Score	Target Likelihood Score	Target Score	Risk Control/Action	Risk Update	23/24 Impact Score	23/24 Likelihood Score	23/24 Score	23/24 RAG Status
PEN 51	Climate risk has the potential to impact Pension Fund investment returns, inflation and life expectancies.	Director of Finance and Support Services	20. Inability to implement investment strategy requirements. 21. Fund manager investments restricted resulting in impaired investment outcomes and reduced funding level 22. Loss of value to the Fund 23.	4	3	12	Treat	2	2	4	Regularly review the Investment Strategy Statement. Investment managers are required to take account of both financial and nonfinancial factors in their investment decisions. Managers are challenged on their engagement activities in connection with environmental, social and governance (ESG) issues including climate risk. Scenario analysis performed with regards to Investment Strategy and Funding Strategy.	Task Force on Climate Related Financial Disclosures consultation responded to in autumn. Awaiting outcome. Engage with managers and consultants to understand Fund exposure to risk.	4	3	12	AMBER

Training Log

Hymans LGPS Online Learning Academy (LOLA) Training on 31 March 2023

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.

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	In Progress					

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	Complete	Complete	Complete	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 Walton	Complete	Complete	Complete	Complete	Complete	In Progress
Vacant						

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". The most recent update was in June 2022 when the content was extended to include sections on Climate Change and Task Force on Climate-Related Financial Disclosures (TCFD) and an Introduction to Cyber Risk.
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		Complete	
Cllr Condie	Complete	Complete	Complete
Cllr Dennis	Complete	Complete	Complete
Cllr Elkins			
Cllr Jupp	Complete	Complete	Complete
Mr. Kipling			
Mr Stretton			
Cllr Turley	Complete	Complete	Complete
Cllr Urquhart			
Mr Wilding	Complete	Complete	Complete

Board

Module	Session 1	Session 2	Session 3
Mr Scales			
Ms Caney			
Mr Cohen			
Ms Kadwell	Complete	Complete	Complete
Ms Martin	Complete	Complete	Complete
Mr Walton			
Vacant			

External Conferences

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

Member	Event	Date
Cllr Hunt	Secure Income & Infrastructure Investment for Pension Funds	April 22
	Link Investor Day	Feb 23
Cllr Condie	LGPS Live - Inflation is making headline news	June 22
	LGPS Live – Pitfalls of Governance	Sept 22
	Local Authority Pension Funds: Sustainable investments and other structural themes	Nov 22
	Local Authority Pension Fund Investment: Current Issues Update	Feb 23
Cllr Dennis	Bailie Gifford – Investing in the Anthropocene	Nov 22
Cllr Elkins	Bailie Gifford – Investing in the Anthropocene	Nov 22
	SPS – Local Authority Pension Fund Investment: Current Issues Update	Feb 23
Cllr Jupp	Bailie Gifford – Investing in the Anthropocene	Nov 22
Mr Kipling	LGPS Live – SAB Scheme Annual Report	May 22
	LGPS Live - Inflation is making headline news	June 22
	LGPS Live – Pitfalls of Governance	Sept 22
	Link Investor Day	Feb 23
	Institute and Faculty of Actuaries presentations (infrastructure investment, inflation, and pensions dashboards)	
	Barnett Waddingham - investment megatrends Mercer - the 2022 actuarial valuation	
Mr Stretton	Link Investor Day	Feb 23
Cllr Urquhart	PLSA LGPS Conference	June 22
	Bailie Gifford – Investing in the Anthropocene	Nov 22
Mr Wilding	Strategic Investment Forum	Feb 23

Internal Training

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

Committee and Board members were also invited to attend the RAAC Financial Statements Briefing which covered the Pension Fund accounts. Six Committee Members and five Board members attended the training.

Operator and Depositary training has also been provided to both Committee and Board. Nine Committee members and all Board members attended.

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, Mr. Stretton and Mr. Kipling have completed all Pension Regulator’s Toolkit modules.

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Internal Audit Results / Planned Activity

Key Area	Update
<p>National Fraud Initiative: Full exercise undertaken October 2020 and completed within 6 months and to be undertaken again in October 2022.</p>	<p>The data for the 2022/23 NFI was uploaded to the Cabinet Office.</p> <p>A final report is expected from the internal audit team.</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>Testing complete – close of audit meeting scheduled.</p> <p>Scoping has been delayed on further testing covering the processes and controls where the pension services interact with the WSCC pensions team further testing.</p>
<p>Pension Transfers: To provide assurance over the processes and controls where HPS interact with the WSCC pensions team.</p>	<p>A substantial assurance opinion was given within the initial audit work. Scoping in progress on further testing.</p>
<p>UPM - Cyber Security: To provide assurance over the Cyber Security arrangements for the Pension Administration (UPM) application</p>	<p>Close of audit meeting now arranged for late April 2023.</p>
<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 with all changes to on-going pensions being accurate and timely.</p>	<p>Close of audit meeting now arranged for late April 2023. _</p>

Key Area	Update
<p>Treasury Management: Cash flow is adequately planned, with surplus monies invested in line with the Council's Treasury Management Strategy.</p> <p>This has been previously reported to Pensions Committee.</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:</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>Pension Refunds: To assess that there are appropriate arrangements to ensure all refunds are valid, accurate and are paid promptly to the correct recipients following a validated request to withdraw from the schemes administered by HPS.</p>	<p>By 30 June 2023</p>
<p>UPM – Application Review: (This has been identified as a new audit review area) Assurance over the management of the UPM application, including supporting infrastructure such as servers, databases, pre-production environments and system changes.</p>	<p>By 31 December 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>By 31 March 2024</p>

Report to Pensions Committee**28 April 2023****Pension Administration****Report by Director of Finance and Support Services**

Summary

The Pension Administration services has been provided by Hampshire County Council since 4 March 2019. The following are highlighted:

- There were 86,759 members in the Scheme on 31 March 2023 and 216 employers actively contributing into the Scheme This is an increase of 2,178 members and 11 employers since 31 March 2022.
- Over the quarter ending 31 March 2023, 2,241 casework items were completed by the team and a total of 8,924 casework items completed by the administrators over 12 months to 31st March 2023. All casework items were completed with the service level timescales. On 31 March 2023, 754 casework items were in progress with the team, employers, members or other third parties (a reduction from 786 on 31 December 2022).
- The Member Portal was set up in 2019 when the services transferred to Hampshire Pension Services and 48% of members have now registered to access and are therefore able to update their personal details, access to Annual Benefit Statements, run retirement estimates or view their payslips online.
- 75% of employers are registered onto Employer Hub which allows employers to view pension records for active employees, inform the team about changes in membership, notify of leavers / starters and run retirement estimates.
- The Spring Budget introduced changes to tax relief on pensions with the lifetime allowance charge being removed and annual allowance being raised to £60,000.
- The administration team have started work to receive end of year returns from employers with active members participating in the Scheme between 1 April 2022 and 31 March 2023. Employers have been asked to provide their return by 30 April 2023.
- HM Treasury (HMT) have confirmed that public service pensions would increase on 10 April 2023 by 10.1%.
- The Government has responded to its [2020 consultation](#) on the McCloud remedy which confirms the underpin period, the period over which the 'best of both' protection will apply, will run from 1 April 2014 to 31 March 2022, or to a member's final salary normal pension age, usually 65, if that is earlier than 31 March 2022. A further consultation is expected "in the coming months" and the final regulations are due to come into force on 1 October 2023 (retrospectively to 1 April 2014).

