

Public Document Pack

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24 October 2023

Pensions Committee

A meeting of the Committee will be held at **10.00 am** on **Wednesday, 1 November 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 Dennis is a Member of Horsham District Council
- Cllr Elkins is a Member of Arun District Council
- Cllr Hunt is a Member of the Chichester Harbour Conservancy

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

10.02 am 2. **Part I Minutes of the last meeting** (Pages 5 - 12)

The Committee is asked to agree the Part I minutes of the meeting of the Committee held on 26 July 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** (Pages 13 - 18)
- The Committee is asked to note the unconfirmed Part I minutes from the meeting of the Pension Advisory Board on 28 July.
- 10.10 am 6. **Business Plan** (Pages 19 - 42)
- Report by the Director of Finance and Support Services.
- The Committee is asked to:
- (1) Note the update on Business Plan activities for 2023/24
 - (2) Provide comments on the risk matrix and audit work
 - (3) Review the training completed and advise officers of any additional requirements to support their development of the necessary skills and knowledge to act effectively as a member of the Committee.
- 10.30 am 7. **Pension Administration** (Pages 43 - 60)
- Report by the Director of Finance and Support Services.
- The Committee is asked to approve the updated Funding Strategy Statement at Appendix B.
- 10.50 am 8. **Review of Administering Authority Discretions** (Pages 61 - 86)
- Report by the Director of Finance and Support Services.
- The Committee is asked to approve the draft Administering Authority Discretions Policy at Appendix A.
- 11.05 am 9. **Financial Information Report** (Pages 87 - 92)
- Report by the Director of Finance and Support Services.
- The Committee is asked to consider the recommendation within the report.

11.10 am 10. **Government Consultation "Local Government Pension Scheme (England and Wales): Next steps on investments"** (Pages 93 - 104)

Report by the Director of Finance and Support Services.

The Pensions Committee is asked to note the County Council's response to the consultation that was submitted by the deadline of 2 October 2023.

11.15 am 11. **Date of Next Meeting**

The next meeting of the Committee will be held at 10.00 am on 29 January 2024 at County Hall, Chichester.

Part II

11.15 am 12. **Exclusion of Press and Public**

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

11.15 am 13. **Part II Minutes of the last meeting** (Pages 105 - 114)

To confirm the Part II minutes of the meeting of the Committee held on 26 July 2023, for members of the Committee only (yellow paper).

11.20 am 14. **Pension Advisory Board Minutes - Part II** (Pages 115 - 116)

The Committee is asked to note the unconfirmed Part II minutes from the meeting of the Pension Advisory Board on 28 July 2023, for members of the Committee only (yellow paper).

11.25 am 15. **Investment Strategy Implementation** (To Follow)

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 16. **Update from ACCESS Joint Committee activity (September 2023)** (Pages 117 - 148)

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

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

12.00 pm 17. **Advisor Commentary** (To Follow)

Report by the Director of Finance and Support Services attached for members of the Committee only (yellow paper) summarising transactions and performance during the quarter and giving comments on the quarter.

The Committee is asked to the note the report.

Lunch Break

The Committee will break for lunch for 45 minutes.

1.00 pm 18. **Presentation by Baillie Gifford**

The Committee to receive a presentation on portfolio performance.

2.00 pm 19. **Presentation by Pantheon**

The Committee to receive a presentation on portfolio performance.

End

To all members of the Pensions Committee

Pensions Committee

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

Present: Cllr Hunt (Chairman)

Cllr Condie, Cllr J Dennis (left at 12.45pm), Cllr Elkins, Cllr Turley, Cllr Urquhart, Mr Kipling and Mr Stretton

Apologies were received from Cllr N Jupp

Absent:

Also in attendance:

Part I

1. Declarations of Interests

- 1.1 Cllr J Dennis declared a personal interest as a Member of Horsham District Council.

2. Part I Minutes of the last meeting

- 2.1 Resolved – That the Part I minutes of the Pensions Committee held on 28 April 2023 be approved as a correct record, and that they be signed by the Chairman.

3. Part II Matters

- 3.1 The Chairman invited Committee members to indicate if they wished to bring into Part I any items on the Part II agenda. The Committee noted the full explanation of Part II items provided to Members following the previous meeting and raised no further queries.
- 3.2 Resolved – Committee agreed to take the detailed discussion of items 9, Consultation on Local Government Pension Scheme, and item 10 Investment Performance, as part of items 16 and 17 respectively in the Part II section of the meeting.

4. Pension Advisory Board Minutes - Part I

- 4.1 The Committee noted the confirmed Part I minutes from the 10 February 2023 Pension Advisory Board meeting; and the agenda from the 22 May 2023 meeting (copies appended to the signed minutes).
- 4.2 The Committee made comments including those that follow: -
 - a) To thank the Pension Advisory Board for its work.
 - b) Queried why the Committee had not received the minutes from the May 2023 meeting of the Pension Advisory Board. It

was explained that these would only be formally approved at the Board's next meeting on 28 July and are therefore currently in draft form. The Director of Finance and Support Services agreed to raise at the Board meeting whether draft minutes could be shared with the Committee in the future.

4.3 Resolved – That the minutes and agenda be noted.

5. Annual Report

- 5.1 The Committee considered a report by the Director of Finance and Support Services (copy appended to the signed minutes). Vickie Hampshire, Finance Manager Pension Fund Governance, introduced the report which sets out the management and financial performance of the pension fund, administration arrangements in place and the net asset statement and supporting notes and disclosures. The net asset statement and supporting notes and disclosures are subject to external audit and have not as yet been considered by the County Council's Regulation, Audit and Accounts Committee. They are therefore shared in draft form for the Pensions Committee's review.
- 5.2 A Foreword from the Chairman of the Committee was tabled at the meeting (copy appended to the signed minutes).
- 5.3 Vickie Hampshire explained to the Committee that extra information has been included in this year's Annual Report on membership demographics and on Investment Pooling to emphasise the ACCESS arrangements. A summary document would be sent to all members as part of the Annual Benefit Statement communications.
- 5.4 The Committee made comments including those that follow:
- a) welcomed the clear, easy to read format of the Annual Report and noted that employers and other stakeholders would find it useful but questioned whether any testing was done to ensure it was understandable to a lay person. Vickie Hampshire explained that the Report complied with Government requirements and that no formal testing was undertaken. Tim Stretton, Member Representative, confirmed that member engagement from representatives sitting on both the Committee and the Pension Advisory Board may be considered sufficient to ensure Report is understandable.
 - b) queried why the Report did not contain any comparative information on carbon emissions. Rachel Wood, Pension Fund Investment Strategist, explained that this information would need to be included in the future but at this moment comparisons are hard to make as information is not available on a like for like basis. Government guidance is awaited on this, but the team are working with Fund Managers to see what information could be provided. Taryn Eves, Director of Finance and Support Services committed to review the information to determine if anything could be included.

- c) queried why no information was included on employer performance for 2022/23. Vickie Hampshire confirmed that information was awaited and would be included when available and before the statutory deadline for the publication of the Annual Report of 1st December.
- d) highlighted that training records need to be up-dated and relevant training completed and welcomed the introduction of podcasts as part of the training. It was noted that a podcast from the Chairman of a Pension Advisory Board would soon be included.
- e) recognised the tight deadline for the approval of the accounts with the Regulation, Audit and Accounts Committee meeting on 1st December. Officers will ensure figures are consistent with the accounts before it is finalised. Officers confirmed there are no problems envisaged with the external audit and that account updates would be provided to the Committee when available.

5.5 Resolved – That the draft annual report is approved (figures subject to audit and consideration by the Regulation, Audit and Accounts Committee).

6. Business Plan

- 6.1 The Committee considered a report by the Director of Finance and Support Services (copy appended to the signed minutes). Rachel Wood, Pension Fund Investment Strategist, introduced the report which set out the achievements to date for 2023/24.
- 6.2 Key points highlighted include that a fuller appendix on risk is included, details of the internal audits being completed are set out in Appendix D and that a report on climate risk reporting would be presented to the November meeting of the Committee.
- 6.3 The Committee made comments including those that follow:
 - a) queried whether any progress had been made in recruiting to the Pensions Team vacancy and whether this was having any impact on fulfilling statutory requirements. Taryn Eves and Rachel Wood confirmed that team resources were currently being reviewed to determine what was required in future. There was no implication on statutory duties as officers were prioritising tasks and additional support had been provided by Hymans and others as required.
 - b) queried why risk RT14 in relation to the implementation of Scheme changes resulting from the McCloud judgement is 'amber'. Andrew Lowe, Assistant Director Pensions, Hampshire County Council, confirmed that the administration team is as prepared as can be at the moment, but October is a key date in terms of what needs to be changed.

- c) sought clarity over the wording for risk RT16 (political environment). Vickie Hampshire confirmed that this was in relation to the external political environment. The Chairman reminded members of the Committee that they were acting as trustees for the Fund, they were not representing West Sussex County Council.
- d) questioned risk RT17 and whether there is an over-reliance on one contractor. Rachel Wood explained that there is a reliance on one supplier for investment management, but this was the nature of the pooling arrangements and not seen as an issue.
- e) recognised that all members of the Committee should be in the same position with regard their training and knowledge and queried how real the MiFID II (Markets in Financial Instruments Directive 2014) issue is. David Walker, Hymans, reassured the Committee that (from a Hymans Robertson perspective) West Sussex is currently well positioned in terms of the training undertaken and evidence to support this. Vickie Hampshire also confirmed that the questionnaire had been updated in March following officer changes and this had met the Professional Client requirement of all parties.

6.4 Resolved – That:

- i. the Committee note the update on Business Plan activities for 2023/24
- ii. made comments as outlined above in relation to the risk matrix
- iii. reviewed the training completed and recognised that members need to undertake the necessary training required to support their development of the necessary skills and knowledge to act effectively as a member of the Committee.

7. Pension Administration Performance

7.1 The Committee considered a report by the Director of Finance and Support Services. Taryn Eves introduced the report (copy appended to the signed minutes), thanked the Administration Team for their work and highlighted the key points as set out in the summary including that the August deadline for the Annual Benefits Statement would be met and that work continues on the Government led Pensions Dashboard. The policy on Administering Authority discretions would be brought to the committee in September. Andrew Lowe added that 42% of members are now signed-up to the Member Portal which shows that good progress has been made in encouraging this.

7.2 The Committee comments included:

- a) queried why the number of cases relating to deferred benefits is so high. Rachel Wood explained that this highlights the end

of year work undertaken and that a spike in numbers always occurs in the quarter 1 figures.

- b) questioned whether new members and pensioners should be directed to on-line access through the Member Portal only. Andrew Lowe explained that all new members and pensioners default to on-line access only but that some still prefer paper and opt out. We are moving in the right direction with 42% registered on the Member Portal.
- c) questioned why the late remittances figure is high and increasing. Vickie Hampshire expected April to be a high figure due to the new valuation certificate coming into effect but May has also been reported as high due to an anomaly in the calculation spreadsheet which had been identified following despatch of committee papers. The May figure should read as four late remittances, not the 27 within the published papers.
- d) queried whether there are any resource issues in meeting the requirements of the historic enrolment scheme of the Teacher Pension Scheme (TPS). Steven Law, Hymans, confirmed that there are projects in the pipeline that are already planned for. Rachel Wood confirmed that the Payroll Team are working on the historic enrolment project, and it is hoped that work would speed up when a response on the requirements is received from the TPS.
- e) the Chairman recognised the good work in achieving the end of year returns and queried how many employers need to submit information. Andrew Lowe confirmed that work was on-going in completing the work with only 82 members missing statements as at the end of June. Rachel Wood also commented that the Pensions Advisory Board commented on the good progress made in the previous year (2021/22).
- f) requested an up-date on the software up-dates to be implemented in mid-July. Andrew Lowe outlined the final testing being undertaken and explained that any anomalies would be dealt with on a case-by-case basis. Rachel Wood also explained that the software up-date would highlight any gaps in data for the McCloud remedy which the liability impact would not be known for a number of years. Steven Law also highlighted that there would be a cash implication with the updates.

7.3 Resolved that the committee noted the report.

8. Consultation on Local Government Pension Scheme (England and Wales): Next steps on investments

- 8.1 A report by the Director of Finance and Support Services was received (copy appended to the signed minutes). The Chairman of the Committee explained that the detailed discussion should take

place in the Part II section of the meeting due to the nature of the detail to be discussed. Members agreed that this was appropriate.

- 8.2 Resolved - That the Committee provided initial comments to inform the County Council's response to the consultation and that the Director of Finance and Support Services, in consultation with the Pensions Committee, provide a response on behalf of the committee (details included within Part II Minutes).

9. Investment Performance

- 9.1 A report by the Director of Finance and Support Services was received (copy appended to the signed minutes). The Chairman of the Committee explained that the detailed discussion should take place in the Part II section of the meeting due to the nature of the detail to be discussed. Members agreed that this was appropriate (details included within Part II Minutes).

- 9.2 Resolved - That the Committee noted the report.

10. Date of Next Meeting

- 10.1 The Committee noted that its next scheduled meeting would take place on 1 November 2023 at County Hall, Chichester.

11. Exclusion of Press and Public

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

12. Part II Minutes of the last meeting

The Committee agreed the Part II minutes of the Pensions Committee held on 28 April 2023.

13. Pension Advisory Board Minutes - Part II

The Committee noted the contents of the Part II minutes from the 10 February 2023 Pension Advisory Board meeting.

14. Investment Strategy Implementation

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

15. LGPS Investment Pooling and Item 8 Consultation on Local Government Pension Scheme (England and Wales): Next steps on investments

The Committee considered a report by the Director of Finance and Support Services. The Committee also considered the Government Consultation on Local Government Pension Scheme (England and Wales): Next steps on investments under this item.

16. Investment Advisor Commentary and Item 9 Investment Performance

The Committee considered a report by the Director of Finance and Support Services and the Independent Fund Adviser. The Committee also considered Investment Performance under this item.

17. Presentation by Macquarie Asset Management

The Committee received an update from Gillian Evans, Allan Sastrup Jensen and Jacob Vendelbo from Macquarie on the portfolio performance.

The Committee noted the report.

18. Presentation by JP Morgan

The Committee received an update from Paul Farrell and Gilly Zimmer from JP Morgan on the portfolio performance.

The Committee noted the report.

19. Procurement of Actuarial Services

The Committee received an update from the Director of Finance and Support Services.

The Committee noted the report.

The meeting ended at 2.55 pm

Chairman

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Pension Advisory Board

28 July 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, Ann Phillips and Richard Walton

Apologies were received from Taryn Eves

Also in attendance: Rachel Wood (Pension Fund Strategist), Vickie Hampshire (Pension Governance Manager) and Wendy Saunders (Democratic Services Officer).

Part I

1. Declarations of Interests and Conflicts

1.1 None declared.

2. Part I Minutes of the last meeting

2.1 Resolved – That the minutes of the meeting of the Board held on 22 May 2023 be approved as a correct record and signed by the Chairman.

3. Progress Statement

3.1 That the Board noted that there were no outstanding issues.

4. Pensions Committee Minutes - Part I

4.1 The Board considered the confirmed part I minutes from the 28 April 2023 Pensions Committee meeting and the Agenda from the 26 July 2023 Pensions Committee meeting (copies appended to the signed minutes).

4.2 Resolved – That the minutes and agenda be noted.

5. Business Plan Update

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

5.2 The Chairman introduced the report and highlighted that Hymans Robertson were advising the Pension Fund regarding the anticipated Good Governance guidance and whether there were areas where the Pension Fund/County Council needed to make changes to practice. It was clarified the outcomes of this advice would be reflected in updates to both the Pensions Committee and Pensions Advisory Board.

5.3 The Board made comments including those that follow.

- Queried the impact of the staff vacancy on the service. It was clarified that the role was currently being rescoped to ensure it was reflective of future requirements. In the interim more use was being made of external expertise including from Hymans Robertson to ease pressure on the team.
- It was clarified that the reference to "IAS 19" in the Risk Summary related to International Accounting Standard 19 which relates to pension benefits.

5.4 Resolved – That the Board notes the update on Business Plan activities for 2023/24.

6. Administration procedures and performance

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

6.2 Rachel Wood introduced the report and highlighted a correction to the table at paragraph 2.1 as the period for comparison was between 31 December and 30 June 2023. The calculations would be updated for the next report. For activity over the last quarter, it was noted that compliance with Key Performance Indicators had been at 100%.

6.3 The team were making good progress with the preparatory work related to the implementation of regulation due at the beginning of October following the McCloud judgement. It was considered that the team were well positioned to manage the changes.

6.4 The Board made comments including those that follow.

- Queried the impact of the McCloud judgement on the fund. Rachel Wood indicated that the Actuary had taken account of the implications in management of the fund and that early indications were that the impact would be small.
- Sought clarification on the term non-club transfers mentioned in paragraph 3.2. It was explained this related to those member transfers coming from a private sector scheme rather than club transfers where the transferee was from a public sector scheme.
- Questioned whether more proactive communication was required to encourage higher usage of the Member Portal. Rachel Wood highlighted that usage levels in West Sussex were comparable with those of the Hampshire Pension Fund and the portal had been in use longer for Hampshire members. It is expected that usage levels would increase naturally over time as new scheme members are directed to register for and access the portal when they join the scheme. For those pensioners or individuals with deferred benefits who have opted out it is more difficult. Sending out the annual benefit statement to these members did provide an opportunity to highlight the portal and encourage them to register. There were also plans to undertake some focussed communications to try and improve engagement, for example with younger scheme members who may feel logging into the portal was not important when not close to pensionable age. The targeted communication would encourage members to log on to check the accuracy of their

personal details and as a consequence could help them see the functionality of the portal.

6.5 Resolved – That the Board notes the report.

7. Communication Strategy

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

7.2 Rachel Wood introduced the report and explained that the focus for the coming months would be communications highlighting the availability of the Annual Benefits Statements.

7.3 It was explained that rather than re-starting Annual General Meetings, which had ceased during the pandemic, options were being explored for engaging with employers by type – e.g., with groups of Parish Councils, Academies etc. This would assist in making the meetings more focussed to the specific issues affecting the different types of employers.

7.4 Resolved – That the Board notes the update.

8. Regulations and Governance update

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

8.2 The Chairman introduced the report and confirmed he had circulated all published LGPS Bulletins. He also highlighted the recently published government consultation which covered asset pooling and the potential changes this could bring to the current arrangements.

8.3 The Board made comments including those that follow.

- Queried the potential impact of merging pools, so there were fewer across the country, as all the Pension Fund liquid assets were currently pooled via the existing ACCESS arrangement. Rachel Wood explained that if regulations were introduced that meant the pooling arrangements needed to be altered it could result in transaction charges and tax costs being incurred by the Pension Fund. The Chairman also explained that fewer pools could result in the Pension Fund having less influence on investment choices. Rachel Wood indicated that as the deadline for the response to the consultation was prior to the next meetings of the Pensions Committee and Pensions Advisory Board officers would share the response with members virtually.
- Noted that two members of the Board had attended the meeting of the Joint Committee; feedback from the attendees indicated that it was helpful to see how the decision-making process worked in practice.

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

9. Review of Pension Fund Policy Documents

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

9.2 Vickie Hampshire introduced the report and explained the required sequence of events for publication of the Pension Fund Annual Report in December. The Statement of Accounts would be considered by the Regulation, Audit and Accounts Committee at the meeting on 1 December and once these were confirmed by the Committee the Annual Report could be published. She also highlighted that forecasting and cash flow will be reflected in the 2023/24 report.

9.3 The Board made comments including those that follow:

- Queried the potential discrepancy in data regarding the number of active scheme members which differed between reports in the agenda papers and the LGPS website. Rachel Wood explained this was because employers are updating information constantly which then required processing by the casework team and resulted in changes to data which had to be applied retrospectively. It was also clarified that the LGPS website referenced older data. Vickie Hampshire resolved to try and ensure more consistency in data included in the different reports being considered by the Board.
- Noted that the penultimate paragraph of page 15 of the annual report would be amended to remove the last sentence.
- Sought clarity on the interest charged as set out in the receipts section of the report and indicated there could be more awareness raised amongst employers that they could be charged interest. Vickie Hampshire explained that regulations had always been in place to enable interest to be charged on late payments. It was likely this option would only be applied if the outstanding payments were substantial due to the administrative costs involved.
- Queried why Sussex Police were included with Councils in the contribution breakdown illustration. Vickie Hampshire explained this was because the Police are a scheduled body and are grouped within the Funding Strategy Statement.
- Welcomed the addition of data setting out the membership mix and highlighted that it would be useful to see a separate breakdown just for the County Council as the largest employer.
- Felt the report was clear and well-presented and welcomed the Annual Report summary which provided a useful overview of key points for scheme members.

9.4 Resolved – That the Board notes the register of policy documents.

10. Investment Performance

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

10.2. Rachel Wood introduced the report and highlighted a correction to the table at paragraph 5.1 indicating that the market value at 30 June 2023 should read £5,361,278,000.

10.3. The Board welcomed receiving this report as a Part I item.

10.4. Resolved - That the Board notes the report

11. Date of Next Meeting

11.1 The Board noted that its next scheduled meeting would take place on 13 November 2023 at 9.30 a.m. at County Hall, Chichester.

12. 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 items 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.

13. Part II Minutes of the last meeting

The Board agreed the Part II minutes of the 22 May 2023 meeting and they were signed by the Chairman.

14. Pensions Committee Minutes – Part II

The Board noted the contents of Part II minutes from the 28 April 2023 Pensions Committee meeting.

15. LGPS Investment Pooling

The Board considered the report by the Director of Finance and Support Services from the 26 July 2023 Pensions Committee (copy appended to the signed minutes).

The Board noted the report.

The meeting ended at 11.27 am

Chairman

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Unrestricted

Pensions Committee**1 November 2023****Business Plan****Report by Director of Finance and Support Services**

Summary

The Pensions Committee approved its Business Plan for 2023/24 in April 2023.

Appendix A provides a summary of progress against the Business Plan priorities. The following updates are highlighted in terms of deliverables to date:

- The Director of Finance and Support Services has further considered the arrangements in place to administer the West Sussex Local Government Pension Scheme(LGPS) and is considering recommendations to strengthen the arrangements currently in place.
- Hymans Robertson was appointed as the Fund Actuary for an initial period of six years. This follows a competitive process via the National LGPS Framework. The timetabled open tender for a property manager is due to be published shortly with the completion date extended slightly to June 2024 (previously 31 March 2024). Work also continues with ACCESS colleagues in relation to procurement for Operator Services, for completion by 31 March 2025.
- Officers have continued to work with appointed fund managers to prepare an initial review of the framework and data coverage relating to climate-related financial disclosures.
- A response was prepared and sent in response to the Government [consultation on proposals](#) relating to the investments of the LGPS which covers areas of asset pooling, levelling up, opportunities in private equity, investment consultancy services and the definition of investments. This followed engagement with local authority colleagues, specialist advisers and fund managers.
- On 1 October, changes to the regulations to facilitate the McCloud remedy became effective. In total 7,340 members have been identified as being in scope for remedy. The administration team will check whether the pension to a member in the final salary scheme is higher than the current benefit arrangements for members retiring after 1 October 2023. There is no further update on the remedy timetable for Teachers Excess Hours and Goodwin.

Although not included in the Business Plan, the Pension Fund Accounts for the financial year 2022/23 were [published](#) by the statutory deadline of 31 May 2023. Ernst and Young has commenced its audit work, the plan for which was noted at the [Regulation, Audit and Accounts Committee \(RAAC\) on 21 September 2023](#). The audit work is expected to be completed by 31 October, ahead of the final accounts being presented the RAAC on 1 December 2023.

Appendix B provides an update on the risk matrix. There has been an increase to red for two risks regarding employer admissions reflecting the increase in the number of retrospective admissions which is impacting the workload of the team whilst it ensures employers are admitted as promptly as possible to mitigate the risk to members.

Appendix C provides an update on training available and completed. Members are reminded of the importance of completing the LGPS Online Learning Academy modules to support their role as Pension Committee members. To assess the level of knowledge and understanding of Committee and Board members and officers the Fund is participating in the Hymans Knowledge Progress Assessment which will be open between 1 and 14 November 2023.

Appendix D provides an update on internal audit work completed and in scope. All completed reviews have been assessed as 'substantial' or 'reasonable'. The National Fraud Initiative (NFI) audit work has now been completed. Four matches were initially identified as being active on the administration system and payment was immediately suspended. Following investigations by the team, one has since been reinstated and recovery is being made for the other three.

Recommendations:

- (1) The Committee notes the update on Business Plan activities for 2023/24.
- (2) The Committee provides comments on the risk matrix and audit work.
- (3) The Committee members review the training completed and advise officers of any additional requirements to support their development of the necessary skills and knowledge to act effectively as members of the Committee.

Taryn Eves

Director of Finance and Support Services

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

Appendices

Appendix A – Summary of Business Plan Priorities

Appendix B – Risk Register

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 Summary Update

The Pensions Committee agreed a Business Plan for 2023/24 at their April 2023 meeting. The Business Plan has been published. Updates on the priorities are below by theme.

Governance Priorities

Priority	Status Q2	Expected Q3 Work
Review current LGPS arrangements informed by expected changes (e.g. Good Governance guidance) to determine key actions for compliance.	External advice received based on best practice.	Further consideration of the advice received. Formal consultation on Good Governance expected later this year.
Review fund-specific policies and strategies.	The Discretions Policy has been prepared for the Pension Committee's review. Officers have reviewed the Internal Dispute Resolution Procedure. and the Breaches process.	The Communication Strategy and Administration Strategy will be reviewed.
Complete review against TPR Single Code.	Work ongoing to review practice against Single Code.	Final Single Code and guidance expected.
Review Training Strategy.	Circulation of training seminars and events.	Consideration of training seminars and events and completion of LGPS Knowledge Progress Assessment.
Identify and manage cyber and data risks and impacts.	Work carried forward to Q3	Engage with third parties to map arrangements and risk.
Create cyber incident response plan / walk-through scenarios.	Work carried forward to Q3	Commission advice (assessment, monitoring, training).
Open tender for property manager.	Tender documents prepared for publication following advice from legal, procurement and investment advisers.	Management of procurement through to the Award Report in April 2024 with contract commencement (June 2024).
Call off for Fund Actuary	Completed. Hymans Robertson appointed for a period of a maximum of nine years (6+3).	N/A
Timetabled procurement for Operator Services.	Specification and procurement documents subject to peer review.	Joint Committee consideration of procurement arrangements (December 2023). Continued engagement through local governance arrangements.
Analyse costs, risk and performance of portfolios.	Asset management data company ClearGlass provided analysis on current fees v market benchmark.	Consider local arrangements for expanding meaningful reporting on cost, risk and performance analysis.

Investment and Funding Priorities

Priority	Status Q2	Expected Q3 Work
Review Investment Strategy Statement (ISS).	Consultation prepared for feedback on ISS following April Pensions Committee.	Collate feedback on ISS for consideration by the Committee (January 2024).
Consider interim objectives on climate change.	Engagement with fund managers and asset pool to understand approaches.	Collate feedback for consideration by the Committee (January 2024).
Consider the impact of environmental, social and governance risk and opportunities.	Initial feedback received from Committee (April 2023). Membership of Pensions For Purpose has been announced.	
Strengthen engagement with managers (and portfolio companies).	Continued discussions with sub-fund managers on consideration of investments in line with the Investment Strategy.	
Understand data coverage and quality of information to support financial disclosures.	Information collated relating to Taskforce for Climate Related Financial Disclosures and other metrics.	Work with fund managers, LGPS colleagues and others on climate risk reporting.
Actively consider Government response to "Governance and reporting of climate change risks".	N/A	Government response not expected until 2024.
Support ACCESS Joint Committee in undertaking its functions.	Joint Committee (September 2023), attended by Pensions Committee Chairman and officer input via groups.	Joint Committee scheduled (December 2023) and officers will continue to input through appropriate groups.
Consider the pooled asset solutions for management of illiquid assets.	N/A	Continue to engage with colleagues within the ACCESS Support Unit on local requirements.
Consider Government's LGPS Pooling consultation.	Response submitted on 2 October 2023.	Response from consultation pending.
Review funding position of employers (key funding risks and opportunities).	Initial engagement with Actuarial advisers to engage with employers on actuarial updates, covenant, data quality and administration.	Roll out engagement with employers and implement system to monitor employer metrics.
Support employers on statutory responsibilities.	Documentation and training developed for employers by the administration team and Pensions Team.	Continue to develop documentation and set up employer focused sessions covering relevant key topics.

Administration and Communications Priorities

Priority	Status Q2	Expected Q3 Work
Work with employers to ensure data provided for the McCloud remedy.	The regulations take effect from 1 October 2023. For the West Sussex LGPS, 7,340 members identified as being in scope for remedy. However, this figure is impacted by data issues preventing some individual records from being assessed for eligibility. Missing returns or queries being managed by the team.	
Consider communications to members on Regulatory changes.	Letters have been updated to explain that benefits have been tested against the underpin calculation for active members, leaving with deferred or retirement benefits and website for has been updated with information about McCloud.	
Review guidance and resources available to support compliance and best practice with Regulatory changes.	Attendance at national LGPS forums by Pensions Team and administration partners.	Continued participation in national LGPS forums.
Monitor implementation of Pensions Dashboards against the Pension Regulators (tPR) checklist	Updates to National Insurance Numbers held to facilitate matching within Dashboard. tPR checklist completed providing assurance of actions and preparedness.	Consider training with employers on Pensions Dashboards and continue to monitor against tPR's checklist.
Consider data improvement work	Issues with employer data identified as part of the End of Year process.	Ongoing data improvement plan to be prepared with administration team.
Consider training and guidance to employers to help fulfil their obligations.	Employer guidance documents for admissions and cessation processes developed.	Develop targeted training sessions on key themes.
Develop communication material on LGPS benefits with external specialists	Work carried forward to Q3	Evaluation of proposals and award.
Consider future website delivery opportunities.	N/A	N/A

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Risk Summary

Risk Overview

	Very Low Likelihood	Low Likelihood	Medium Likelihood	High Likelihood	Very High Likelihood
Critical impact	0	4	6	0	1
Major impact	2	5	4	6	1
Moderate impact	1	7	3	0	0
Minor impact	0	1	0	0	0
Negligible impact	0	0	0	0	0

Category	July 23	Sept 23
Green	23	22
Amber	11	10
Red	6	8

Risk Themes (RTs)

Ref	Risk Theme	Action / Update	July 23	Sept 23
RT4	The Fund Investment Strategy is not appropriate to meet the Funds liabilities and cash flow requirements.	<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 specification reflects the Fund requirements regarding income and cashflow.</p> <p>Pension increase expected to be 6.7% in April 2024 which is higher than actuarial assumptions.</p>	Green	Green
RT5	Insufficient resources to comply with the Administering Authority's Regulatory responsibilities and ability to deliver the business plan.	<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, resourcing, delegations and accountabilities.</p> <p>Consultations are expected in 2023/24 along with the Pension Regulator combined code of practice which will assist with understanding of obligations.</p> <p>There are a number of corporate projects relating to payroll and pensions (not Local Government Pension Scheme (LGPS)) which are impacting on the team capacity.</p> <p>Audit of accounts underway.</p>	Amber	Amber

Ref	Risk Theme	Action / Update	July 23	Sept 23
RT6	Poor quality data resulting in error and misstatement.	Positive feedback from Hymans on improvements in data. Data improvement included within Fund Business Plan for 2023/24. Risk rating reflects impact at whole fund level. Focussed activity on employers following end of year activity.	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 on Pension Advisory Board and active recruitment is underway. Recruitment for Pension Advisory Board Independent Chairman to be considered at Governance Committee on 6 November.	Amber	Amber
RT9	Failure to secure value for money through managing contracts with third parties	Two significant procurements due in 23/24. One has been completed. One contract has been extended for six months to allow a full procurement to take place. Procurement and Legal teams within the County Council 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 Scheme Advisory Board Good Governance project. Consultation on guidance expected later 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. Continued increase in retrospective admissions where scheme employer has either not included pension provisions within procurement or not engaged with the Fund until after contract has been awarded. Increased impact on workload of team to ensure completed as soon as possible to mitigate the impact on the members. 2023/24 Business Plan includes objective regarding engagement with employers. Work underway to improve communications with all employers to ensure they are aware of their pension's obligations. Focussed activity on employers following end of year activity.	Green	Amber

Ref	Risk Theme	Action / Update	July 23	Sept 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>Regulations came into force on 1 October 2023 and members who are potentially impacted have been identified.</p> <p>Employers have provided data returns to the admin team.</p> <p>Admin team have increased 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 responded to. Government consultation indicated preference for pooling model which is not the model adopted by ACCESS authorities.</p>	Amber	Amber