- The Government led “Pension Dashboard” project is intended to allow individuals to go to a single website and receive details of all the pensions they hold across UK pension providers. The Department for Work and Pensions (DWP) has now announced delays to the implementation of Dashboards.

Recommendation:

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, and they work closely with the West Sussex Pensions Team.
- 1.2 The Pensions Committee has a key objective within its Business Plan to continue improvements in relation to the pension administration service provided to all stakeholders and deliver a high-quality administration service.

2 Membership and employer movements

- 2.1 On 31 March 2023, the Scheme had 86,759 members as analysed below. Membership and movements from 1 April 2022 have been shown as a comparison.

Member Type	1 April 2022	31 March 2023	Movement No.	Movement %
Active	26,825	25,930	-895	-3%
Deferred	34,754	36,843	2,089	6%
Pensioner	23,002	23,986	984	4%
Total	84,581	86,759	2,178	3%

- 2.2 In addition, there are 5,884 records classified as ‘preserved refunds’ (5,824 on 31 December 2022). Preserved refunds relate to those leaving the scheme before reaching a two year ‘vesting period’ threshold and therefore do not qualify for deferred benefits. A project is being scoped to provide options to those with preserved refunds in the Scheme.

- 2.3 On 31 March 2023, the Scheme had 318 employers.

Employer Status	31-Mar-22	31-Mar-23
Active	205	216
No active members	87	102
Total	293	318

Note: The above excludes on employer who is in the process of being admitted.

3 Administration Activity

- 3.1 Appendix A sets out LGPS contributions received over the twelve-month period to February 2023 payroll, casework performance, complaints, and portal access during the period to 31 March 2023.

4 Spring Budget

- 4.1 The Spring Budget introduced changes to tax relief on Pensions.
- The Lifetime Allowance (LTA) charge has been removed from 6 April 2023 and will be abolished in a future finance bill.
 - Annual Allowance will increase to £60,000 from 6 April 2023.
- 4.2 The administration team are assessing the impact of the changes and developing any communication to members as appropriate but do not consider that any leavers prior to 5 April 2023 will be impacted by the changes to Lifetime Allowance.

5 Annual Tasks

End of Year Returns

- 5.1 The team have commenced work on the end of year returns from employers with active members participating in the Scheme between 1 April 2022 and 31 March 2023.
- 5.2 Employers have been asked to provide their return by 30 April 2023 to allow the administration team to reconcile the data provided, update member records and produce Annual Benefit Statements by the Statutory deadline of 31 August 2023.
- 5.3 The data provided by employers is also used by the team to produce Pension Saving Statements for impacted members (required by the 6 October 2023 deadline).

Annual Revaluation

- 5.4 On 20 February 2023 HM Treasury (HMT) published a [written ministerial statement](#) confirming that public service pensions would increase on 10 April 2023 by 10.1%, in line with the consumer price index (CPI) up to September 2022 and that CARE accounts should also be revalued at 10.1% in April 2023.
- 5.5 The pension increase will be applied in full, from 10 April this year, to those members who have been receiving their pension for the whole of the 2022-2023 tax year. It will be pro rata, to those members who retired after the start of this period.
- 5.6 Separately changing to the Scheme regulations have been made to move the revaluation date from 1 April to 6 April. This means that in the tax year 2022/23, the Annual Allowance calculation does not include any Scheme revaluation. From the tax year 2023/24 onwards, the inflationary increase used for the Annual Allowance calculation and the annual revaluation will both use the same CPI figure. For the tax year 2023/24 this will be 10.1%.

- 5.7 The increase will be applied to deferred benefits and active members CARE pensions as part of the end of year work.

6 Project Work: McCloud

- 6.1 Reforms made in 2015 to the judicial and firefighters' pension schemes were found by the Court of Appeal in 2018 to have been unlawful based on age discrimination. This ruling, known as the McCloud judgment, impacted all main public service pension schemes, including the LGPS. As a result, every member active in a scheme before the introduction of the career average revalued earnings scheme will be eligible for the higher of either their final salary benefits or the Care benefits accrued since these were introduced.

Regulations

- 6.2 The Government's response to its [2020 consultation](#) on the McCloud remedy has been [published](#).
- 6.3 The response confirms:
- The underpin period, the period over which the 'best of both' protection will apply, will run from 1 April 2014 to 31 March 2022, or to a member's final salary normal pension age, usually 65, if that is earlier than 31 March 2022.
 - Underpin protection will be expanded and apply to those who were in active service on or before 31 March 2012 and had membership of the career average scheme without a gap in service of five years or more. This ensures members who had taken career breaks are also protected.
 - Administrators will compare members' benefits over this underpin period and if a member's pension would have been higher in the final salary scheme, an addition would be payable to the member.
 - Underpin protection should be appropriately considered to reflect the range of ways individuals can access their benefit – including where members transfer out, retire on ill-health grounds, receive a redundancy pension, or commute their benefits for a cash payment (where the pension meets trivial or small pot qualifying criteria).
 - The underpin will be considered in determining the amount of survivor benefits payable where a qualifying member dies.
- 6.4 The response acknowledges that the implementation of the McCloud remedy presents a series of challenges for administrators, and it is important that detailed planning and preparation is undertaken to prepare for the changes and Authorities should ensure they have sufficient resourcing plans in place.
- 6.5 A further consultation is expected "in the coming months."
- 6.6 The final regulations are due to come into force on 1 October 2023 and apply retrospectively to 1 April 2014, ensuring a single set of rules governing the underpin applies to members who were originally protected and those who are in scope of the McCloud remedy.

Data

- 6.7 Officers are working closely with Hampshire Pension Services to implement the new underpin calculations, engage with members about the changes and work with employers on any identified data issues.
- 6.8 Employers are statutorily required to provide extra data (hours worked and service breaks) for all members in the Scheme. The data has been requested in two tranches (to 31 March 2021 and then 1 April 2021 to 31 March 2022) to allow the team to apply legislative changes to member benefits extending the underpin benefits to eligible younger members.
- 6.9 To date, 206 of 214 completed service/break data sets have been provided by West Sussex employers for 1 April 2014 to 31 March 2022. Initial data checks have been completed on 200 of these. There are queries outstanding with 14 employers.
- 6.10 The team are focused on uploading data sets for those employers with more than 150 members by 30 April 2023, which represents 80% of data sets for 1 April 2014 to 31 March 2021 by 30 April 2023.
- 6.11 The Scheme Advisory Board have provided guidance to assist Authorities where they are unable to collect the data needed to implement the McCloud remedy. It covers both missing data and data the authority is not confident is accurate. This guidance is being considered by the administration team.