Ref	Risk Theme	Action / Update	July 23	Sept 23
RT16	Political environment (locally or nationally) impacts on funding and/or investment strategy	<p>Awaiting changes to regulations on exit cap, employer management, climate related disclosures, investment pooling, Goodwin, Good Governance, the Pensions Regulator Single Code of Practice and Fair Deal 2.</p> <p>McCloud regulations came into force on 1 October 2023.</p> <p>Consultation on investment pooling has been responded to.</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 re-procurement of operator services.</p> <p>2023/24 is the penultimate year of the Operator Agreement.</p>	Amber	Amber
RT18	Climate risk has the potential to impact Pension Fund investment returns, inflation and life expectancies.	<p>Task Force on Climate Related Financial Disclosures consultation responded to in autumn 2022. Awaiting outcome.</p> <p>Engagement with managers and consultants to understand Fund exposure to risk.</p>	Amber	Amber

Red Risk Overview

New Red Risks

No	Theme	Description	Impact	Control/Action	Update	Impact	Likelihood	Score
PEN 25	RT 12	Increase in number of employers admitted to Fund	<ol style="list-style-type: none"> 1. Increase in the workload across the team 2. Delays resulting in impact on members and benefit payments 3. Additional complexity to be managed for business as usual processes 	<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 and Admin Team 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>Continued increase in retrospective admissions where scheme employer has either not included pension provisions within procurement or not engaged with the Fund until after contract has been awarded.</p> <p>Increased impact on workload of team to ensure completed as soon as possible to mitigate the impact on the members.</p> <p>Review of current processes to ensure efficiency planned.</p> <p>Work underway to improve communications with all employers to ensure are aware of their pensions obligations.</p>	4	4	16

No	Theme	Description	Impact	Control/Action	Update	Impact	Likelihood	Score
PEN 42	RT 12	Delay to admissions of employers to the Fund	<ol style="list-style-type: none"> 1. Members not admitted to the Fund in a timely manner 2. Contributions not received on time resulting in increased workload to recover 3. Inability to complete processes in a timely manner 4. Delays resulting in impact on members and benefit payments 	<p>Work planning to identify new admissions. Clear processes in place for the admittance of new employers. Liaising with Actuary and Admin Team regularly to ensure employers are admitted appropriately</p>	<p>2023/24 Business Plan includes objective regarding engagement with employers. Continued increase in retrospective admissions where scheme employer has either not included pension provisions within procurement or not engaged with the Fund until after contract has been awarded. Increased impact on workload of team to ensure completed as soon as possible to mitigate the impact on the members.</p>	4	4	16

Existing Red Risks

No	Theme	Description	Impact	Control/Action	Update	Impact	Likelihood	Score
PEN 19	RT 5	Pensions team not resourced appropriately	<ol style="list-style-type: none"> 1. Key work deliverables are not completed. 2. Key staff leaving due to work load. 3. Lack of continuity and knowledge transfer. 	<p>Develop succession plan to manage key person risk. Document tasks and develop process notes where required.</p> <p>Review of Pensions Team work plan and resources. Regular team meetings to understand workload pressures and transfer knowledge.</p> <p>Develop training plan for officers.</p> <p>Document tasks and develop process notes where required.</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, resourcing, delegations and accountabilities.	4	4	16
PEN 46	RT 5	County Council not resourced appropriately to support Pensions functions	<ol style="list-style-type: none"> 1. Key work deliverables are not completed. 2. Key staff leaving due to work load. 3. Lack of continuity and knowledge transfer. 4. Major employer in the Fund not complying with obligations. 5. Reputational risk due to impact on IAS 19. 6. Accuracy of data within accounts. 	<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>Officers are working with County Council to ensure appropriate process are in place to fulfil obligations.</p> <p>There are a number of corporate projects relating to payroll and pensions (not LGPS) which are impacting on the team capacity.</p>	4	4	16

No	Theme	Description	Impact	Control/Action	Update	Impact	Likelihood	Score
PEN 48	RT 5	New County Council financial system implementation impacts workload and resources	<ol style="list-style-type: none"> 1. Delay to implementation of financial system conflicts with valuation and/or end of year work. 2. New system doesn't meet the Pension Fund needs due to lack of resource to fully test. 	<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>Review of requirements underway to ensure that they are achievable ahead of future decisions regarding project.</p>	4	4	16
PEN 14	RT 7	Level of expertise and ongoing development of the Pensions Committee and Pension Advisory Board does not comply with guidance.	<ol style="list-style-type: none"> 1. Poor decision making 2. Fined by The Pension Regulator 3. Non engagement of Committee and Board members. 4. Inability to invest due to loss of Professional Investor status. 	<p>Maintain and implement Training Strategy which draws on guidance.</p> <p>Monitoring Pensions Committee, Pensions Advisory Board and Officer completion of LGPS Online Learning Academy 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>Recruitment underway for vacancy for employer representative on Pension Advisory Board.</p> <p>Recruitment for Pension Advisory Board Independent Chairman due to be considered by Governance Committee on 6 November.</p>	4	4	16

No	Theme	Description	Impact	Control/Action	Update	Impact	Likelihood	Score
PEN 27	RT 13	There is a risk of a successful cyber attack directly from external threats; or indirectly as a consequence of members or staff falling prey to social engineering or phishing attacks. The potential outcome may lead to service disruption, financial or data loss.	<ol style="list-style-type: none"> 1. The Fund suffers significant financial loss or cost. 2. The Fund's reputation is damaged. 3. Member's and employer's trust in the Council is undermined. 4. Partners will not share data or information with the Fund. 5. Punitive penalties are made on the Fund. 	<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
PEN 23	RT 16	Role of government policy on the management and benefits of the Scheme.	<ol style="list-style-type: none"> 1. Changes in legislation 2. Changes to benefit structure 	<p>Keeping up to date with Government progress</p> <p>Maintain links with experts and advisers.</p>	<p>Awaiting changes to regs on Exit Cap etc.</p> <p>McCloud regulations came into force on 1 October 2023.</p> <p>Consultation on pooling has been responded to.</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>	4	4	16

No	Theme	Description	Impact	Control/Action	Update	Impact	Likelihood	Score
PEN 32	RT 16	Pressure from stakeholders and/or changes in Regulation or guidance results in change to investment strategy due to potential Environmental, Social or Governance factors.	<p>1. Fund Manager investments restricted resulting in impaired investment outcomes.</p> <p>2. Fund challenged regarding fiduciary duty.</p>	<p>Requirement for active engagement by Fund Managers and regular dialogue regarding rationale behind investment decisions.</p> <p>Make the Funds approach to responsible investment available to stakeholders and report on Fund progress to improve communication and transparency.</p> <p>Training for all decision makers regarding obligations and responsibilities</p> <p>Keep up to date with Scheme Advisory Board and Government guidance</p>	<p>Task Force & Climate Related Disclosures consultation responded to in autumn. 2022 Awaiting outcome.</p> <p>Public Service Pensions and Judicial Offices Bill accepted in the Lords stating that the Secretary of State can issue guidance that LGPS Funds may not make investment decisions that conflict with the UK's foreign and defence policy.</p> <p>Levelling Up white paper includes references to LGPS funds having plans for up to 5% of assets to be allocated to projects which support local areas.</p> <p>Full impact is difficult to quantify until further information/guidance is received from Government and Scheme Advisory Board.</p>	4	5	20

Training Log

LGPS Knowledge Progress Assessment

As set out in the [Training Strategy](#), members of the Pension Committee, members of the Pension Advisory Board and Officers will have their knowledge measured and assessed at least annually via a questionnaire. This year, this will be done via the LGPS Knowledge Progress Assessment issued by Hymans. This is an online assessment covering the eight topics of the CIPFA Knowledge and Skills Assessment and is designed to be complementary to the LGPS Online Learning Academy (LOLA).

All Committee and Board members and Officers are asked to complete the assessment which will assist the Fund with demonstrating knowledge and understanding and will support officers with building future training plans.

The assessment will be open on 1 November 2023 and will be sent directly to Committee and Board members and officers. The deadline for completing the assessment is 14 November 2023.

LGPS Online Learning Academy

Hymans LGPS Online Learning Academy (LOLA) has been updated and all members of the Committee and Board have been asked to complete before 30 June 2024. Completion is essential in evidencing the level of knowledge and understanding of members of the Committee and Board. Training completed will be shown in next meeting's report.

LGA Fundamentals

The three sessions (online or in person) provide a scheme overview and covers current issues in relation to administration, investments, and or governance of the LGPS. The completion of the LGA Fundamentals for Committee and Board Members is shown below.

Committee

Module	Session 1	Session 2	Session 3
Cllr Hunt		2017	Booked 2023
Mr Chilton			
Cllr Condie	2022	2022	2022
Cllr Dennis	2017	2017	2017
Cllr Elkins			
Cllr Jupp	2017	2017	2017
Mr Kipling			
Mr Stretton			
Cllr Turley	2022	2022	2022
Cllr Urquhart		2013	

Module	Session 1	Session 2	Session 3
Mr Scales			
Ms Caney	Booked Oct 23	Booked Nov 23	Booked Dec 23
Mr Cohen			
Ms Martin	2022	2022	2022
Ms Phillips			
Mr Walton			

Pension Regulator Online 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.

External Conferences

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

Member	Event	Date
Cllr Hunt	Link Investor Day	Feb 23
	Baillie Gifford Global Alpha Forum Webinar	Oct 23
Cllr Condie	Baillie Gifford Global Alpha Forum Webinar	Oct 23
	LGPS-Live SAB Webinar	Jul 23
Cllr Dennis	LGPS-Live SAB Webinar	Jul 23
Cllr Elkins	SPS – Local Authority Pension Fund Investment: Current Issues Update	Feb 23
	LGPS-Live SAB Webinar	Jul 23
Cllr Jupp	PLSA LGPS Conference	Jun 23
Mr Kipling	Link Investor Day	Feb 23
	Hymans – LGPS 2022 Valuation: the big picture	Apr 23
	LGPS-Live SAB Webinar	Jul 23
Mr Stretton	Link Investor Day	Feb 23
Cllr Turley	LGPS-Live SAB Webinar	Jul 23
Cllr Urquhart	PLSA LGPS Conference	Jun 23

Internal Training

Internal training is arranged to support the Committee and Board. Over the last year this has included sessions on the role of the Operator and Depository (Nov 22) and from our Investment Managers.

Future Training Opportunities

Internal Events

There is an online Pension Fund Financial Statement Briefing on 16 November 2pm – 3pm for Regulations, Audit and Accounts Committee, Pensions Committee and Pension Advisory Board members.

External Events

If Committee or Board members would like to attend any of the events below, please contact tracey.jeffryes@westsussex.gov.uk.

Event	Date	Location
LGA Fundamentals Face to Face	Day 2 London – 2 Nov 23 Day 3 London – 5 Dec 23	LGA Offices, 18 Smith Square, London Time 9.30 – 16.05
LGA Fundamentals Online	Day 2 online – 16/23 Nov 23 Day 3 online – 11/19 Dec 23	The online sessions will be delivered over two days over zoom. Time 9.55 – 13.00
LGA LGPS Governance Conference In person or online	18 – 19 January 2024	York

LGPS-Live

LGPS-Live is a series of webinars focusing on the key issues for LGPS funds. It is a bi-monthly event that covers Investment Strategy, Governance, Administration and Performance topics and always includes an update from the Scheme Advisory Board. The next webinar is the 1 November 2023 and includes a session on liquidity of portfolios. Registration is possible through the [LGPS-Live website](#) where past webinars can also be viewed.

If Committee or Board members do view any of the sessions, please let Tracey Jeffryes know in order that our records can be kept up to date.

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Internal Audit Results / Planned Activity

Key Area	Date	Outcome or Update
Member Deaths: Systems and processes within the Hampshire Pension Services team operate effective to ensure correct calculations and prompt payment to the correct recipient, with the risk of overpayments minimised.	Completed 2022/23	Substantial Assurance
Pension Transfers: Processes and controls to support the accuracy and timeliness of transfers in and out of the schemes managed by Hampshire Pension Services.	Completed 2022/23	Substantial Assurance
UPM - Cyber Security: Cyber Security arrangements for by Hampshire Pension Services' (UPM) application operate effectively.	Completed 2022/23	Reasonable Assurance
Pensions Payroll and Benefit Calculations: Systems and controls ensure that lump sum and on-going pension payments are calculated correctly by Hampshire Pension Services, are valid and paid to the correct recipients with all changes to on-going pensions being accurate and timely.	Completed 2022/23	Substantial Assurance
Treasury Management: Cash flow is adequately planned by the Treasury Management Team, with surplus monies invested in line with the Council's Treasury Management Strategy.	Completed 2022/23	Substantial Assurance No recommendations or management actions were raised.
National Fraud Initiative (Cabinet Office)	Completed October 2023	An outcome report has been submitted which identified a potential recovery relating to three cases.
Pension Refunds: Appropriate arrangements to ensure all refunds dealt with by Hampshire Pension Services are valid, accurate and are paid promptly to the correct recipients.	In Progress	

Key Area	Date	Outcome or Update
<p>Employer admissions / cessations: To provide assurance on employer activity undertaken by Hampshire Pension Services reflects changes within the employer population and requirement to comply with Statutory responsibilities.</p>	In progress	
<p>Employer Contributions: To provide assurance on employer contribution processes undertaken by the Pension Team considering new rates, new actuarial certificate and pension fund cashflow.</p>	In progress	
<p>UPM – Application Review: Appropriate arrangements are in place for managing the UPM application by Hampshire Pension Services, including supporting infrastructure such as servers, databases, pre-production environments and system changes.</p>	In progress	
<p>Member Deaths: Interaction of systems and processes between Hampshire Pension Services and West Sussex Pensions Team operate effectively to recover any overpayments.</p>	Quarter 3 2023/24	Once the audit team have determined a sample of cases, they will review the processes followed and outcomes achieved.
<p>Pension Transfers: Interaction of processes and controls Hampshire Pension Services and West Sussex Pensions Team operate effectively to identify the receipt of transfer in payments.</p>	Quarter 3 2023/24	Once the audit team have determined a sample of cases, they will review the processes followed and outcomes achieved.
<p>Pensions Payroll and Benefit Calculations: Systems and controls ensure that lump sums and on-going pension payments are calculated correctly by Hampshire Pension Services, are valid and paid to the correct recipients, all changes to on-going pensions are made and pension payroll runs are accurate, complete, timely and secure with all appropriate deductions made and paid over to the relevant bodies.</p>	Quarter 4 2023/24	

Report to Pensions Committee

1 November 2023

Pension Administration

Report by Director of Finance and Support Services

Summary

The Pension Administration service has been provided by Hampshire County Council since 4 March 2019. There were 88,210 members in the Scheme on 30 September 2023 and 217 employers actively contributing into the Scheme. This is an increase of 1,003 members and a net decrease of four employers since 30 June 2023.

99.41% of active benefit statements and 99.98% of deferred benefit statements were produced by the statutory deadline (31 August 2023) and all required Pension Savings Statements were published by the deadline (6 October 2023). Other administration activity is set out in Appendix A. The following are highlighted:

- Over the quarter ending 30 September 2023, 1,642 casework items were completed by the team and a total of 8,060 casework items completed by the administrators over the previous 12 months. All casework items were completed with the service level timescales. On 30 September 2023, 844 casework items were in progress with the team, employers, members or other third parties.
- On 30 September 2023, 43% of members had set up an account on the Member Portal which allows them to update personal details, access to Annual Benefit Statements, run retirement estimates or view their payslips online. On the same date, 163 (75%) of employers were registered onto Employer Hub. The Hub allows employers to view pension records for active employees, inform the team about changes in membership, notify of leavers / starters and run retirement estimates.

In terms of employer management, the following are highlighted:

- The Funding Strategy Statement has been updated to reflect the guarantee from the Department for Education for outsourced contracts from academy trusts as set out within the policy paper published by the Department in May 2023. This facilitates the Pension Fund offering pass-through as a risk sharing arrangement for contractors joining the Scheme following an Academy outsourcing.
- The administrative team have reviewed employer performance during the annual return process for timeliness, financial and data quality. Whilst eight employers improved their data quality rating from a red in 2022 to either an amber or green this year, the general pattern is a reduction in data quality. The team are undertaking targeted engagement, training, and mid-year validations with employers to support future improvements.