Eligibility for LGPS membership Teachers

- 6.12 If someone has a full time and a part time teaching contract these are both pensionable in the 2015 Teachers' Pension Scheme (TPS), but the legacy TPS restricts membership to 100% of full time. Under the McCloud remedy therefore the part time contract would be pensionable within the LGPS (which is the safety net scheme for all public sector workers). The Department for Education (DfE) is working with Local Government Association (LGA) to scope out those affected but current estimates are that 37,000 people nationwide will be impacted (mix of active, deferred and pensioners).
- 6.13 For these members, a new LGPS membership would need to be set up and relevant employer and employee contributions paid to the Fund. Once these members have received their Remedial Service Statements from the TPS and LGPS they will have 12 months to transfer back into the 2015 TPS scheme.
- 6.14 The remedy exercise is going to be administratively challenging for both the TPS and LGPS administering authorities (e.g., adjusting employee and employer contributions / obtaining data to create LGPS member records / adjustments where benefits are already in payment / transfers back to the Teachers' Pension Scheme).
- 6.15 A consultation is expected later this year.

7 Project Work: Dashboard

- 7.1 The Government led "Pension Dashboard" project is intended to allow individuals to go to a single website and receive details of all the pensions they hold across UK pension providers. The original date for implementation was 30 September 2024.
- 7.2 On 24 November 2022, the Pensions Regulator published a consultation on its [Dashboards compliance and enforcement policy](#). Hampshire Pension Services responded to the Consultation on 24 February 2023 and did not feel there were any concerns with any of the proposals or intended approaches to monitoring compliance or issuing penalty notices.
- 7.3 The Department for Work and Pensions (DWP) has since announced delays to the implementation of Dashboards by way of a Written Ministerial Statement reflecting the significant challenges in development the necessary digital architecture.
- 7.4 The expectation is that Dashboard provision will be a supplementary service within the Partnership Agreement with Hampshire County Council.

8 Application of Administering Authority Discretions

Discretion Decisions

- 8.1 The rules of the Local Government Pension Scheme (LGPS) are set out in the LGPS and associated statutory Regulations. However, there are some provisions which are discretionary and West Sussex as Administering Authority can choose how, or if, it applies certain provisions of the Scheme.
- 8.2 During the quarter, the Director of Finance and Support Services and Director of Law and Assurance decided about the payment of a death grant for one member. Having taken account of all the circumstances, it was considered to be unclear, to whom the payment should be made.

Other Decisions

- 8.3 In addition, there are some administration processes which are not formal discretions but are still disclosed to the Pensions Committee as they are more exceptional.
- 8.4 During the quarter five transfer requests to move members pension to an alternative fund were made and approved, by the Director of Finance and Support Services.

9 Breach Reporting

- 9.1 Since the last Pensions Committee meeting, there have been no data breaches notified.

10 Other options considered (and reasons for not proposing)

- 10.1 N/A

11 Consultation, engagement, and advice

- 11.1 N/A

12 Finance

12.1 N/A

13 Risk implications and mitigations

13.1 Risks associated with this report are set out in the risk register for the Pension Fund which is part of the Business Plan at agenda item 7.

14 Policy alignment and compliance

14.1 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.

Taryn Eves

Director of Finance and Support Services

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Appendices

Appendix A - Administration Activity

Background papers

None

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Administration Activity

Administration Activity

Key Performance Indicators

The analysis below shows performance of the administration team in relation to key processes over the past 12 months. The bold line shows the KPI target. To pattern of cases over the year is shown on the right-hand side.

No. Cases completed by day count	0-5 days	6-10 days	11-15 days	16-20 days	21-30 days	Total	Jun 2022	Sept 2022	Dec 2022	Mar 2023
Active Retirement	218	106	134			458	114	125	115	104
Deferred Retirement	187	182	466			835	203	222	178	232
Estimates	147	376	1,561			2,084	563	594	437	490
Deferred Benefits	100	44	128	160	3,070	3,502	908	1,012	844	738
Transfers In & Out	40	38	32			110	19	16	29	46
Divorce	17	58	74			149	40	32	22	55
Refunds	94	310	142			546	120	150	151	125
Rejoiners	28	13	54	236		331	72	52	59	148
Interfunds	83	111	242			436	109	99	91	137
Death Benefits	335	54	84			473	77	123	107	166
Total	1,249	1,292	2,917	396	3,070	8,924	2,225	2,425	2,033	2,241

This casework 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).

Work in Progress

The Administration Performance does not reflect work in progress which is with the team, employers, members or other third parties. The analysis below shows casework in progress at 31 March 2023 in relation to key processes.

No. Case in Progress. Day count from receipt	0-5 days	6-10 days	11-15 days	16-20 days	21-30 days	31-40 days	Total	Previous Quarter
Active Retirement	13	4	1				18	10
Deferred Retirement	12	12	6		1		31	24
Estimates	45	102	14	6	5	8	180	221
Deferred Benefits	16	131	77	36	67		327	378
Transfers In & Out	10	3			1		14	12
Divorce	15	2	2		2	3	24	9
Refunds	14	18	7		1		40	6
Rejoiners	8	8	19	14	1		50	52
Interfunds	16	10	3	1			30	35
Death Benefits	2	8	3	4	9	14	40	39
Total	151	298	132	61	87	25	754	786
Previous Quarter	124	331	124	83	96	28	786	

Portal access

The table shows registrations to the Member Portal (which allows members to view their Annual Benefit Statement, produce retirement estimates and to access and update their personal details) and the number of log in to the Member Portal over the quarter.

As of 31 March 2023, there are 163 West Sussex employers signed up to the Employer Hub (which allows them to submit data on starters/leavers and run estimate). The employers who are not currently registered are those with a low number of employees/members and therefore the impact of them not being registered is minimal.

	Registrations 31 Mar 2023	No. Log In Mar 22	No. Log In Dec 22	No. Log In Sept 22
Active: Registered	12,478 (48%)	6,105	4758	9,825
Active: Opt out of online	165 (1%)	-		
Active: No Response	13,287 (51%)	-		
Deferred: Registered	12,379 (34%)	5,056	3269	5,299
Deferred: Opt out of online	212 (1%)	-		
Deferred: No Response	24,252 (66%)	-		
Pensioner: Registered	10,185 (42%)	4,062	2932	2715
Pensioner: Opt out of online	6,168 (26%)	-		
Pensioner: No Response	7,633 (32%)	-		
Total: Registered	35,042 (40%)	15,223	10,959	17,839
Total: Opt out of online	6,545 (8%)	-		
Total: No Response	45,172 (52%)	-		

Call and email volumes

The analysis below shows the call and email volumes received by the administration team over the past six months.