In terms of project work, the following are highlighted:

- On 1 October, changes to the Regulations to facilitate the McCloud remedy became effective. Currently 7,340 members have been identified as being in scope

for remedy. Guidance is expected from Government on prioritisation for reviewing the cases so that Funds are broadly working to the same timescales. The Fund can process retirements and estimates with the remedy underpin.

- Hymans Robertson has reviewed arrangements with the Fund’s Additional Voluntary Contribution (AVC) provider Legal & General (L&G). Overall, Hymans believes that the AVC arrangements provided by L&G give good value for members and there are no pressing actions needed to improve value for members. The 2023 value for money summary will be published on the Pension Fund’s website.

Recommendation:

1. That the Pensions Committee approves the updated Funding Strategy Statement at Appendix B
2. That the Pensions Committee notes the report.

1 Background and context

- 1.1 Hampshire County Council provides the Pension Administration Service for West Sussex County Council, and it works 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

- 2.1 On 30 September 2023, the Scheme had 88,210 members as analysed below. Membership and movements from 30 June 2023 have been shown as a comparison.

Member Type	30 June 2023	30 Sept 2023	Movement No.	Movement %
Active	25,870	26,200	+330	+1%
Deferred	37,153	37,499	+346	+1%
Pensioner	24,217	24,511	+294	+1%
Total	87,240	88,210	+970	+1%

- 2.2 In addition, there are 6,047 records classified as ‘preserved refunds’ (5,921 on 30 June 2023). 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.

3 Administration Activity

- 3.1 Appendix A sets out Local Government Pension Scheme (LGPS) contributions received April to August 2023, casework performance, complaints, and portal access during the period to 30 September 2023.

Publication of Annual Benefit Statements

- 3.2 Notification emails to active members informing them that their Annual Benefit Statements were available were sent throughout August. By the statutory deadline of 31 August, 99.41% of statements (25,776) had been produced. The number of outstanding statements at the deadline was 154. This has since been reduced to 117 by the end of September and work is ongoing to investigate on a case-by-case basis with the aim of reducing the number by the end of the year.
- 3.3 By the deadline of 31 August 36,822 deferred annual benefit statements, reflecting 99.98% of the statements required, were published on the Member Portal. The outstanding six statements are being investigated on a case-by-case basis.

Publication of Pension Saving Statements

- 3.4 The team are in the process of finalising the annual allowance position for members who have previously exceeded their annual allowance and for those that have been identified as part of the annual benefit statement process as requiring further investigation. All required Pension Savings Statements were published by the deadline of 6 October.

4 Employer Management

Employer Movements

- 4.1 On 30 September 2023, the Scheme had 325 employers.

Employer Status	30 June 23	30 Sept 23
Active	221	217
No active members	103	108
Total	324	325

The above excludes 21 employers who are in the process of being admitted. These include eleven admitted bodies and ten academy conversions.

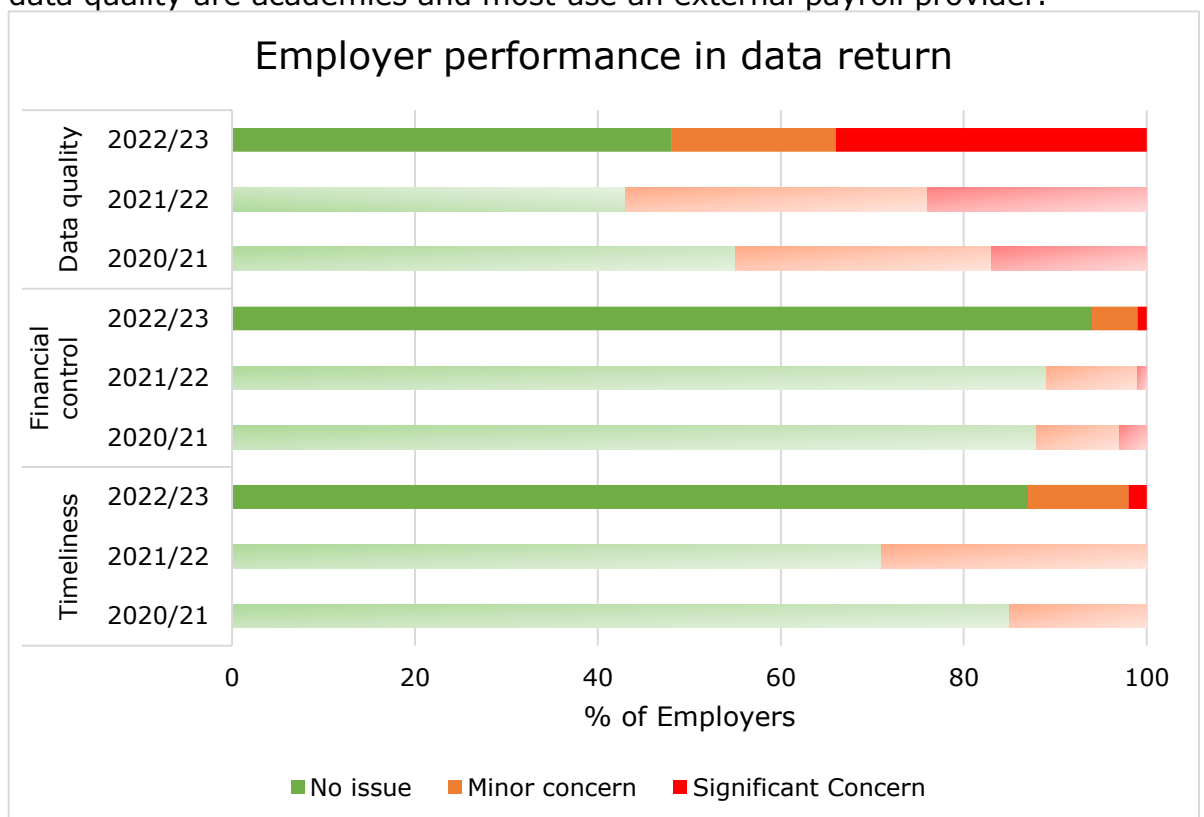
Funding Strategy Statement

- 4.2 In May 2023 the Department for Education (DfE) published its [Local Government Pension Scheme Guarantee for Academy Trusts: Pensions Policy for Outsourcing Arrangements](#) policy paper.
- 4.3 The policy provides pension liability cover from the DfE where academy trust employees, who are eligible to be members of the LGPS, are transferred under Transfer of Undertakings Protection of Employment (TUPE) Regulations 2006 from the public sector to the contracting employer. The outsourced contract is admitted to the fund on a pass-through arrangement.
- 4.4 A pass-through contract allows LGPS liabilities to remain with the academy trust, for those employees who transferred to the outsourcing provider. Therefore, their LGPS liabilities are automatically covered within the [DfE LGPS Guarantee for Academy Trusts](#) which has been in place since 2013.

- 4.5 Following the publication of the policy paper officers, in consultation with the Actuary, have reviewed and updated the [Funding Strategy Statement](#) Appendix 1B – Funding Strategy for Academies and Free Schools to ensure that the approach to academy trust outsourcing is clear and in line with the DfE policy. The updated Funding Strategy Statement extract shows changes highlighted (Appendix B).

End of Year Employer Performance

- 4.6 The team has received information from employers with active members participating in the Scheme between 1 April 2022 and 31 March 2023 to allow it to reconcile the data, update member records and produce Annual Benefit Statements by the Statutory deadline of 31 August 2023. 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).
- 4.7 This year there were 216 active scheme employers on 31 March 2023 and for whom an annual return was due by 30 April 2023 (201 on 31 March 2022).
- 4.8 As in previous years, the administrative team has reviewed employer performance during the annual return process for timeliness (whether the return was received by the deadline of 30 April, by 31 May, or later), financial control (no, minor or major reconciliation issues) and data quality (no, minor or major reconciliation issues). The information in the chart below will be added to the Annual Report. Overall performance moved more towards green or red ratings, away from amber. Encouragingly there has been an increase in employers rated green across all criteria (92 employers or 42%) but 28 employers moved from a previously green or amber rating for data quality to a red rating this year. In total 23 employers (11%) have received red data quality ratings in each of the past three years. Most of the employers red for data quality are academies and most use an external payroll provider.



- 4.9 The following action will be taken to address the issues raised at year end:
- A letter will be sent to all scheme employers who rated red in one or more areas with a request that they review their processes to ensure improvement in future years.
 - Meetings will be arranged with those employers who have received a red data quality rating over three consecutive years to discuss action to be taken to address the ongoing issue.
 - The administration team will engage with external payroll providers to support their understanding of the requirements of the returns and throughout the year.
 - Communications will be issued to all employers through the regular newsletter setting out the importance of keeping the administration up to date throughout the year.
 - Employer training content will be reviewed to ensure key issues are highlighted for checking/completion before submission.

5 Project Work: McCloud

- 5.1 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.
- 5.2 This is a significant administration task.
- 5.3 On 8 September 2023 the Department for Levelling Up, Housing and Communities (DLUHC) laid The Local Government Pension Scheme (Amendment) (No. 3) Regulations 2023 and published its response to the most recent McCloud consultation. The regulations implement the McCloud remedy and change the existing underpin to ensure it works effectively and consistently for qualifying members. The regulations came into force on 1 October 2023 and apply retrospectively to 1 April 2014.
- 5.4 To date, 209 of the expected 214 returns from employers (which amounts to 170,503 lines of data) have been received. Initial checks have been completed on 208 of these.
- 5.5 Currently 7,340 members have been identified as being in scope for Remedy. This includes 133 deceased members and 263 members who have transferred out of the Fund. The remaining members are all current members of the Fund.
- 5.6 Guidance is expected from Government on prioritisation for reviewing the cases so that Funds are broadly working to the same timescales.
- 5.7 The anticipated software update was delayed and therefore the team was not able to carry out as much preparation for the regulations as hoped. However, the team continues to collect information from employers on an individual

member basis (e.g. on the leaver or estimate form) and the Fund will therefore be able to process retirements and estimates with the remedy underpin.

- 5.8 The team will continue to load data onto records so that it can produce service information with the 2024 annual benefit statements for members to start checking that the new data is accurate. It is considered that this will put the Pension Fund in a strong position to comply with the production of remedial service statements in 2025.











6 Project Work: Dashboard

- 6.1 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.
- 6.2 The original connection deadline for Public Sector schemes was 31 October 2024, but in March 2023, the Department for Work and Pensions announced delays and a reset of the programme as part of refreshing its delivery plan for a new connection deadline for all schemes of 31 October 2026.
- 6.3 Additional guidance is expected, which should set an expectation of when public sector schemes should connect, rather than waiting until the final deadline. The 'dashboard available point' (DAP) is to be determined but will be communicated 6 months in advance to allow schemes to prepare.

7 Project Work: AVC Review

AVC Provider Review 2023 Legal & General

- 7.1 Under the Regulations, an active member can pay additional voluntary contributions ("AVCs") or to contribute to shared cost additional voluntary contribution arrangements ("SCAVCs") in respect of an employment. These arrangements must be established by the Administering Authority with a body approved for the purposes under the Finance Act 2004(1) ("the AVC provider").
- 7.2 The West Sussex Pension Fund moved its AVC provider from Standard Life and Utmost (Equitable Life) in March 2021 to Legal & General (L&G), following a market review. Some AVC investments were retained with Standard Life because the potential costs of moving funds could outweigh the benefits of moving to L&G for members nearing retirement. West Sussex County Council was the first Administering authority to appoint L&G as its AVC provider. Since 2021 L&G has been piloting the development of an AVC proposition more specifically for the LGPS market. One other local authority recently completed a transfer of its AVCs to L&G and work is in progress with another.
- 7.3 Hymans Robertson has undertaken an annual review of the arrangements with L&G and consider that it remains a competitive and effective provider.
- 7.4 Hyman's value for money summary is set out below, with a comparison to the 2022 assessment. The value for money summary considers charges along with the quality and suitability of the AVC arrangements. The weightings for each aspect reflect Hymans' consideration of the likely contribution to good outcomes for members. Overall, Hymans believe that the AVC arrangements provided by L&G give Good Value for Members and there are no pressing actions needed to improve Value for Members. The 2023 value for money summary will be published on the Pension Fund's website.

Service	Weight	2022 Rating	2023 Rating	Comment
Costs and charges	30	 Excellent	 Good	Charges are deducted from members' funds pay for L&G's investment, administration, and communication services. Members also bear the funds' transaction costs, which are implicit in the funds' unit prices. Initially members saw a reduction in charges, typically in the region of 0.30% p.a. when AVCs were moved from Standard Life to L&G. The current charges of 0.48% to 0.57% are competitive in comparison with other LGPS AVC schemes.
Investment	40	 Good	 Good	Members can invest in the L&G Lifestyle Option (the default fund designed for LGPS AVCs, targeting members taking their AVCs as a cash lump sum when they retire) or in one or more of the twelve available L&G Self Select Funds (which are mostly passively managed and cover the main asset classes (except property)). Several ESG and climate change aware funds are used in both the growth and consolidation phase of the lifestyle option and self-select fund range.
Admin	15	 Average	 Good	L&G provide satisfactory administration, which has received positive feedback.
Comms	10	 Good	 Good	L&G provide investment guides specific to the Fund's AVC arrangements and all members can manage their AVCs on-line.
Governance	5	 Good	 Good	An annual "health check" of the AVC arrangements is in keeping with TPR guidance.

- 7.5 Whilst Hymans believes an appropriate number of investment choices for most members are provided by the Pension Fund, it has recommended that the Pension Fund considers making changes to the self-select fund range next year as part of a more detailed review of the AVC arrangements, to take advantage

of any enhancements (such as ESG and climate change factors, or illiquid assets/private markets).

Standard Life

- 7.6 In addition to the arrangements with L&G, the Pension Fund also maintains Standard Life as an AVC Provider for 4 members. These members were given the opportunity to stay with Standard Life as they were expected to retire by 2023, because the potential costs of moving funds could outweigh the benefits of moving to L&G for a limited period. Standard Life Assurance Limited and Standard Pension Funds Limited are now planning to transfer all their policies to Phoenix Life Limited in October 2023, subject to approval by the High Court. Acknowledging that there is benefit in closing the arrangement with Standard Life it is proposed that the Pension Fund writes to the members to advise that the Funds will close. Legal advice will be sought on the reasonable timescales for this.

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 No discretions have been referred for an Administering Authority decision during the latest quarter.

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)

N/A

11 Consultation, engagement, and advice

N/A

12 Finance

N/A

13 Risk implications and mitigations

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 6.

14 Policy alignment and compliance

The Pensions Committee has an overarching objective to build on the improvement journey in relation to the administration and deliver a high-quality administration service to all stakeholders with processes and procedures to ensure that the Fund receives all income due, and payments are made to the

right people at the right time, clear communication and robust accounting and reports.

Taryn Eves

Director of Finance and Support Services

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rachel.wood@westsussex.gov.uk

Appendices

Appendix A - Administration Activity

Appendix B – Updated appendix 1B of the Funding Strategy Statement

Background papers

None

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Administration Activity

Key Performance Indicators (KPIs)

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. The pattern of cases over the year is shown on the right-hand side.

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). It also does not include work in progress, which is shown on the next page.

No. Cases completed by day count	0-5 days	6-10 days	11-15 days	16-20 days	21-30 days	31-40 days	Total	Quarter end Sept 23	Quarter end Jun 23	Quarter end Mar 23	Quarter end Dec 22
Active Retirement	280	113	45				438	98	121	104	115
Deferred Retirement	248	255	333				836	194	232	232	178
Estimates	166	519	1,113				1,798	397	474	490	437
Deferred Benefits	97	39	82	109	2,503		2,830	487	761	738	844
Transfers In & Out	37	64	31				132	33	24	46	29
Divorce	39	82	45				166	41	48	55	22
Refunds	75	214	237				526	98	152	125	151
Rejoiners	47	41	99	216			403	102	94	148	59
Interfunds	149	129	154				432	100	104	137	91
Death Benefits	337	79	83				499	92	134	166	107
Grand Total	1,475	1,535	2,222	325	2,503	-	8,060	1,642	2,144	2,241	2,033

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 on 30 Sep 2023 in relation to key processes and compares to the previous quarter.

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 30 Sep 23	Total 30 Jun 23
Active Retirement	8	10	0	0	0	0	18	19
Deferred Retirement	13	19	5	0	0	0	37	39
Estimates	90	166	16	0	2	7	281	312
Deferred Benefits	24	215	31	54	29	0	252	389
Transfers In & Out	1	1	0	0	0	0	2	1
Divorce	8	8	0	1	0	2	19	32
Refunds	0	0	0	0	0	0	0	17
Rejoiners	20	18	17	6	2	0	63	72
Interfunds	16	13	3	1	0	2	35	29
Death Benefits	14	6	3	1	5	7	36	34
Total	194	456	75	63	38	18	844	944
Total 31 Mar 2023							754	

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). Also included are the number of log ins to the Portal.