Month	Jul-22	Aug-22	Sep-22	Dec-22	Jan-22	Feb-22	Mar-22	Total
Calls received	521	506	490	314	615	536	Not available	2,982
Calls answered	516	498	481	310	590	524	Not available	2,919
Calls abandoned	5	8	9	4	25	12	Not available	63
Average wait time (seconds)	73	61	72	63	140	159	Not available	99 (avge)
Emails	599	494	788	336	489	522	Not available	3,228

Contribution Monitoring

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.

Officers are working with employers who do not provide the required information in a timely manner, or whose contributions do not reconcile.

Figures for November 2022 have been updated to reflect a late payment from one employer which has not yet been received. This has been escalated.

	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb
Total Active Employers	211	211	213	214	214	213	217	215	216	216	216
Fully compliant	203	199	205	199	193	199	208	198	212	208	200
Not compliant – late remittance / payment	8	12	8	15	21	14	9	17	4	8	16
Total Value of Late Payments (£)	35,133	70,326	994	3,028	8,871	11,193	-	22,485	0	0	0
Number of Late payments still outstanding	-	-	-	-	-	-	-	1			
Total Amount Still overdue (£)	-	-	-	-	-	-	-	5,145			

Complaints and Compliments

Over the year to 31 March 2023 the team received 26 compliments.

Over the same period, nine complaints were responded to and additional information provided to the Pensions Ombudsman for one complaint, and to the Pensions Ombudsman Early Resolution team for two complaints.

Officers consider lessons learnt and any service improvements to be implemented following the receipt of a complaint.

Month	Formal/ Informal	Current Status	Summary of complaint	Learning points
April 2022	Formal	Closed	Information provided about ability to access pension under flexible retirement.	Further training provided
May 2022	Formal complaint	Closed	Ability to access member Portal	N/A
June 2022	Formal complaint	Closed	Time taken to complete an estimate.	Reminder to keep members updated on case work.
July 2022	Formal complaint	Closed	Delay to receiving trivial commutation payment	Reminder to contact members if request is not deliverable.
July 2022	Formal complaint	Closed	Information provided about bringing deferred pensions into payment where they have different payment dates	N/A as considered letter is clear
August 2022	Formal complaint	Closed	Missed request to provide CETV on divorce.	Reminder to check for multiple requests when reviewing incoming post. Reminder to keep members updated on case work.

Month	Formal/ Informal	Current Status	Summary of complaint	Learning points
August 2022	Formal complaint	Closed	Lack of explanation provided about how a refund amount had been calculated.	Reminder to keep members updated on case work.
November 2023	Pensions Ombudsman	Ongoing	Record not correctly reflecting cessation of additional pension contribution contracts.	<i>Ongoing</i>
December 2022	Formal complaint	Closed	Delay in processing transfer out request.	Review member communication on transfer out process
February 2023	Pensions Ombudsman Early Resolution Service	Closed	Calculated pension and lump sum significantly lower than estimates.	Reminder to provide full explanation of any data cleansing completed where it impacts on a member.
February 2023	Pensions Ombudsman Early Resolution Service	Ongoing	Calculated pension and lump sum significantly lower than estimates.	Reminder to provide full explanation of any data cleansing completed where it impacts on a member.
February 2023	Formal complaint	Closed	Calculated pension and lump sum significantly lower than Annual Benefit Statement.	Reminder to provide full explanation of any data cleansing completed where it impacts on a member.

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**Key decision: N/A
Unrestricted**

Report to Pension Advisory Board

22 May 2023

Communication Strategy

Report by Director of Finance and Support Services

Summary

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

During the quarter, the annual pensioner newsletter was published alongside news articles on pension scams, benefit increases and tax changes. Information is also being published in relation to McCloud Scheme changes as this is developed by the team, or centrally by the Local Government Association.

Recommendation

That the Board note the updates in the report and communication set out in Appendix A

Proposal

1 Background and context

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

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

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

2 Communication Strategy

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

Taryn Eves

Director of Finance and Support Services

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rachel.wood@westsussex.gov.uk

Appendices

Appendix A - Description of Communication Deliverables

Appendix B – McCloud Judgement

Background papers

None

Description of Communication Deliverables

The "Future Activity" column has been updated since the Board met in February 2023. Other changes since the Board last met are highlighted as **bold** text.

There are several key policy documents within the Communication Strategy Statement. To avoid duplication, these have been reviewed from the table below and instead covered in Agenda Item 12.

Communication	Audience	WSSC Role	Admin Team Role	Future Activity	Frequency of Review	Previous Review Date	Future Review Date
Details of the Pensions Committee and Pension Advisory Board	All stakeholders	Lead	N/A	Papers published in advance of meetings			
Member's Guide for active members	All members	Feedback	Draft and publish	N/A	Ongoing	N/A	N/A
Annual newsletter for pensioners published via the Member Portal (March or April) and an expanded version of the newsletter on the website . Members can opt to receive a paper copy of the newsletter.	Pensioner members	Feedback	Draft and publish	The Pensioner Newsletter was published in April and is available here.	Annually	02/2022	02/2023
Annual Benefit Statements published via the Member Portal (by 31 August each year) with a detailed explanation of their statement on the website . Members can opt to receive paper statements.	Active members Deferred members	Feedback	Draft and publish	The Annual Benefit Statement template has been shared with the team. Communication to support the publication of Annual Benefit Statements is being considered.	Annually	11/2022	11/2023
Pensions Savings Statements published via the Member Portal (by 6 October each year). Members can opt to receive paper statements.	Active members	Feedback	Draft and publish	The team will prepare 2022/23 Statements as part of their End of Year work.	Annually	11/2022	11/2023
Payslips published via the Member Portal . Members can opt to receive paper copies.	Pensioner members	Feedback	Draft and publish		Ongoing	N/A	N/A
Declaration of pension entitlement to pensioners that live overseas each year, or whenever a pensioner payment or mail is undelivered, to verify a member's continuing entitlement to receive pension payments.	Pensioner members	N/A	Draft and publish		Ongoing	N/A	N/A