	Membership Split 30 Jun 2023	Membership Split 30 Sep 2023	No. Log in 1 Apr to 30 Jun 2023	No. Log in 1 Jul to 30 Sep 2023
Active: Registered	12,633 49%	13,268 51%	4,022	8,069
Active: Opt out of online	161 1%	163 1%		
Active: No Response	13,076 51%	12,769 48%		
Deferred: Registered	12914 35%	13,751 37%	3,374	3,723
Deferred: Opt out of online	220 1%	213 1%		
Deferred: No Response	24,019 65%	23,549 63%		
Pensioner: Registered	10,718 44%	11,214 46%	6,942	2,375
Pensioner: Opt out of online	6179 26%	6,181 25%		
Pensioner: No Response	7320 30%	7,135 29%		
Total: Registered	36,265 42%	38,233 43%	14,338	14,167
Total: Opt out of online	6,560 8%	6,557 7%		
Total: No Response	44,415 51%	43,453 49%		

Call and email volumes

Month	Dec 22	Jan 22	Feb 22	Mar 22	Apr 23	May 23	Jun 23	Jul 23	Aug 23	Sep 23	Total	10 Month Average
Calls received	314	615	536	655	573	519	587	511	549	477	5,336	533.6
Calls answered	310	590	524	634	561	500	568	503	531	459	5,180	518
Calls abandoned	4	25	12	21	12	19	19	8	18	18	156	16
Average wait time (seconds)	63	140	159	89	63	82	91	58	73	95		93
Emails	336	489	522		544	445	544	623	626	540	6,550	655

Contribution Monitoring

Regulations state that all Local Government Pension Scheme contributions must be received by the Fund on the 22nd of each month following deduction and must be accompanied by a remittance which breaks down the payment into employer and employee contributions and reconciles to the amount paid.

The analysis below shows performance of employers for the year to date and reflects the payroll month.

Month	Apr-23	May-23	Jun-23	Jul-23	Aug-23
Total Active Employers	218	219	222	222	220
Payment received & validated by statutory deadline	196	216	206	217	210
Total Value of Late Payments (£)	1,258	1,208	-	-	-
Number of Late Remittances	22	3	16	5	10
Total Amount Still overdue (£)	-	-	-	-	-
Number of Late remittances still outstanding	0	0	0	0	2

Complaints and Compliments

Over the quarter the team received nine compliments and one complaint.

additions shown in bold, italic text, deletions struck through.

APPENDIX 1B: Funding Strategy for Academies and Free Schools

Opening Position

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

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

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

For an Academy, the initial contribution rate will be equal to the Academies who are part of the Multi Academy Trust (MAT) pool or, if this is not applicable, that of WSCC. If requested, the Actuary can calculate an individual rate.

For a Free School, the initial contribution rate will be an individual rate calculated by the Fund Actuary.

Funding Target

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

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

Time horizon & Likelihood

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

Smoothing

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

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

Due to the long term nature of Academies and Free Schools, changes to contribution rates may be phased in where the assessed total rate changes by 2% of pay or more (for example, if rates were to

increase or reduce by 3% of pay, this would be phased in by changing contributions 1% of pay per annum).

Additional Costs

Early Retirement

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

Ill Health Early Retirement

Members are entitled to an ill health benefit if they have qualifying service and where their employment is terminated by a Scheme employer on the grounds of ill-health or infirmity of mind or body before that member reaches normal pension age. The eligibility for an ill health retirement is set out within the LGPS regulations and any decision made by the employer should be based on the recommendation of the Independent Registered Medical Practitioner (IRMP).

Limited allowance has been made within employer contribution rates for ill health early retirement of members. As a result, the preference is for employers to pay an upfront, additional contribution ('strain') wherever an employee retires with an unreduced pension before reaching their earliest retirement age. However, alternatives will be considered based on the employer's covenant.

Exit and Exit Obligations

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

Suspension Notice

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

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

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

Other circumstances

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

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

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

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

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

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

Contractors

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

Following the Department for Education Academy Trust Guarantee Policy, the default for Academy contractors to be admitted into the Fund will be on a "Pass Through" basis. Under most pass through arrangements no pension fund assets or liabilities will transfer to the contractor's portion of the Fund. The contractor would pay a fixed contribution rate agreed with the Academy, over the entire contract length. When the Admission Body exits the Fund, provided that all pass through arrangements have been complied with, no exit debt or credit will be due. These bodies will be pooled with the Academy for actuarial valuation purposes.

If the Academy does not wish for the contractor to be admitted on a "Pass Through" basis, the Fund will require proof from the Academy that they have permission from the Education and Skills Funding Agency to act as a guarantor.

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

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**Key decision: Not applicable
Unrestricted**

Report to Pensions Committee

1 November 2023

Review of Administering Authority Discretions

Director of Finance and Support Services

Summary

West Sussex County Council, as Administering Authority, is able to exercise discretion on how Pension Fund Regulations should be applied in specific areas.

The Council's approach to discretions has been reviewed in full to ensure that it accurately reflects the Regulations, align with the County Council's Constitution, are not overly restrictive and clearly set out the County Council's approach. Changes have been made to:

- Bring the document up to date with the role of the Pensions Committee and senior officers as set out in the Constitution.
- Reflect current practice in terms of the management of overdue payments from employers.
- Reflect recommended practice in relation to transfers into the Scheme and arrangements for buying additional pension contributions.
- Describe processes more fully and reflect best practice in relation to the payment of monies following the death of a member.
- Add discretions previously omitted and remove out of date regulatory reference.
- Provide cross references to existing policies.

The Administering Authority Discretions policy will be kept under regular review and formally reviewed every two years.

Recommendation

- (1) That the draft Administering Authority Discretions Policy (Appendix A) is approved.
-

Proposal

1 Background and context

- 1.1 Whilst the Local Government Pension Scheme (LGPS) is one of the largest public sector pension schemes and most arrangements are set out in

regulations, there are occasions where the Administering Authority has discretion as to how the Regulations should be applied.

- 1.2 West Sussex County Council is therefore required to maintain an up-to-date policy and to take decisions consistent with its adopted approach (the "Administering Authority Discretions").
- 1.3 Discretionary powers are typically expressed in terms of what the Administering Authority "may" or "has the power" to do – as opposed to a duty, expressed as what it "shall" or "must" do. Discretions include how lump sum death benefits are distributed, granting non-statutory transfers or trivial commutation, settling benefits for children under age 18 and arrangements relating to admission and cessation of admission to the scheme by employers.

2 Proposal details

- 1.4 The Administering Authority Discretions were last reviewed in 2019, when the administration service transferred to Hampshire Pension Services. The current approved Discretions are published on the [website](#).
- 1.5 The Discretions have now been reviewed in full to ensure that they properly reflect the Regulations, align with the County Council's Constitution, are not overly restrictive and clearly set out the County Council's approach. Advice has been provided by Hymans Robertson's governance and administration team.
- 1.6 Additions compared to current approved Discretions are shown in bold and italic text, deletions are struck through)
- 1.7 The following changes are highlighted:
 - a. The role of the Pensions Committee to determine whether a separate admission agreement fund should be set up, reflecting terms within the Constitution. This is not a discretion that the Committee has used to date.
 - b. The possibility that interest may be charged on overdue payment by employers, rather than the decision to charge in all cases. This reflects recommended practice for the treatment on shorter term debt.
 - c. The insertion of the role of the Director of Finance and Support Services and Director of Law and Assurance in relation to the following discretions, in line with the Constitution:
 - i. appeals against employer decisions
 - ii. the procedure for the exercise of Internal Dispute Resolution Procedures functions
 - iii. the maintenance of a communication policy
 - iv. the preparation of a written pensions administration strategy
 - v. the arrangements to apply where a beneficiary is incapable of managing their affairs.
 - d. The insertion of the role of the Director of Finance and Support Services in relation to the following discretions, in line with the Constitution:
 - i. whether to extend normal time limit for acceptance of a transfer value beyond 12 months from joining the LGPS

- ii. whether to extend the time limits within which a member can give notice to draw benefits before normal pension age or upon flexible retirement
 - iii. whether to recover outstanding employee contributions as a deduction from benefits
 - e. The allowance of non-Club transfers into the scheme. There is no discretion in relation to Club schemes. This follows actuarial advice which indicated that the instances of non-club transfers resulting in extreme service credits have greatly reduced and recent changes in the SCAPE discount rate will likely lead to small service/pension credits on transfer in and which helps reduce the risk to the Fund.
 - f. The wording in relation to the payment of death grant and Additional Voluntary Contributions / Shared Cost Additional Voluntary Contributions (AVC/SCAVC) monies has been clarified with supplementary wording added to describe the process more fully. The role of the Director of Finance and Support Services jointly with Director of Law and Assurance has been updated. The wording is intended to provide an appropriate degree of flexibility for the Administering Authority whilst also providing a framework within which each case will be considered.
 - g. The wording in relation to the evidence required to determine financial dependence of cohabiting partner or financial interdependence of cohabiting partner has been expanded to provide a framework for the consideration by the Director of Finance and Support Services.
 - h. The circumstances where a satisfactory medical report is required for additional pension contributions have been clarified. There is no longer a requirement for a medical report where a member is applying to pay an APC / SCAPC to buy back missing pension that is due to a period of unpaid authorised leave of absence, unpaid child related leave or industrial action. This reflects the risk of additional cost falling back on the employer where a member enters a contract for APCs but retires on grounds of ill health (Tier 1 or Tier 2) before the contract is paid. In these circumstances the additional pension would be awarded in full.
 - i. The following have been added:
 - i. The determination of the amount of an exit credit payable to an exiting employer and any extension to the 6-month period to pay an exit credit.
 - ii. Whether to agree that an admission agreement may take effect on a date before the date on which it is executed.
 - iii. The Timing of pension increase payments by employers to fund (pre-April 2008 leavers).
 - iv. The arrangements for employer decision relating to ill health and early payment of benefits for a defunct employer.
 - j. The insertion of references to the Funding Strategy Statement where it contains more information about the application of discretions.
 - k. References to out-of-date regulations have been removed.
- 1.8 Where the County Council has exercised its discretion on a matter, the decision can be challenged by members or their beneficiaries. The powers of the Pensions Ombudsman may require the Council to reconsider a discretionary

decision where it has failed to follow due process. However, even where the Ombudsman does have the power to step in, they cannot set aside a discretionary decision and can only order the County Council to reconsider the matter (which may result in the same decision being taken).

- 4.1 To support the process, Administering Authority officers will keep complete records of the decision made and the reasons. Additional expert advice may be sought for complex cases.
- 4.2 The Administering Authority Discretions policy will be kept under regular review and formally considered every two years.
- 4.3 The LGPS regulations also allow scheme employers to exercise certain discretions to enhance the benefits of scheme members. These discretions typically involve early access to benefits or improving the benefits received by members. Employers are therefore required to maintain and review their own discretions policy.

3 Other options considered (and reasons for not proposing)

N/A

4 Consultation, engagement and advice

Hymans Robertson have provided advice.

5 Risk implications and mitigations

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 6.

6 Policy alignment and compliance

N/A

Taryn Eves

Director of Finance and Support Services

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Appendices

Appendix A – Administering Authority Discretions

Background papers

None

Draft Pension Fund's policy on discretions (October 2023)

(additions compared to current approved discretions are shown in bold, italic text, deletions are struck through)

The Pension Fund and scheme employers must set out their respective policies on discretions.

Under the Local Government Pension Scheme (LGPS) regulations, administering authorities have discretions in relation to their administration of the scheme. These are referred to as administering authority discretions.

The Statement of Discretions for the West Sussex LGPS are set out below. These are applied to all employers and all members regardless of who their employer is.

Individual employers also have a Statement of Discretions relating to early access to benefits or to improving the benefits received by members. Members can request a copy from their employer direct.

Key to regulations:

Prefix	Regulation
R	Local Government Pension Scheme Regulations 2013
TP	Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014
A	Local Government Pension Scheme (Administration) Regulations 2008
B	Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007
T	Local Government Pension Scheme (Transitional Provisions) Regulations 2008
L	Local Government Pension Scheme Regulations 1997 (as amended)
None	Local Government Pension Scheme Regulations 1995
IN	Local Government Pension Scheme Regulations 2016 (Management and Investment of Funds)
DC	Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000
RPS	The Registered Pension Schemes (Modification of Scheme Rules) Regulations 2011

Section 1 – Pension benefits and administration

Additional Pension Contributions and Shared Cost Additional Pension Contributions (APC/SCAPC)

Discretion	Ref	Delegation or Policy
<p>Whether to turn down a request to pay an APC/SCAPC over a period of time where it would be impractical to allow such a request (e.g. where the sum being paid is very small and could be paid as a single payment)</p>	<p>R16(1)</p>	<p>The Administering Authority has not set a minimum payment threshold.</p>
<p>Whether to require a satisfactory medical before agreeing to an application to pay an APC / SCAPC</p> <p>Whether to turn down an application to pay an APC / SCAPC if not satisfied that the member is in reasonably good health.</p>	<p>R16(10) R16(10)</p>	<p>A satisfactory medical report is required where a member is applying to pay an APC / SCAPC to increase their retirement benefits.</p> <p>The report should detail whether in their the practitioner’s opinion the member is in reasonably good health to undertake APC/SCAPC’s. If this is not satisfied, then the application to pay an APC/SCAPC will be turned down.</p> <p>All costs incurred to establish that a member is in reasonably good health to undertake APC/SCAPC’s are at the member’s expense.</p> <p>Members are advised of this requirement on the Fund’s website.</p> <p>No medical report is required where a member is applying to pay an APC / SCAPC to buy back missing pension that is due to a period of unpaid authorised leave of absence, unpaid child related leave or industrial action.</p>

Transfers and aggregation of benefits

Discretion	Ref	Delegation or Policy
<p>Allow transfer of non-club pension rights into the Fund.</p> <p>Note: There is no discretion in relation to Club schemes. If the Club rules apply the transfer in must be accepted.</p>	<p>R100(7)</p>	<p>The Pension Fund will usually allow transfers from Club and Non-Club Schemes provided that the application is made within 12 months of joining the Scheme.</p> <p>The Administering Authority allows non-Club transfers into the scheme.</p>
<p>Extend normal time limit for acceptance of a transfer value beyond 12 months from joining the LGPS.</p>	<p>R100(6)</p>	<p>The 12 month time limit may be extended in agreement with the Principal Pension Consultant (Administration & Employers) and the employer if it is clear that you were unable to meet the normal time period due to circumstances beyond your control.</p> <p>An extension to 12 months to accept a transfer value will be considered by the Director of Finance and Support Services in exceptional circumstances where it can be evidenced that the member has been prevented from meeting the 12-month time limit.</p>
<p>Decide, in the absence of an election from the member within 12 months of ceasing a concurrent employment, which ongoing employment benefits from the concurrent employment which has ceased should be aggregated (where there is more than one ongoing employment)</p>	<p>TP10(9)</p>	<p>The Administering Authority will aggregate with the earliest remaining employment.</p>

Retiring Members

Discretion	Ref	Delegation or Policy
Whether to extend the time limits within which a member must give notice of the wish to draw benefits before normal pension age or upon flexible retirement.	R32(7)	This is considered on a case by case basis, as agreed with the Principal Pension Consultant (Administration & Employers). <i>The Director of Finance and Support Services will only extend the time limit in exceptional circumstances which are reasonably considered to have prevented the individual from giving notice.</i>
Extend time period for capitalisation of added years contract	TP15(1)(c) & TSch1 & L83(5)	The Administering Authority will not extend the time limit for applications to pay off added years contracts.