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Communication	Audience	WSCC Role	Admin Team Role	Future Activity	Frequency of Review	Previous Review Date	Future Review Date
Latest news updates via an update to the website .	All members Employers	Feedback	Draft and publish	Articles published are noted below: <ul style="list-style-type: none"> Pension Transfer Scams (03/02/2023) Annual Increases – Pensioners (01/03/2023) Pensions Tax Changes (22/03/2023) Annual Increase – Contributing Members (28/03/2023) Change to Transfer Value Factors (31 March 2023) A member factsheet (Appendix B) on the McCloud judgement has also been published by the team.	Ongoing	N/A	N/A
Pre-Retirement courses through the West Sussex Learning and Development pages .	Active members	Arrange	Promote	N/A	Ongoing	N/A	N/A
The Employer Guide sets out policies and procedures for employers including the admission and exit.	Employers	Lead	Input	To be reviewed Spring 2023 to align with the Funding Strategy Statement	Ongoing	N/A	N/A
Regular employer newsletters (Pension Matters) and Stop Press communications to employers to advise on relevant topics.	Employers	Feedback	Draft and publish	Articles published are noted below: <ul style="list-style-type: none"> Pensions Matters (April 2023) Changes to employee contribution bands (February 2023) 	Quarterly	11/2022	02/2023
Annual General Meeting	Employers	Lead	Input	Consideration will be given to arrangements to engage with employers going forwards.	Annually	N/A	07/2023
Employer Training with small groups or individual employers	Employers	Feedback	Draft and publish	Training to employers on annual returns process were delivered by the team.	Biannually	N/A	N/A
Actuarial Valuation meetings	Employers	Feedback	Input		Triennially	N/A	N/A
Feedback requested from customers (All stakeholders		Manage	Training surveys Reporting of complaints and compliments	Ongoing	N/A	N/A



The McCloud judgment and your LGPS pension

This factsheet summarises the McCloud judgment and changes the Government is making to the Local Government Pension Scheme (LGPS) in England and Wales.

At a glance



The changes may affect you if:

- you were paying into the LGPS or another public service pension scheme before 1 April 2012
- you were also paying into the LGPS between 1 April 2014 and 31 March 2022
- you have been a member of a public service pension scheme without a continuous break of more than 5 years



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What is the McCloud judgment?

When the Government reformed public service pension schemes in 2014 and 2015, transitional protections were introduced for older members. In December 2018, the Court of Appeal ruled that younger members of the judicial and firefighters' pension schemes had been unlawfully discriminated against because the protections did not apply to them.¹

This ruling is called the McCloud judgment, after a member of the Judicial Pension Scheme involved in the case. Because of the ruling, there will be changes to all public service pension schemes that provided transitional protection, including the LGPS.

The changes are called the McCloud remedy and are intended to remove the age discrimination found in the McCloud court case.

The changes are called the McCloud remedy and are intended to remove the age discrimination found in the McCloud court case



1 Lord Chancellor and another v McCloud and others
Secretary of State for the Home Department and others v Sargeant and others
[2018] EWCA Civ 2844



How is the LGPS changing?

In 2014, the LGPS changed from a final salary scheme (a pension based on your pay when you leave) to a career average scheme (a pension which builds up based on what you earn each year).

Older members who were closer to retirement were protected from the changes. This means when a protected member takes their pension, the benefits payable under the career average scheme are compared with the benefits that would have been built up, had the final salary scheme continued and they receive the higher amount. This protection is called the underpin.

To remove the McCloud age discrimination, qualifying younger members will now receive the underpin protection too. This change will come into force on 1 October 2023. Underpin protection only applies to pension built up in the remedy period, between 1 April 2014 and 31 March 2022. The underpin will have stopped earlier if you left the scheme or reached your final salary normal retirement age (usually 65) before 31 March 2022.

From 1 April 2022, there is no underpin protection. Pension built up after this date is based on the career average scheme only.

**The LGPS McCloud
remedy will come into
force on 1 October 2023**



**1 October
2023**



Am I affected?

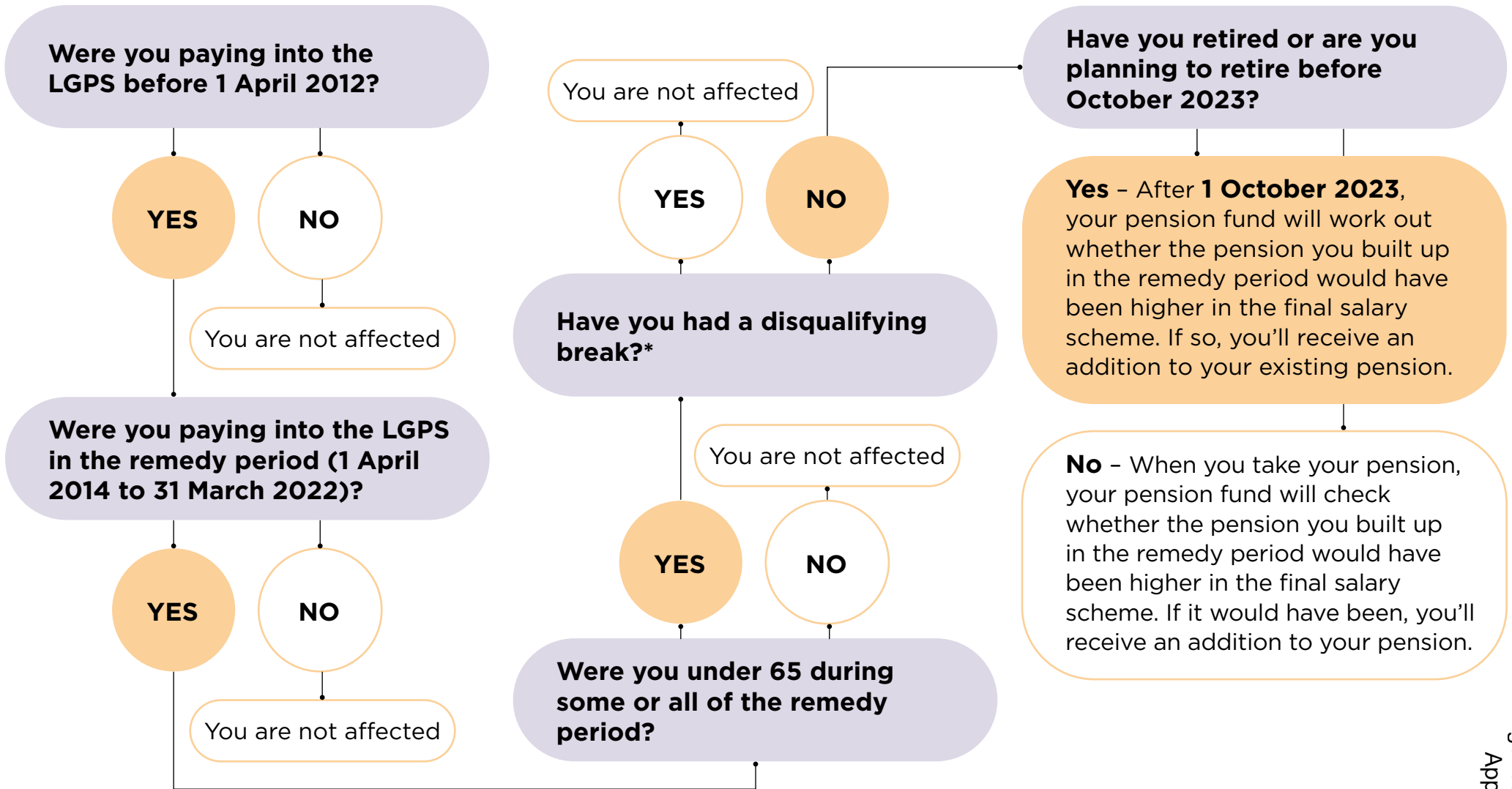
You may qualify for underpin protection if you were a member of the LGPS before 1 April 2012 and at any time between 1 April 2014 and 31 March 2022, as long as you did not have a disqualifying break. A disqualifying break is a continuous period of more than five years when you were not a member of a public service pension scheme.