Commutation of benefits

Discretion	Ref	Delegation or Policy
Decide whether to commute small pension	R34(1) R39 (1) (b) & (c) B39 T14(3) L49 & L156	The Administering Authority would look to commute a small pension, as calculated under the regulations and within HMRC limits. <i>The commutation of eligible small pension pots is permitted.</i>

Internal Dispute Resolution Procedure (IDRP)

Discretion	Ref	Delegation or Policy
Decide procedure to be followed when exercising its IDRP functions and decide the way those functions are to be exercised	R76(4)	<p>Any stage two IDRP applications will be referred to the nominated person, Head of Law & Assurance, to provide a report on the appropriateness of the stage one decision. This report will be considered by the administering authority when making a determination under stage two.</p> <p>A copy of the IDRP and application form is published on the Funds web pages.</p> <p><i>The Director of Finance and Support Services and Director of Law and Assurance have jointly determined and documented a compliant Internal Dispute Resolution Procedure (IDRP) relating to disputes raised with the Administering Authority (i.e., where an employer fails to consider a dispute at Stage 1 or an individual invokes a Stage 2 appeal).</i></p>
Whether admin authority should appeal against employer decision (or lack of a decision)	R79(2) L105(1)	<p>This is considered on a case by case basis.</p> <p><i>The Director of Finance and Support Services jointly with Director of Law and Assurance will take the decision whether to appeal in line with its Internal Dispute Resolution Procedure (IDRP).</i></p>

Death Benefits

Every member of the Pension Scheme can complete an expression of wish form to indicate to whom they would like any death grant due to be paid (the "Expression of Wish").

The presumption should be that a clear and unequivocal statement of wish in relation to the allocation of the death grant from the pension should be respected by the administering authority.

While the administering authority will seek to establish from records and available evidence the intentions of the deceased member and may consider the views of other relevant parties in reaching its decision, it is not bound by anyone else's view and the sole responsibility of the decision lies with the administering authority.

Evidence will be considered, and the decision maker will take account of all relevant matters and disregard any irrelevant matters.

In reaching a decision the following principles will be followed by the Administering Authority:

- Ensuring all the relevant information is gathered – in addition to an expression of wish, it may be appropriate for it to contact the next of kin or personal representatives and/or family and friends of the deceased to obtain relevant documentation and information.
- Identifying all possible beneficiaries – using the information gathered above.
- Considering all relevant factors – using its discretion as to which factors are relevant and which are not, along with the weighting being given to any relevant factors. Factors can include but are not limited to:
 - When the expression of wish was made
 - Whether the family and dependants' circumstances have changed since the expression
 - Whether there are individuals who are, at the time of death, financially dependent upon the pensioner
 - Whether a will or other formal statement overrides or contradicts the pensioner's expression of wish
 - Whether a grant of probate has been made and an executor of the estate appointed who has authority to deal with the allocation of a payment from the pension scheme.
 - The content of any representations made by relatives or other connected persons.

Discretion	Ref	Delegation or Policy
Decide to whom any AVC/SCAVC monies (including life assurance monies) are to be paid on death of the member	R17(12)	<p>Where it is clear, having taken account of all the circumstances, payment is made in accordance with the member's expression of wish. If no wish has been made, then payment is made to the legal spouse, cohabiting partner or civil partner.</p> <p>Where there is any doubt this is delegated to the Principal Pension Consultant (Administration & Employers) or Probate obtained.</p> <p><i>The Director of Finance and Support Services¹ will decide each case on its merits</i></p> <p><i>In exercising their absolute discretion, the Director of Finance and Support Services² will seek to make payment in accordance with the deceased's valid Expression of Wish. Where no such valid expression of wish exists, or it is deemed any such expression should not be complied with, the Administering Authority will seek to identify appropriate recipients and then decide to whom any payments should be made.</i></p>
Whether, where a person (other than an eligible child) is incapable of managing their affairs, to pay the whole or part of that person's pension benefits to another person for their benefit.	R83 A52A	<p>The Fund will pay benefits to the person having care of the scheme pensioner or eligible child, or such other person as they may determine where the scheme pensioner or eligible child is incapable of managing his or her affairs as agreed by the Principal Pension Consultant (Administration & Employers).</p> <p><i>The Director of Finance and Support Services jointly with Director of Law and Assurance will decide each case on its merits, after considering the available evidence relating to the situation.</i></p>

¹ jointly with Director of Law and Assurance

² jointly with Director of Law and Assurance

Discretion	Ref	Delegation or Policy
Where member to whom B10 applies (use of average of 3 years pay for final pay purposes) dies before making an election, whether to make that election on behalf of the deceased member.	TP3(6), TP4(6)(c), TP8(4), TP10(2)(a), TP17(2)(b) TSch 1 B10(2)	<p>The most advantageous figure is applied as this would be chosen by deceased member.</p> <p><i>The pay figure that would yield the highest overall level of benefits for beneficiaries will be applied.</i></p>
Make election on behalf of deceased member with a certificate of protection of pension benefits i.e., determine best pay figure to use in the benefit calculations.	L23(9)	<p>Considered on a case by case basis, with generally the most advantageous option taken as this would be chosen by the member.</p> <p><i>The pay figure that would yield the highest overall level of benefits for beneficiaries will be applied.</i></p>
Decide to treat child as being in continuous education or vocational training despite a break.	RSch 1 & TP17(9) B39 T14(3)	<p>The Fund Administering Authority will treat a child as being in continuous education or vocational training despite a break.</p>

Discretion	Ref	Delegation or Policy
Decide evidence required to determine financial dependence of cohabiting partner on scheme member or financial interdependence of cohabiting partner and scheme member.	RSch 1 & TP17(9)(b) B25	<p>Considered on a case by case basis, taking consideration of LGPS Regulation requirements and advice from the Council's Legal Services team.</p> <p><i>The Director of Finance and Support Services will decide the evidence required to determine financial dependence, based on guidance and best practice. Examples of evidence include but are not limited to council tax bills, bank or credit card statements and main utility bills, mortgage statements or property rental agreement and / or copies of joint life assurance policies or loan/credit agreements taken out in both names. This list is not exhaustive, and any documentation that is sent that confirms financial dependency covering the two years period prior to death will be considered.</i></p>
Apportionment of children's pension amongst eligible children (children of councillor members and children of post 31 March 1998 / pre 1 April 2008 leavers).	L47(1) G11(1)	<p>Eligible children's pensions will be paid on an equal share basis.</p> <p><i>The Administering Authority will apportion children's pension equally amongst eligible children.</i></p>
Whether to pay spouse's pensions for life for pre 1 April 1998 / pre 1 April 1998 deferred members who die on or after 1 April 1998 (rather than ceasing during any period of remarriage or co-habitation).	F7	<p>Spouse's pensions are not ceased on re-marriage or cohabitation but are payable for life. This was introduced to equalise benefits for those members leaving active service after 31 March 1998.</p> <p><i>The Administering Authority will pay spouse's LGPS pensions for life.</i></p>

Discretion	Ref	Delegation or Policy
Decide to whom death grant is paid	TP17(5) to (8) R40(2) R43(2) R46(2) B23(2) & B32(2) B35(2) TSch1 L155(4) L38(1) L155(4) E8	<p>Where it is clear, having taken account of all the circumstances, payment is taken in accordance with the member's expression of wish. If no wish has been made, then payment is made to the legal spouse, cohabiting partner or civil partner following receipt of Grant of Probate or Form of Indemnity.</p> <p>Where there is any doubt this is delegated to the Principal Pension Consultant (Administration & Employers).</p> <p><i>The Director of Finance and Support Services jointly with Director of Law and Assurance will decide each case on its merits.</i></p> <p><i>In exercising its absolute discretion, the Administering Authority will seek to make payment in accordance with the deceased's valid expression of wish. Where no such valid expression of wish exists, or it is deemed any such expression should not be complied with, the Administering Authority will seek to identify appropriate recipients and then decide to whom any payments should be made.</i></p>
Whether to pay death grant due to personal representatives or anyone appearing to be beneficially entitled to the estate without need for grant of probate / letters of administration where payment is less than amount specified in the Administration of Estates (Small Payments) Act 1965.	R82(2) A52(2) L95	<p>The Administering Authority will pay death grants that are under the amount specified in the Administration of Estates (Small Payments) Act 1965 without the need for grant of probate/ letters of administration.</p> <p><i>The Director of Finance and Support Services jointly with Director of Law and Assurance have determined that death grants that are under the amount specified in the Administration of Estates (Small Payments) Act 1965 without the need for grant of probate / letters of administration will be paid.</i></p>

Discretion	Ref	Delegation or Policy
Select appropriate final pay period for deceased non-councillor member (leavers post 31.3.98. / pre 1.4.08.).	L22(7)	The most advantageous figure would be used as this would be chosen by deceased member. <i>The pay figure that would yield the highest overall level of benefits for beneficiaries will be applied.</i>

General Administration

Discretion	Ref	Delegation or Policy
Whether to have a written pensions administration strategy and if so, the matters it should include	R59(1) and (2)	A Pension's administration strategy has been prepared, maintained and published in accordance with the Regulations. <i>The Administering Authority has an Administration Policy which contains the required information. The Administration Strategy is agreed by the Director of Finance and Support Services jointly with the Director of Law and Assurance³</i>
Pension account may be kept in such form as considered appropriate	R22(3)(c)	Hampshire Pension Services, on behalf of the Administering Authority maintain pension accounts on their UPM administration system. The Administering Authority in partnership with Hampshire Pension Services will decide the form in which pension accounts are kept based on any published guidance, best practice and in an efficient manner. Appropriate measures are in place to ensure the administration system meets the requirements of the regulations.
Outstanding employee contributions can be recovered as a simple debt or by deduction from benefits	A45(3) L89(3)	Outstanding employee contributions will <i>usually</i> be recovered by <i>as a</i> deduction from benefits as agreed by the Principal Pension Consultant (Administration and Employers) <i>where approved by the Director of Finance and Support Services.</i> .

³ Constitution reference 261B

Discretion	Ref	Delegation or Policy
Date to which benefits shown on annual benefit statement are calculated.	R89(5) L106A(5)	Benefits in the Annual Benefit Statement will be as at The Administering Authority uses 31 March each year.
Discharge Pension Credit liability (in respect of Pension Sharing Orders for councillors and pre 1.4.08. Pension Sharing Orders for non-councillor members).	L147	The Administering Authority will discharge its liability by granting pension credit rights on the person entitled to the pension credit.
Decide policy on abatement of pensions following re-employment, including the pre-April 2014 element for post 2014 leavers.	TP3(13) & A70(1)* & A71(4)(c) T12 L109 L110(4)b	The Administering Authority will not abate (reduce or suspend) pension for any re-employment starting after 4 March 2019. Pensions already abated at this date will continue to be abated until the re-employment ends.
To determine the amount of an exit credit, which may be zero	R64 (2ZAB)	The Administering Authority will determine the amount of any exit credit to be paid in line with the factors set out in the regulations, in accordance with the policy in the Funding Strategy Statement.
Agreement to bulk transfer payments	R98(1)(b)	Bulk transfer terms will be negotiated and agreed on a case by case basis in consultation with the Fund Actuary and the Scheme employer. The Funding Strategy Statement sets out the approach to Bulk Transfers.

Discretion	Ref	Delegation or Policy
Maintain a communication policy which contains the information set out in the regulations	R61	<p>The Communication policy is prepared, maintained and published in accordance with the Regulations and circulated to employers.</p> <p>The Communications Policy is published on the Funds web pages.</p> <p><i>The Administering Authority has a Communications Policy which contains the required information. The Communications Policy is agreed by the Director of Finance and Support Services jointly with the Director of Law and Assurance⁴</i></p>

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⁴ Constitution reference 261B

General Administration – Voluntary Scheme Pays Policy

Discretion	Ref	Delegation or Policy
<p>To decide whether it is legally able to offer voluntary scheme pays and, if so, to decide the circumstances (if any) upon which it would do so.</p>	<p>RPS 2</p>	<p>The Director of Finance and Support Services will consider a request for Voluntary Scheme Pays where each of the conditions below are met:</p> <ul style="list-style-type: none"> • the member is subject to the tapered annual allowance • the member exceeds the standard annual allowance • a member is not able to utilise Mandatory Scheme pays • their AA calculation relates solely to the West Sussex LGPS • where the AA charge is above £2,000 • the Fund is notified by the end of November following the tax year. <p>OR</p> <ul style="list-style-type: none"> • In exceptional circumstances where the member was not provided with the necessary information and has missed the Mandatory Scheme Pays deadline due to administrative difficulties caused by the Administering Authority, and • following identification of the administrative error and the Fund notifying the member of the availability of Voluntary Scheme Pays, the member notifies the Fund within a reasonable time of their request to use Voluntary Scheme Pays.

Section 2 – Employing Authorities

Admissions

Delegation	Ref	Policy
Whether to agree to an admission agreement with a Care Trust, NHS Scheme employing authority, Care Quality Commission or any other body applying to be an admission body.	(R4(2)(b), R5(5) & RSch 2, Part 3, para 1)	<p>NHS staff (Public Health) retain right to participate in the NHS Pension Scheme, so it is unlikely the Administering Authority will need to exercise this discretion.</p> <p>Admission, if required, will be subject to agreement by the Chief Finance Officer.</p> <p>The Scheme of Delegation can be found in the WSCC Constitution.</p> <p>Where approved by the Director of Finance and Support Services, the Administering Authority will enter into an admission agreement where requirements are met.</p>
Whether to agree to that an admission agreement may take effect on a date before the date on which it is executed.	RSch2, Part 3, para 14	The Administering Authority requires employers to notify it of any outsourcing as soon as possible and complete an admission agreement with sufficient time before the contract start date. However, each case will be decided on its merits, with advice from the Fund Actuary.
Whether to set up a separate admission agreement fund	R54(1)	<p>The Administering Authority does not currently operate any separate admission agreement funds.</p> <p>Any proposal to create an admission agreement fund will be subject to discussion between officers and the Fund actuary.</p> <p>This would be determined by the Pensions Committee.</p>

Administration matters

Delegation	Ref	Policy
Whether to suspend (by way of issuing a suspension notice) for up to 3 years an employer's obligation to pay an exit payment where the employer is again likely to have active members within the specified period of suspension.	R64(2A)	<p>The Fund would look to issue a written notice ("a suspension notice") subject to discussion between officers and the Fund actuary, where it is reasonable to assume that an exiting employer will have one or more active members commence contributions to the Fund, within 3 years.</p> <p><i>The Funding Strategy Statement sets out the circumstances when issuing a Suspension Notice to defer an exit debt will be considered and the approach taken by the Administering Authority.</i></p>
Whether to obtain revision of employer's contribution rate if there are circumstances which make it likely a Scheme employer will become an exiting employer	R64(4) R64(2ZA) R64(2A)	<p>The Fund requires that a revised rates and adjustment certificate is obtained in anticipation of the termination of an admission agreement (community or transferee) or where a scheduled body is likely to cease.</p> <p><i>The Funding Strategy Statement sets out the approach to "Adjusted Employer Contribution rates". This includes where it is likely that the employer will become an exiting employer.</i></p>
Decide the frequency of payments to be made over to the Fund by employers and whether to make an administration charge	R69(1) L81(1) L12(5)	<p>Employer contributions are payable monthly and due by 19th of the month (22nd if electronic) following deduction (<i>except for employers who make advance payment of their contributions on 1 April</i>).</p> <p>Employer contribution rates include an element to cover administration expenses. This is referred to in the Fund's Funding Strategy Statement.</p> <p><i>An allowance for administration expenses is included in employer contribution rates. Other charges are set out in the Administration Strategy.</i></p>

Delegation	Ref	Policy
Decide the form and frequency of information to accompany payments to the Fund	R69(4) L81(5)	<p>Employer (or their payroll bureau) must provide monthly remittance to Financial Services along with their payment and complete a quarterly confirmation.</p> <p>All employers have been notified of this requirement.</p> <p>Employers are required to complete a monthly remittance form with their payment showing a breakdown of contributions.</p>
Whether to issue employer with notice to recover additional costs incurred as a result of the employer's level of performance	R70 and TP22(2)	<p>The Administering Authority will work with employers to improve performance but. However, if additional and disproportionate resources are required by the Pensions Team because of an employer's poor performance, the cost of the additional resources may be re-charged to the employer, on approval by the Director of Finance and Support Services.</p>
Whether to charge interest on payments made by employers which are overdue.	R71(1)	<p>The Administering Authority may charge interest as defined in regulation 71 on late payments, except in exceptional circumstances on such payments.</p>
Specify information to be supplied by employers to enable administering authority to discharge its functions	R80(1)(b) & TP22(1)	<p>The Administering Authority will specify the standard information and actions required by employers, their format, frequency and level of accuracy in our Employer's Guide and Administration Strategy.</p> <p>The Administering Authority provides employers with full guidance as to the information they must supply within the Administration Strategy, Employer Manual, and other related communication.</p>
<p>Agree to pay annual compensation on behalf of employer and recharge payments to employer.</p> <p>Note: This relates to historic arrangements only</p>	DC31(2)	<p>The Administering Authority will pay annual compensation and recharge the payments on a monthly basis.</p> <p>Appropriate quarterly reconciliation measures are in place to ensure that the recharge takes place.</p> <p>The Administering Authority will pay legacy compensation on behalf of an employer (Added Years), subject to acceptable recharge arrangements.</p>