If you have had more than one period of LGPS membership, the Government is considering if those periods have to be joined up or 'aggregated' to determine whether you qualify for underpin protection. The Government will seek views on this in 2023, ahead of announcing a final decision.

You may also qualify for protection if you were a member of another public service pension scheme before 1 April 2012 and you transferred that membership to the LGPS. The Government is considering whether you should also qualify for underpin protection if you have not transferred that membership to the LGPS. The Government will seek views on this in 2023, ahead of announcing a final decision. You can use the tool on the next page to see if the changes could affect you.

You may qualify for underpin protection if you were a member of the LGPS before 1 April 2012 and at any time between 1 April 2014 and 31 March 2022





* If you have changed jobs, underpin protection could apply to you. This will depend on your circumstances and the rules of aggregation which are being considered by the Government.



What do I need to do?

You do not need to do anything. If you qualify for underpin protection, your pension fund will work out if an addition is due to be paid to you when you take your pension. If you have already retired, your pension fund will work out if you are due an addition to your existing pension. They will do this as soon as they can after 1 October 2023.

Will my pension increase?

This depends on the pension that you have built up when you take your pension. You don't need to do anything – your pension fund will work out whether you are due any additional pension.

Many members won't see an increase because the pension they build up in the career average scheme will be higher than what they would have built up in the final salary scheme.

Your pension fund will work out if an addition is due to be paid to you when you take your pension





Do the changes affect me if I qualified for original underpin protection?

If you already qualified for protection under the original rules for protection, your pension fund will work out if you are due an addition to your existing pension. They will do this as soon as they can after 1 October 2023.

How can I find out more?

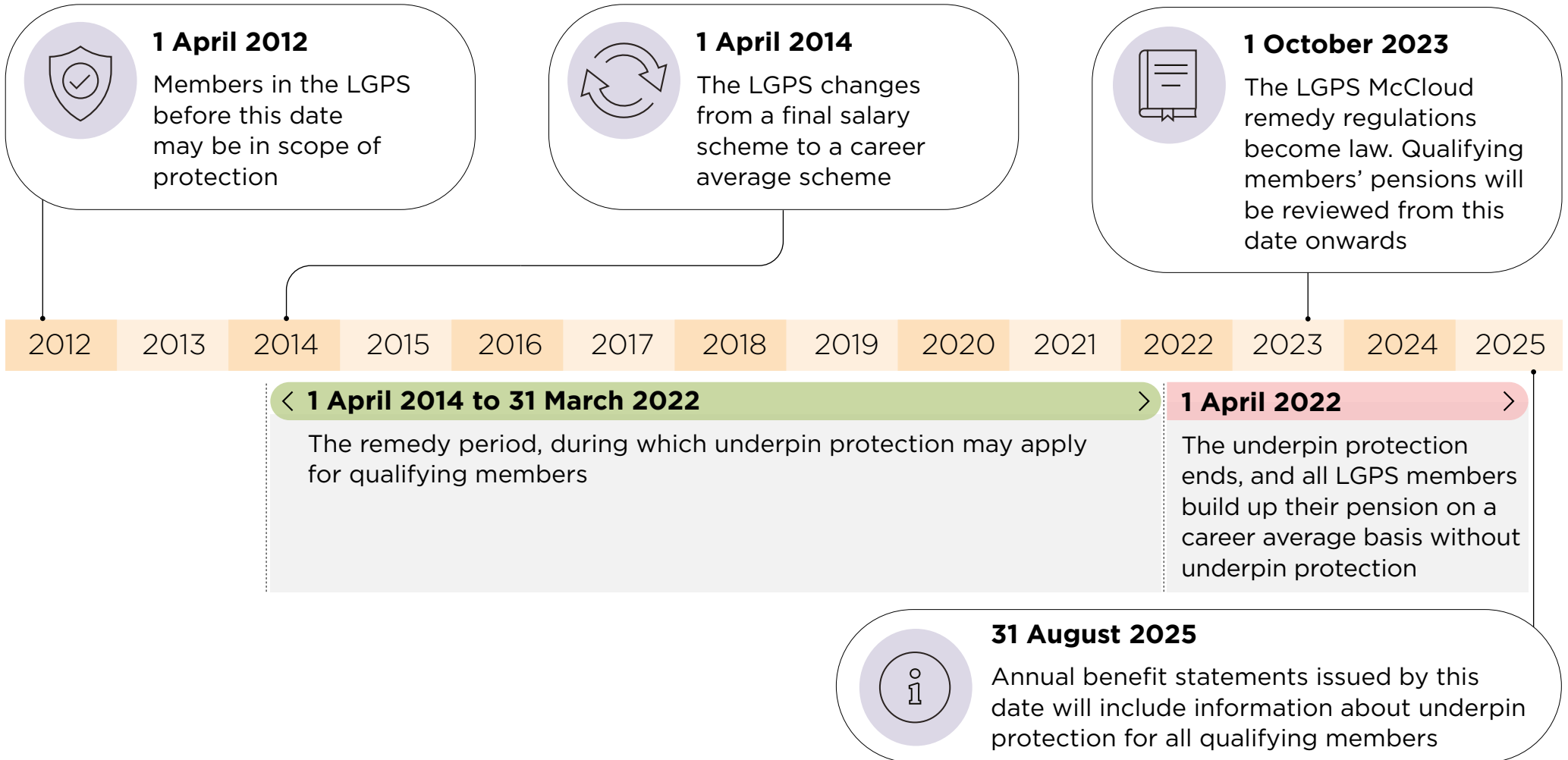
This factsheet doesn't cover all circumstances or provide a detailed explanation of the McCloud remedy, which will be set out in legislation. For more information on how the McCloud remedy may affect you, contact your pension fund. Contact details for all LGPS funds are available here: www.lgpsmember.org/contact-your-fund

For further information on how the McCloud remedy may affect you, **please contact your pension fund**





Key dates



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Key decision: Not applicable
Unrestricted

Report to Pension Advisory Board

22 May 2023

Regulations and Governance Update

Report by the Chairman of the Pension Advisory Board

Summary

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

Recommendations

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

Proposal

1. Background and context

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

2. LGPS Bulletins and regulations

- 2.1 Emails from the Local Government Association (LGA) announcing the issue of these Bulletins are forwarded to all Board members for early reference, and any matters of significance to the Board's activities are drawn to the attention of members.
- 2.2 Full details of the Bulletins are available on the Local Government Pensions Committee (LGPC) website (www.lgpsregs.org) under "LGPC Bulletins". Other changes or potential changes to the regulations are addressed in the Administration report on the agenda.

3. Scheme Advisory Board/DLUHC outstanding issues

- 3.1 The SAB last met on 20 February and a summary note of the meeting has been published on their website. A copy of this note is provided in **Appendix A** for ease of reference.
- 3.2 The note provides an update of progress on certain developments at the time of their meeting. They refer to slow progress with Department for Levelling Up, Housing and Communities (DLUHC) and their survey regarding work to revise the current guidance on knowledge and understanding requirements. Their next meeting is on 22 May 2023.
- 3.3 The Spring Budget referred to planned action in relation to pooling, mainly to ensure faster progress in achieving 100% investment in pools and to have a smaller number of larger sized pools by investment value. Statements in the public domain indicated an expectation of a consultation being issued around Easter but it is not yet clear as to the extent of regulation changes and/or revisions to the DLUHC guidance. Such new requirements may pose new compliance issues.

4. The Pensions Regulator

- 4.1 The new combined Code, now called the "General Code" is expected to be laid before Parliament soon for a period of 40 days before the new requirements come into force. The Board will be updated on any progress.

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

- 5.1 N/A

6. Consultation, engagement and advice

- 6.1 N/A

7. Finance

- 7.1 N/A

8. Risk implications and mitigations

- 8.1 ***Failure of Board members to maintain a suitable level of knowledge and understanding*** – By having this report as a standing item for each Board meeting, members are kept abreast of developments.
- 8.2 ***New training requirements imposed on the Board in relation to compliance testing*** – monitoring new developments in this way should identify potential new requirements at an early stage.

9. Policy alignment and compliance

- 9.1 Integral part of agreed training strategy.

Peter Scales

Chairman of the Pension Advisory Board

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Appendices

Appendix A – Summary note of (hybrid) meeting of the SAB on 20 February 2023

Background papers

None

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The Scheme Advisory Board

Summary note of (hybrid) meeting held on 20th February 2023

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

The minutes of the meeting on 5th December 2022 were approved.

The main points arising from the meeting are shown below:

SAB 2022/23 Workplan and Budget - The Board approved a draft budget and workplan for 2023-24. The budget would be a substantial increase from last year, largely due to the Secretariat's absorption of the CIPFA Pensions Panel's work, work to improve cost transparency and expenditure associated with running the Scheme Cost Assessment. This last item is a one-off cost paid every four years in line with the quadrennial scheme valuation cycle. The Board agreed to look into whether it was possible to smooth its annual budget profile so that these cyclical costs were spread.

Fund Valuation Reports - With emerging fund valuation reports increasing surpluses, the Board agreed to consider at its next meeting what opportunities and challenges that might bring for administering authorities in the future. Work continued to collect and analyse data from fund annual reports and valuation reports, for aggregation at scheme level. The Scheme Annual Report for 2021/22 was expected to be released in May and the Scheme Valuation Report (collating 2022 fund valuation reports) later in the summer.

DLUHC Update - The Board received an update from officials at the Department of Levelling Up, Housing and Communities (DLUHC) on its proposed consultations and work to develop the detail of the McCloud remedy. The Board was told that the second consultation on McCloud would potentially be pushed back beyond local government elections in May. Final regulations were now due to be published in September 2023 with the regulations coming into effect from 1st October 2023. On Climate Risk Reporting, DLUHC was yet to issue its response to the consultation which closed on 24th November 2022. Their target date for publishing the regulations implementing the reporting requirements was now "before summer recess". Progress on other workstreams was moving more slowly than anticipated.

The Board received a briefing on the proposed LGPC response to the consultation on changing the revaluation date, which closed on 24th February. The consultation document set out that anywhere between 20,000 and 13,000 members of the LGPS would be prevented from breaching the annual allowance in 2023/24 if the proposed changes were implemented – depending on the assumed pay increase.

Audit Issues - On local audit issues, the Board received an update on work to explore the separation of pension fund accounts from administering authority accounts. Meetings had been held with the Public Sector Audit Appointments Limited (PSAA), Financial Reporting Council (FRC) and Audit Wales to evidence the benefits of pension fund audit separation. The Minister has responded positively to the Board's request for separation and officials confirmed that a suitable statutory vehicle to implement the change was being sought. The Board also agreed to convene a discussion between fund practitioners, auditors and actuaries to explore how to improve assurance and ways of working. This has been arranged for 20 April 2023.

Agenda Item 11

Appendix A

Knowledge and Understanding - The Board also approved a survey of funds, aimed at collecting information on the current standards of knowledge and understanding, as well as provision of training in pension funds. The information collected from the survey would assist in the development of a new Knowledge and Skills framework.

Gender Pensions Gap - The Board agreed to publish the initial findings of the Gender Pensions Gap research and commissioned Government's Actuary Department (GAD) to undertake some additional analysis. It was noted that the new Pensions Minister, Laura Trott, had recently committed to undertaking work on the gender pensions gap in the private sector. The Board expressed its desire for this kind of analysis to become part of the standard output of fund valuations in future.

Sharia Compliance - The Board approved the procurement of a report to consider whether there is any contradiction between the principles of Sharia law and membership of the Local Government Pension Scheme for a Muslim local government employee in the UK. The report will also consider the governance and investment practice of the Scheme.

Code of Transparency - The Board agreed that it was necessary to improve the awareness and communications of both the Code and associated on-line reporting system that had been developed. It asked the Secretariat to arrange a series of workshops around the country to brief local pension committee board members and officers about the importance of this issue.

AOB (Bob Holloway Retirement) - The Board's Chair, Councillor Roger Phillips thanked Bob Holloway for his contributions to the Scheme and the Board over the length of his career ahead of his retirement on 24th February 2023.

Date of Next Meeting – 22nd May 2023

END

**Key decision: N/A
Unrestricted**

Pension Advisory Board

22 May 2023

Policy Documents

Report by Director of Finance and Support Services

Summary

It has been agreed that the Pension Advisory Board review relevant policy documents as part of its ongoing agenda. This supports the Board to fulfil their role in supporting compliance with regulations and ensures they have the relevant knowledge and understanding of the Scheme.

The Pension Fund is required by law to keep and maintain several policy documents. Part 3 of the County Council's Constitution has recently been updated to reflect responsibility for policies or procedures in connection with the administration of the scheme and policy matters for determination by the Committee.

Under the Local Government Pension Scheme (LGPS) Regulations the Administering Authority must obtain an actuarial valuation of the assets and liabilities of its pension fund(s) on 31 March 2022 and publish a report by the Actuary before the first anniversary of the date (ie 1 April 2023). The Pension Fund's valuation report was published on 31 March 2023 along with its Funding Strategy Statement.