Delegation	Ref	Policy
<i>Timing of pension increase payments by employers to fund (pre 1.4.08. leavers).</i>	<i>L91(6)</i>	<i>Employer payments are paid monthly on account, with an annual balancing charge after the year end.</i>
Approve medical advisers used by employers (for ill health benefits)	R36(3) L97(10)	<p>Each employer appoints their own medical advisor based on required qualifications and the certificate wording confirms the doctor has the required qualifications.</p> <p>The Administering Authority requires employers to provide details of medical advisers used for assessing entitlement to ill health benefits and will liaise with any employer who is using a medical advisor of which the Administering Authority does not approve.</p> <p>This will be captured through the retirement process.</p> <p>Each employer appoints their own medical advisor.</p> <p><i>All appointed medical advisers must meet the qualifying requirements set out in the Regulations and must not previously have had any involvement in the case being considered.</i></p>

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Delegation	Ref	Policy
<p>Whether to require any strain on Fund costs to be paid 'up front' by employing authority following payment of benefits under flexible retirement; redundancy / business efficiency; the waiver (in whole or in part) of any actuarial reduction that would have otherwise been applied to benefits which a member voluntarily draws before normal pension age; release of benefits before age 60.</p>	<p>R68(2) TPSch 2, para 2(3) L80(5) B30 or B30A</p>	<p>The Administering Authority's requires employers to make upfront payment of strain charges following any decision to allow early payment of benefits (other than ill health).</p> <p>An employer can request to pay instalments over a three year period, but this would be by exception.</p> <p>Chief Finance Officer to agree exceptions to the current practice.</p> <p><i>The Funding Strategy Statement sets out the approach to "upfront payment of strain charges" including the requirement that all employers pay an upfront additional contribution (strain) where a member retires with an unreduced pension before reaching their earliest retirement age. An employer can make a request to the Director of Finance and Support Services to consider any exceptions (such as spreading the payment over a set period).</i></p>
<p>Decide on Funding Strategy for inclusion in funding strategy statement</p>	<p>R58</p>	<p>The Funding Strategy is prepared, maintained and published in accordance with the Regulations.</p> <p>The Funding Strategy is consulted on by employers and approved by the Fund's Pensions Panel.</p> <p>The Funding Strategy Statement is published on the Funds web pages.</p> <p><i>The Funding Strategy is determined by the Pensions Committee following advice and consultation with employers. The Funding Strategy is prepared, maintained, and published in accordance with the Regulations.</i></p>

Cessations

Delegation	Ref	Policy
<p>Whether to terminate an admission agreement in the event of:</p> <ul style="list-style-type: none"> - Insolvency, winding up or liquidation of the body - Breach by that body of its obligations under the admission agreement <p>Failure by that body to pay over sums due to the Fund within a reasonable period of being requested to do so</p>	<p>(RSch 2, Part 3, para 9(d))</p>	<p>The Fund reserves the right to terminate any admission agreement (Community or Transferee) if the Admission Body is in breach of its obligations. This includes insolvency and failure to pay contributions. This right is explicitly included in all admission agreements.</p> <p>Where approved by the Director of Finance and Support Services, the Administering Authority will consider and determine the termination of any an admission agreement in line with the Admission Agreement terms and Funding Strategy Statement.</p>
<p>Whether to extend the period beyond 6 months from the date an Employer ceases to be a Scheme Employer, by which to pay an exit credit</p>	<p>R64 (2ZA)</p>	<p>This is set out in the Funding Strategy Statement</p>

Delegation	Ref	Policy
<p><i>If an Employer has become defunct, the administering authority is required to make decisions on ill health and early payment of benefits. Including whether to waive, in whole or in part, actuarial reduction on benefits paid on flexible retirement or on benefits which a member voluntarily draws before normal pension age.</i></p>	<p><i>R30(8) TP12(6) R38(3) R38(6) B30(2) B30(5) B30A(3) B30A(5) B31(4) B31(7) TPSch 2, para 1(2) & 1(1)(c) TP3(1), TPSch 2 para 2(1)</i></p>	<p><i>The Administering Authority will exercise this discretion in accordance with, and to the extent of (if any) the policy and practice of the former employer.</i></p> <p><i>If no policy exists, the Administering Authority will not waive any reduction or otherwise agree to a retirement which would incur an employer strain charge.</i></p> <p><i>Where required, the Director of Finance and Support Services will assess ill health retirement decisions, including the use of 2008 certificates, on a case-by-case basis.</i></p>

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Pensions Committee

1 November 2023

Financial Information Report

Report by Director of Finance and Support Services

Summary

The Pension Fund has a responsibility to ensure there is enough money in the scheme to pay members' pensions as and when they become due. Member benefits are funded through a combination of employee contributions (fixed nationally), investment returns and employer contributions.

Employer contributions are set by the Actuary as part of the actuarial valuation. Total contributions received from 1 April 2023 were £63.0m, reflecting five payroll months. Income from contributions is supplemented by investment income. During the period to 30 September, investment income of £21.7m was received.

Notwithstanding increases to benefit payments, the Pension Fund is still forecasting a positive cashflow during the year.

The Committee has set a strategic asset allocation which is based on detailed advice from the Fund Actuary, Investment Consultant and Investment Adviser through the completion of Asset Liability Modelling work and reflecting the Pension Committee's investment beliefs.

On 30 September 2023, the portfolio was valued at £5,257.1m, a slight decrease to 30 June 2023 (£5,360.7m). Overall, the portfolio is marginally overweight "growth" assets (52.9% v 50.0%) and underweight for "income" assets (17.9% v 20.0%) and "protection" assets (28.4% v 30.0%). The Pension Fund also held a small working cash balance.

Recommendation:

That the Pensions Committee notes the report.

1 Background and context

- 1.1 The Committee has set a strategic asset allocation which is based on detailed advice from the Fund Actuary, Investment Consultant and Investment Adviser through the completion of Asset Liability Modelling work and reflecting the Pension Committee's funding objectives and investment beliefs. The customised benchmark sets out the intended long-term weighting to various types of investment (or asset classes).

2 Pension Fund Account

- 2.1 The table below summarises the income and expenditure relating to dealing with members, employers and others directly involved in the scheme for the year to date. All figures are reflective of five months of transactions due to timing of payments.

	1 April to 30 Sept 2023	2022/23 Actuals
	£'000	£'000
Contributions Received	63,027	151,734
Transfers in from other Pension Funds	5,714	12,315
Benefits Paid	(60,985)	(129,432)
Payment to and on account of leavers	(5,201)	(10,041)
Net	2,555	24,576

- 2.2 The table below summarises the income relating to pension fund investments for the year to date (and for 2022/23 as a comparator). Investment income on pooled equity and bond funds is accrued during the year and paid annually (February). Currently this is reinvested in the relevant pooled funds.

Type of income	1 April to 30 Sept 2023	2022/23 Actuals
	£'000	£'000
Pooled equity fund income	0	32,460
Pooled bond fund income	0	45,269
Private equity income	304	599
Private debt income	5,979	6,285
Infrastructure income	4,052	14,169
Property income	10,834	22,944
Interest on cash	514	1,058
Stock lending income	0	0
Total	21,683	122,784

3 Forward Look

- 3.1 The Strategic Investment Strategy includes a 0% weighting to cash. However, working balances of £10-15m have been considered appropriate to pay pensions, to fund private equity, infrastructure, and commercial property investments and to pay day-to-day expenses.

- 3.2 The table below considers the current income and expenditure against forecast and whether any adjustments to the assumptions should be made. More detailed cashflow modelling will be developed by officers.

	2023/24 forecast £'000	Commentary
Contributions Received	147,040	Overall contribution receipts were expected to be slightly lower than 2022/23 (£151.7m). The contributions received for the first five months of the year are in line with the forecast. Active membership remains consistent, and at this stage there does not appear to be a trend towards opt-out or moving to the 50/50 Scheme.
Transfers in from other Pension Funds	10,700	Transfers in line with forecast. However, this activity will depend on membership movements and cannot be predicted with any certainty.
Benefits Paid	(142,380)	The pattern of benefit payments to date suggests that overall they will be lower than forecast and more in line with 2022/23 (£129.4m).
Payment to and on account of leavers	(9,000)	Transfers out are in line with forecast. However, this activity will depend on membership movements and cannot be predicted with any certainty.
Rental income	23,561	Rental income was expected to increase compared to 2022/23 (£22.9m). Initial receipts are slightly below estimates.
Net position	29,921	

- 3.3 There are currently no known employer exits with the potential to be a cashflow pressure.
- 3.4 Income and call requests for private equity and private debt are too uncertain to reflect within the above analysis. However, the Pension Fund currently holds sufficient cash balances to fund anticipated call requests from the underlying managers. The table below summarises the remaining commitments made to private equity and private debt and the Net Asset Value as a proxy for potential income.

Asset class and manager	Estimated outstanding commitment to be called £'000	Valuation on 30 Sept 2023 £'000
Private Equity	164,683	155,146
Pantheon	-	26,973
Partners I	-	16,931
Partners II	87,077	102,848
Partners III *	77,606	8,394
Private Debt	49,347	206,265
Goldman Sachs	18,097	111,643
ICG	31,250	94,622

* There has been one call of £8.4m on the Partners III fund following the commitment in September 2023.

4 Net Asset Position

4.1 The table below shows the market value of the pension fund's portfolio on 30 June 2023 against the strategic targets. The Committee have agreed an approach to realignment of the portfolio to ensure it remains in line with the strategic benchmark.

Asset Class	Market Value 31 March 2023 £'000	Purchases / Sales £'000	Change in Market Value £'000	Market Value 30 Sept 2023 £'000	Actual 30 Sept 2023 %	Target %
Growth	2,843,659	12,733	-76,067	2,780,325	52.9%	50%
Equities	2,701,752	0	-76,573	2,625,179	49.9%	45%
Private Equity	141,907	12,733	506	155,146	3.0%	5%
Income	946,404	-9,914	14,922	939,312	17.9%	20%
Property	490,475	-5,250	1,450	474,575	9.0%	10%
Private Debt	196,653	2,841	6,771	206,265	3.9%	5%
Infrastructure	259,276	-7,505	6,701	258,472	4.9%	5%
Protection	1,508,459	0	-12,806	1,495,654	28.4%	30%
Fixed Income	1,508,459	0	-12,806	1,495,654	28.4%	30%
Other	33,595			41,861	0.8%	0%
Cash	33,595			41,861	0.8%	0%
Total	5,332,117	2,819	-73,951	5,255,262	100%	100%

- 4.2 Cash balances on 30 September 2023 are invested in line with the Pension Fund's Treasury Management Strategy, as set out below:

Description	Limit	£'000
Lloyds USD		5,262
Lloyds Euro		1,562
Lloyds GBP		28
Blackrock Sterling Liquidity AAA (5.23%)	£10m	10,000
Federated Prime Sterling Liquidity Fund AAA (5.35%)	£10m	10,000
Goldman Sachs Liquidity Fund AAA (5.22%)	£10m	2,000
Morgan Stanley Sterling Liquidity AAA (5.27%)	£10m	10,000
Sub-total		38,852
Total custodian cash (excl. accruals for recoverable taxes)		1,119
Total cash		39,971

- 4.3 Performance information is reported within the Investment Performance & Funding agenda item.

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

9 Policy alignment and compliance

- 9.1 N/A

Taryn Eves

Director of Finance and Support Services

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

Appendices None **Background papers** None

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**Key decision: Not applicable
Unrestricted**

Pensions Committee

1 November 2023

Government Consultation "Local Government Pension Scheme (England and Wales): Next steps on investments"

Report by Director of Finance and Support Services

Summary

On 11 July 2023 the Department for Levelling Up Housing and Communities published a policy consultation on Local Government Pension Scheme (LGPS) investments covering asset pooling, levelling up, opportunities in private equity, investment consultancy services and the definition of investments. The consultation closed on 2 October 2023.

The full Consultation document was shared with the Pensions Committee in July 2023 and initial comments were provided by the Committee to inform the final response to the consultation, which was made by the Director of Finance and Support Services, in consultation with the Chairman of the Pensions Committee (Appendix A). The response made the following points:

- Administering Authorities, rather than pool operators, have statutory responsibility to invest for the purpose of paying pensions to LGPS scheme members. Authorities are expected to be able to demonstrate that investment decisions have taken and acted upon following proper advice and that decisions have been taken in the best long-term interest of scheme beneficiaries.
- Supporting a single model for pooling is not in line with the statutory powers on which pooling has evolved and prescribing a model could stifle innovation and erodes local control and democratic accountability.
- Further consolidation to achieve scale will be costly and disruptive, so any guidance on an optimal scale must be evidence based and reflecting different asset class. There could also be diseconomies of scale.
- Whilst the levelling up agenda is supported; the Supreme Court has determined that LGPS assets are not "public money" and accordingly the boundaries of Government's statutory powers are clear.
- It will be important to consider the role of the Local Pension Advisory Board and the national Scheme Advisory Board to consider qualitative information relating to performance, fees, and progress of asset transfer against implementation plans.
- A consistent benchmark is not appropriate given differing objectives.

- Additional reporting needs to be balanced against workload.

Recommendation

- (1) The Pensions Committee notes the County Council's response to the consultation that was submitted by the deadline of 2 October 2023.
-

Proposal

1 Background and context

- 1.1 The Department for Levelling Up, Housing and Communities published a consultation on pension fund investments on 11 July 2023.
- 1.2 Following feedback from the Pensions Committee, discussions with advisers, industry, the Pension Advisory Board and consultation with the Chairman, the Director of Finance and Support Services submitted a response on 2 October 2023.
- 1.3 Responses were also provided by the Director of the ACCESS Support Unit, the [Scheme Advisory Board](#), [Hymans Robertson](#) and others.
- 1.4 The timetable for a government response is to be confirmed. In the interim, it is recommended that the investment strategy continues to be actively managed, in line with existing Regulations and guidance.

Taryn Eves

Director of Finance and Support Services

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

Appendices

Appendix A – Consultation Response “Local Government Pension Scheme (England and Wales): Next steps on investments”

Background papers

None

Recommended Training

None

LGF Pensions Team,
Department for Levelling Up, Housing and
Communities

Monday, 02 October 2023

LGPensions@levellingup.gov.uk

Local Government Pension Scheme (England and Wales): Next steps on investments

Dear Sir / Madam,

We welcome the opportunity to respond to the consultation and have provided commentary against all the questions within the Appendix on behalf of the West Sussex Pension Fund. A separate response has been provided on behalf of the ACCESS Pool.

The LGPS is in a unique position to deliver excellent value for money, outstanding performance, and access to a range of asset classes. This has been furthered by the establishment of asset pools, which have acted with a high degree of professionalism in delivering additional benefits to Authorities.

The West Sussex Pension Fund's investment structure of large balanced mandates has always supported benefits of scale, even before the expectations about asset pooling were codified. Following the 2015 Investment Reform, the Pension Committee were instrumental in forming the ACCESS pooling arrangement. The selection and monitoring of third-party managers is the responsibility of the operator, with the pool providing direction on the requirements of the investment solutions needed for each fund to implement their investment strategy. Since its establishment the Pensions Committee have taken action to transfer all its listed assets into the ACCESS pool. Whilst pooled solutions are being developed, other investments held by the Pension Fund, but which are outside the formal pooling arrangement, benefit from LGPS or consultant scale discounts.

In considering any further guidance or Regulation, we feel the following points are key:

- **Administering Authorities, rather than pool operators, have statutory responsibility to invest for the purpose of paying pensions to LGPS scheme members:** Matters of governance in the LGPS need to be considered on their own merits and with proper regard to the unique legal status of the LGPS, and the role of the 89 individual Administering Authorities – which is clearly set out in Regulations. Ensuring that a LGPS pension fund has sufficient assets to meet pensions liabilities in the long term is the primary responsibility of those charged with managing the fund i.e., the Administering Authorities. Pool operators however are not accountable to Scheme members, employers, and taxpayers, and it is fundamental for this to be acknowledged.

- **Supporting a single model for pooling cuts across the statutory powers on which pooling has evolved:** In the 2015 Investment Reform Criteria, the Government invited authorities to determine how their pooling arrangements would be constituted and operate, including any legal structure, the work to be carried out internally and services to be hired from outside. We have understood the evidenced approach set out by ACCESS had been approved by Government. The Pensions Committee remain of the view that this flexibility should be maintained. The focus on a single preferred approach could result in a concentration of risk, stifle innovation and inhibit LGPS funds from implementing strategies that meet their individual requirements.
- **Whilst the levelling up agenda is supported, the Supreme Court has determined that LGPS assets are not “public money”¹ and accordingly that the boundaries of Government’s statutory powers are clear:** We support the aims and ambitions of the levelling up agenda and note the socio-economic challenges are not restricted to any one region of the UK, although there are a number of targeted interventions which could be invested in within West Sussex to support the twelve medium-term levelling up missions locally (living standards, research and development, transport, digital connectivity, education, skills, health, well-being, pride in place, housing, crime and local leadership). However, investments made by the Pension Fund must always be considered against the Pension Committee’s primary role. We would therefore caution against the Government being too prescriptive or setting a requirement that authorities should invest up to 5% of their assets in levelling up opportunities. It is important that the boundaries of Government’s statutory powers remain clear - it may only tell authorities how to invest and not what to invest in. Instead, decisions regarding determining investment strategy, asset classes, investment objectives and risk appetite should remain with individual administering authorities. It is then individual administering authorities’ responsibility to demonstrate that the decisions have been taken and acted on proper advice, and in the best term interest of scheme beneficiaries. Any centrally determined ambition - with no consideration of local requirements - could result in suboptimal investment strategies and funding outcomes which will ultimately have a detrimental impact on the taxpayer and could be challenged. The same is true for the ambition to allocate 10% to UK private equity.
- The West Sussex Pensions Committee remain committed to maintain its property mandate outside any pooling, reflecting its highly tailored portfolio and value for money considerations.

I would welcome a conversation about the consultation, our response, and the responses of others – and how this is expected to present in Regulations and guidance. However, I hope that the comments made are helpful at this stage.

With best wishes

Taryn Eves

¹ R v Secretary of State (Palestine Solidarity Campaign Limited) [2020] UKSC 16, paragraph 30.

Appendix

Question 1: Do you consider that there are alternative approaches, opportunities or barriers within LGPS Administering Authorities' or investment pools' structures that should be considered to support the delivery of excellent value for money and outstanding net performance?

[Reference: Para 9 to 16 of the Consultation]

Possibly.

Our experience is that the current approach delivers excellent value for money and outstanding performance. There is a risk that adopting a single model of pooling stifles innovation and erodes local control and democratic accountability.

However, asset pooling can provide a further opportunity to deliver savings, but it is within a wider framework. The consultation has proposed to insert an arbitrary definition of "pooled assets" (which are owned by the pool in their capacity as asset manager) as a preferred approach to "assets under pool management" (which are assets where the pool has some management or oversight arrangement without ownership). Considering those "assets under pooled management" as "non-pooled assets" could be a barrier to achieving the fullest benefits of scale, the appropriate local control and accountability and the ability to implement a locally determined investment strategy.

Examples of where the LGPS has successfully delivered excellent value for money outside the definition of "assets under pool management" are set out below:

- The National LGPS Frameworks is open to all LGPS Funds, LGPS Pools and administering authorities and the wider public sector nationally, for the procurement of services from a wide range of qualified providers and is a direct example of funds with shared interests and visions collaborating effectively to deliver benefits both locally and nationally across the entire LGPS. In September 2022 there were £163m+ projected savings for the lifetime of the contracts in place. Following establishment of the ACCESS pooling arrangements, the eleven participating Authorities agreed a collective procurement for a passive manager via a National LGPS framework. This created significant purchasing power and through effective procurement resulted in a discount to market pricing.
- Managers have also provided adviser discounts and discounts to LGPS investors, which means Authorities can secure fee reductions because of the LGPS's place as an investor and its scale, irrespective of region or pool alignment.

In addition to existing opportunities to deliver savings through scale, current arrangements also provide the opportunity for Administering Authorities to build long term relationships with leading industry providers who deliver excellent net performance. However, when there are longer periods of underperformance, Administering Authorities have recourse to deal with and concerns through appointment and transition decisions of third-party managers. If there is a transfer of powers from the statutory asset owners (the administering authorities) to the pool operating companies as implied in the consultation, the ability for those who are given the fiduciary responsibility to scheme members,

scheme employers and local council taxpayers (i.e., Administering Authorities) becomes extremely limited and this is a key concern of the Pensions Committee.

Question 2: Do you agree with the proposal to set a deadline in guidance requiring administering authorities to transition listed assets to their LGPS pool by March 2025?

[Reference: Para 17 to 20 of the Consultation]

No.

The requirement to transition listed assets to the ACCESS pool has already been met by the West Sussex Pension Fund. However, this reflects the Fund's own investment strategy. A transition of listed (or any) assets to respective LGPS pools must always be considered against achieving clear benefits for Administering Authorities and local requirements.

If a deadline is introduced through guidance, it is appropriate that this deadline is limited to active listed assets, as the easiest and least costly to transition. Redemptions from the respective LGPS pool following March 2025 should also be acknowledged.

The consultation has specifically differentiated between "pooled assets" and "assets under pooled management". It also highlights other arrangements such as passively managed assets held under insurance contracts. Our response in Q1 highlights why this arbitrary definition of "pooled assets" should be avoided and the need to acknowledge that assets may be held under pool management, or not pooled, for sensible reasons.

Question 3: Should government revise guidance so as to set out fully how funds and pools should interact, and promote a model of pooling which includes the characteristics described?

[Reference: Para 22 to 32 of the Consultation]

No.

We do not believe there is one single, best approach and the focus should be on outcomes. Success should ultimately be demonstrated by long-term performance after costs against a benchmark established by investors. All pools should also be able to demonstrate strong governance, professional management, long-term strategic planning and implementation and firm regulation. Through the model adopted by the ACCESS pool:

- There remains a clear link through the governance structure adopted, between the pool and the local Pensions Committee.
- ACCESS Authorities have effectively outsourced most of the complexity and Regulatory requirements to best in class third parties who have the experience and scale themselves to deliver professional management - whether it is in relation to the Pools operational functions or investment management.
- ACCESS has delivered its strategic plan from the initial submission to government in July 2016 and realised the benefits outlined including establishing a FCA authorised Collective Investment Vehicle and Joint Committee, a significant shift in governance arrangements with the Operator responsible for selecting and contracting with managers and a discount to

market on fund manager fees. Pools were in a supranational negotiating position at establishment which has provided opportunities to provide discounts to the market.

Core to any guidance is the responsibility Authorities have for setting the investment strategy of their funds, after taking appropriate advice. This is acknowledged through the consultation.

The Investment Strategy Statement sets out each Administering Authorities policy on asset allocation, risk, and diversity, amongst other things to achieve the best long-term interests of scheme beneficiaries and taxpayers. Administering authorities are expected to be able to demonstrate that those responsible for making investment decisions have taken and acted on proper advice and that diversification decisions have been taken in the best long term interest of scheme beneficiaries.

Investment decisions are currently made within a prudential framework with less central prescription.

However:

- Implementation of the investment strategy at pool level is broad and undefined within the consultation and any separation between the high-level allocation decisions and implementation is not as clear-cut as the consultation suggests. It is necessary to ensure that any guidance fully recognises the role within Regulation of the democratically accountable Administering Authorities who owe a fiduciary duty to scheme members, scheme employers and local council taxpayers.
- If pools were to have sole responsibility for designing and implementing solutions, it would be harder for member funds to secure the solutions they require to meet their high-level strategic needs and which critically depend on the objectives, risk appetite, investment beliefs and policies of Pension Committees.
- It is a concern that the government proposes that Pools should be actively advising funds regarding investment decisions, including investments strategies. It is not clear how this would supplement or contrast to the appropriate advice that Authorities should gain themselves when making investment decisions and there is a risk around conflict of interest. It is a responsibility of local authority pension funds to take proper advice (under existing Regulation), and it is appropriate that this is from an independent source, rather than an asset pool.
- We are also concerned about accountability with any move towards asset pools building teams, and the infrastructure around them, and the ability of these relatively new participants to the market to compete in mainstream asset classes and more efficient markets. Underperformance could easily outweigh the benefits of lower fees and, where asset management is provided by an in-house management, it may be more difficult for investing funds to adequately hold their investment managers to account.
- Further consolidation to achieve scale will be costly and disruptive, so any guidance on an optimal scale must be evidence based and reflecting different asset class. There could also be diseconomies of scale. It is understood that portfolio size and relationships drive fees, rather than the aggregated size of

an investor. The number of stakeholders within a pool also presents the risk to its effectiveness, rather than an efficiency.

Question 4: Should guidance include a requirement for administering authorities to have a training policy for pensions committee members and to report against the policy.

[Reference: Para 32 of the Consultation]

Yes.

Many funds including West Sussex, already have policies and extensive training programmes in place, focused on ensuring appropriate training for those on the Pensions Committee and officers. These reflect recommendations within the *Good Governance: Phase 3 Report* to the Scheme Advisory Board from February 2021.

Question 5A: Do you agree with the proposals regarding reporting?

[Reference: Para 38 to 43 of the Consultation]

Yes, in principle.

If the Scheme Advisory Board is to collate information on an annual basis, then it makes sense that asset categories are broadly defined to support consistency.

It is already expected through guidance that information is provided on pooled assets. Net savings could be provided but we feel there would be a greater benefit if there was an evolution in thinking about pooled asset costs, with comparisons being against the current market rather than the historic costs paid. In this context all pools are doing very well.

However,

- Additional reporting will need to be balanced against the workload it will place on officers, as greater detail in reporting is likely to take greater resource to complete.
- It will be important to consider with some caution, the role of the Local Pension Advisory Board and the national Scheme Advisory Board to consider qualitative information relating to performance, fees, and progress of asset transfer against implementation plans.
- It is also not appropriate to compare fund to fund or pool to pool, because of the variations in structure, asset classes under management and remit.

Question 5B: Should there be an additional requirement for funds to report net returns for each asset class against a consistent benchmark, and if so how should this requirement operate?

[Reference: Para 42 of the Consultation]

No.

It is not felt appropriate that a consistent benchmark can be provided across funds given differing objectives. Defining an appropriate benchmark is for investors, fund managers, consultants, pool operators and ultimately the FCA to determine on a case-to-case basis. We therefore do not feel that any regime to compare easily between pooled and non-pooled assets will work in practice.

Question 6: Do you agree with the proposals for the Scheme Annual Report?

[Reference: Para 44 to 45 of the Consultation]

Yes, in part.

It is important that the LGPS is transparent.

In addition to comments made in response to Q5A, clarity is sought on the objective of the report and its audience to inform how this should be developed.

Members or employers are most likely to be interested in their local fund approach and outcomes.

Question 7: Do you agree with the proposed definition of levelling up investments.

[Reference: Para 57 to 60 of the Consultation]

The clarity offered by the consultation is welcomed.

However, we do have concerns about how this definition of a levelling up investment aligns with investment strategy considerations, necessitates that that Fund should have a levelling up investment plan and how investing in levelling up may conflict (or be perceived to conflict) with the Pensions Committee's fiduciary duty to scheme members, scheme employers and local council taxpayers.

Although individual investment classes will have varying degrees of suitability in the context of an authority's funding and investment strategies, the overall aim of the fund must be to consider suitability of an investment against the need to meet pension obligations as they fall due. Assessing the suitability of different investment classes involves several factors including, for example, performance benchmarks, appetite for risk, policy on non-financial factors and perhaps most importantly, funding strategy. What constitutes suitability should clearly remain a matter for individual administering authorities to consider and decide in the light of their own funding and investment strategies.

Investment decisions can only be a matter for local consideration and determination, subject to the aim and purpose of a pension fund to maximise the returns from investment returns within reasonable risk parameters.

Therefore, administering authorities must take and act on proper advice in assessing the suitability of their investment portfolio and give full details of that assessment in their Investment Strategy Statement.

No evidenced rationale is included within the consultation document for the 5% allocation, and we would welcome this clarity from government.

Notwithstanding the above and whilst there is no formal screen or reporting to identify exposure to the levelling up missions the fund managers appointed by the Pool Operator and Administering Authority do invest in companies and sectors which align, including for example Social Housing.

Question 8: Do you agree that funds should be able to invest through their own pool in another pool's investment vehicle?

[Reference: Para 67 to 74 of the Consultation]

Yes, provided that the question relates to some investments (such as levelling up investments), rather than all asset classes.

Where opportunities exist and investment solutions align with objectives, asset pools may be better placed to build the necessary investment expertise to deliver investment opportunities and offer a layer of separation between the funds and the investments, helping to reduce any issues of conflicts of interest that can occur when investments are local to funds. This could also be achieved through established and experienced third-party investment managers.

It will be necessary for the Scheme Advisory Board to advise further on how these conflicts can be managed.

Question 9: Do you agree with the proposed requirements for the levelling-up plan to be published by funds?

[Reference: Para 75 to 77 of the Consultation]

No.

It is important that the LGPS is transparent. In addition to comments made in response to Q5A, any published plan could only be on a comply or explain basis given that the government has acknowledged that it will be for funds to decide on the appropriate level of investment and types of investment.

Question 10: Do you agree with the proposed reporting requirements on levelling up investments?

[Reference: Para 78 to 79 of the Consultation]

No

As noted in Q5A and Q9, the need to report on the assets under management invested in levelling up projects to provide accountability contradicts the idea that funds should decide on the appropriate level of levelling up investment considering the fund's investment and fund strategy and reviewed every three years.

Question 11: Do you agree that funds should have an ambition to invest 10% of their funds into private equity as part of a diversified but ambitious investment portfolio? Are there barriers to investment in growth equity and venture capital for the LGPS which could be removed?

[Reference: Para 84 to 87 of the Consultation]

No.

It is acknowledged that it is the ambition of Government for LGPS funds to invest 10% in global private equity as part of a diversified portfolio and to help drive business investment throughout the country. However, it is important, and referenced in the consultation, that each Fund will be different and will need to make its own investment decision based on potential risk and reward appetite – and investment / funding requirements.

In this context, it seems a direct contradiction for the consultation to indicate an ambition of 10% investment in private equity when Pension Committees should retain full flexibility to set their investment strategy according to their own specific circumstances, considering factors such as funding level, risk appetite and net cashflow position. No evidenced rationale is included within the consultation document for the 10% allocation. Private markets carry a higher risk profile – and dispersion of performance across managers can be significant. This is especially the case in concentrated growth equity and venture capital portfolios, and it is of importance that within a portfolio there is a diversification across private equity stages, including buyouts, and across geographies. We would welcome this clarity from government on their stated ambition.

We would highlight comments made in Question 7 relating to suitability of investments.

In terms of barriers, from an investment and risk management perspective, limiting the universe to UK will add risk and volatility to outcomes and there will be challenges with this market absorbing large amounts of funding, especially in venture where the ecosystem may not have the requisite depth outside of core venture/tech hubs. Investment in innovative UK companies operating in fintech, life sciences, biotech, and green technology sectors is not limited to investment in private equity. Private debt, for example, would also meet the ambitions set out by Government. By directing Funds to invest 10% in Private Equity, the Government is potentially creating a barrier to Funds investing in other asset classes that support the Government ambitions. An increased focus will require significant capacity and resource to ensure it is managed effectively and efficiently and that portfolios are suitably balanced and risk managed. There may be a challenge here given that pools are at varying stages of maturity in relation to their private market's offerings.

Question 12: Do you agree that LGPS should be supported to collaborate with the British Business Bank and to capitalise the Bank's expertise?

[Reference: Para 88 to 90 of the Consultation]

Yes.

LGPS funds should be supported to collaborate with the British Business Bank. However, this should not be an exclusive relationship.

Question 13: Do you agree with the proposed implementation of the [Competition and Markets Authority] Order through amendments to the 2016 Regulations and guidance?

[Reference: Para 98 to 103 of the Consultation]

Yes.

The West Sussex Pension fund already adheres to the practice in place with private sector Schemes.

Question 14: Do you agree with the proposed amendment to the definition of investments?

[Reference: Para 104 to 108 of the Consultation]

Yes.

We agree with and welcome the proposed amendment to the definition of investments to align the regulations and ensure consistency.

Question 15: Do you consider that there are any particular groups with protected characteristics who would either benefit or be disadvantaged by any of the proposals? If so please provide relevant data or evidence.

[Reference: Para 109 to 110 of the Consultation]

No.

We do not consider there to be any groups who would either benefit or be disadvantaged by these proposals.

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