Recommendations

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

Proposal

1 Background and context

- 1.1 The Pension Regulators Code of Practice 14 requires that

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

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

2 Pension Fund Policy Documents

- 2.1 The Pension Fund is required by law to keep and maintain a number of policy documents, which are published online. Part 3 of the County Council's Constitution (Scheme of Delegation: Responsibility for Functions) has recently been updated to reflect responsibility for policies or procedures in connection with the administration of the scheme and policy matters for determination by the Committee. This additional context has been inserted within the list of all Pension Fund Policy Documents (Appendix A).

- 2.2 It is proposed that as policies are reviewed by officers they will be presented to the Board for their feedback following their review against Regulations or Guidance.

3 Actuarial Valuation

- 3.1 Under the LGPS Regulations the Administering Authority must obtain an actuarial valuation of the assets and liabilities of its pension fund(s) at 31 March 2022, a report by the Actuary in respect of the valuation and a rates and adjustment certificate prepared by an Actuary. This must be published before the first anniversary of the date (i.e., 1 April 2023).

- 3.2 The Pension Fund's valuation report is available [online](#). It was published on 31 March 2023.

- 3.3 The Fund's Funding Strategy Statement has also been published [online](#). It was published on 29 March 2023.

Taryn Eves

Director of Finance and Support Services

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Appendices

Appendix A - List of Policy Documents

Appendix B - Extract from The Local Government Pension Scheme Regulations 2013

Background Papers

None

Register of Pension Fund Policy Documents

Policy	Regulation	Responsibility under Constitution	Importance	How often it should be reviewed	Most recent PAB review date	Next date for PAB to review
Actuarial valuation	LGPS Regulations 2013 Regulation 62	N/A	Statutory required	Every 3 years	May 2023	After 31 March 2026
Administering Authority Discretions	LGPS Regulations 2013 Regulation 60	Pensions Committee	Statutory required	Every 4 years	Apr 2019	Q2 2023/24
Administration Strategy	LGPS Regulations 2013 Regulation 59	Director of Finance and Support Services jointly with the Director of Law and Assurance	Highly recommended	Every 2 years	Apr 2021	Q2 2023/24
Annual Report	LGPS Regulations 2013 Regulation 57	Pensions Committee ¹	Statutory required	Annually	Sept 2022	Q2 2023/24
Breaches policy	Pensions Act 2004 Regulation 70	Director of Finance and Support Services jointly with the Director of Law and Assurance	Highly recommended	Every 2 years	Nov 2021	Q2 2023/24
Business Plan	N/A	Pensions Committee	Highly recommended	Every year	Each meeting	Each meeting

¹ To consider

Policy	Regulation	Responsibility under Constitution	Importance	How often it should be reviewed	Most recent PAB review date	Next date for PAB to review
Communications Policy Strategy	LGPS Regulations 2013 Regulation 61	Director of Finance and Support Services jointly with the Director of Law and Assurance	Statutory required	Annually	Nov 2022	Q3 2023/24
Conflict of Interest	Public Service Pension Act 2013 Regulation 5(4) and 5(5)		Highly recommended	Every 3 years	Nov 2021 (Draft)	Q3 2024/25
Funding Strategy Statement	LGPS Regulations 2013 Regulation 58	Pensions Committee	Statutory required	Every 3 years	Sept 2022	Q2 2025/26
Governance Policy and Compliance Statement	LGPS Regulations 2013 Regulation 55	Pensions Committee	Statutory required	Every 2 years	May 2022	Q1 2024/25

Policy	Regulation	Responsibility under Constitution	Importance	How often it should be reviewed	Most recent PAB review date	Next date for PAB to review
IDRP (Internal Dispute Resolution Procedure)	The Pension Regulator & Occupational Pension Schemes (Internal Dispute Resolution Procedures Consequential and Miscellaneous Amendments) Regulations 2008	Director of Finance and Support Services jointly with the Director of Law and Assurance	Highly recommended	Every 3 years		Q2 2023/24
Investment Strategy Statement	LGPS Regulations (Management and Investment of Funds) 2016	Pensions Committee	Statutory required	Every 3 years	May 2023	TBD
Privacy Notice	Data Protection Act 2018 and General Data Protection Regulation (EU) 2016/679	Director of Finance and Support Services jointly with the Director of Law and Assurance	Statutory required	Every 3 years	Apr 2021	Q1 2024/25
Treasury Management Strategy Statement	Treasury Management Code of Practice	Pensions Committee	Required	Annually	Feb 2023	Q4 2023/24

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The Local Government Pension Scheme Regulations 2013 (UK Statutory Instruments | 2013 No. 2356)

Actuarial valuations of pension funds

62.—(1) An administering authority must obtain—

(a) an actuarial valuation of the assets and liabilities of each of its pension funds as at 31st March 2016 and on 31st March in every third year afterwards;

(b) a report by an actuary in respect of the valuation; and

(c) a rates and adjustments certificate prepared by an actuary.

(2) Each of those documents must be obtained before the first anniversary of the date (“the valuation date”) as at which the valuation is made or such later date as the Secretary of State may agree.

(3) A report under paragraph (1)(b) must contain a statement of the demographic assumptions used in making the valuation; and the statement must show how the assumptions relate to the events which have actually occurred in relation to members of the Scheme since the last valuation.

(4) A rates and adjustments certificate is a certificate specifying—

(a) the primary rate of the employer’s contribution; and

(b) the secondary rate of the employer’s contribution,

for each year of the period of three years beginning with 1st April in the year following that in which the valuation date falls.

(5) The primary rate of an employer’s contribution is the amount in respect of the cost of future accruals which, in the actuary’s opinion, should be paid to a fund by all bodies whose employees contribute to it so as to secure its solvency, expressed as a percentage of the pay of their employees who are active members.

(6) The actuary must have regard to—

(a) the existing and prospective liabilities arising from circumstances common to all those bodies;

(b) the desirability of maintaining as nearly constant a common rate as possible;

(c)the current version of the administering authority’s funding strategy mentioned in regulation 58 (funding strategy statements); and

(d)the requirement to secure the solvency of the pension fund and the long term cost efficiency of the Scheme, so far as relating to the pension fund.

(7) The secondary rate of an employer’s contributions is any percentage or amount by which, in the actuary’s opinion, contributions at the primary rate should, in the case of a Scheme employer, be increased or reduced by reason of any circumstances peculiar to that employer.

(8) A rates and adjustments certificate must contain a statement of the assumptions on which the certificate is given as respects—

(a)the number of members who will become entitled to payment of pensions under the provisions of the Scheme; and

(b)the amount of the liabilities arising in respect of such members,

during the period covered by the certificate.

(9) The administering authority must provide the actuary preparing a valuation or a rates and adjustments certificate with the consolidated revenue account of the fund and such other information as the actuary requests.

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