

# Public Document Pack

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26 February 2019

## **Pension Advisory Board**

A meeting of the committee will be held at **9.30 am** on **Wednesday, 6 March 2019** at **County Hall, Chichester, PO19 1RQ**.

Tony Kershaw  
Director of Law and Assurance

### **Agenda**

#### **Part I**

##### **1. Declarations of Interests and Conflicts**

Members and officers must declare any pecuniary or personal interest, or any potential conflicts of interest in any business on the agenda. They should also make declarations at any stage such an interest becomes apparent during the meeting. Consideration should be given to leaving the meeting if the nature of the interest warrants it. If in doubt, contact Democratic Services before the meeting.

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

The Board is asked to agree the Part I minutes of the meeting of the Board held on 21 November 2018 (cream paper).

##### **3. Urgent Matters**

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

##### **4. Part II Matters**

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

##### **5. Progress Report (Pages 13 - 16)**

This report contains updates on matters arising from previous meetings.

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

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

The Board is asked to note the confirmed Part I minutes from the meeting of the Pensions Panel on 1 November 2018 and the agenda from the meeting of the Pensions Panel on 28 January 2019.

(a) **1 November - Part I Pensions Panel Minutes** (Pages 17 - 22)

(b) **28 January - Pensions Panel Agenda** (Pages 23 - 26)

7. **Business Planning and Performance** (Pages 27 - 40)

Report by the Chairman of the Pension Advisory Board.

The Board is asked to agree the performance report, the budget statement, the statement for inclusion in the Fund Annual Report and that the Pensions Panel and Governance Committee be informed accordingly.

8. **Regulations and Guidance update** (Pages 41 - 48)

Report by the Chairman of the Pension Advisory Board.

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

9. **Review of Pension Fund Policy Documents** (Pages 49 - 64)

Report by Director of Finance, Performance and Procurement.

The Board is asked to note the register of policy documents and provide feedback on the policies presented at the meeting.

10. **Administration procedures and performance** (Pages 65 - 78)

Report by Director of Finance, Performance and Procurement.

The Board is asked to note the report and confirm any further information that they require.

11. **Training** (Pages 79 - 82)

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

12. **Date of Next Meeting**

The next meeting of the Board will be held at 9.30 am on 22 May 2019.

**Part II**

13. **Exclusion of Press and Public**

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

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

14. **Part II Minutes of the last meeting** (Pages 83 - 84)

The Board is asked to agree the Part II minutes of the meeting of the Board held on 21 November 2018 (yellow paper).

15. **Pensions Panel Minutes – Part II** (Pages 85 - 88)

The Board is asked to note the confirmed Part II minutes from the meeting of the Pensions Panel on 1 November 2018 (yellow paper).

16. **Asset Pooling**

(a) **Investment Pooling** (Pages 89 - 118)

The Board is asked to consider the following report which went to the Pensions Panel on 28 January 2019.

Report by Director Finance, Performance and Procurement attached for members of the Board only (yellow paper).

(b) **Consultation on asset pooling** (Pages 119 - 124)

The Board is asked to consider the Chairman's comments on the statutory guidance, and comment on the draft response.

17. **Business Plan (including Pension Administration)** (Pages 125 - 134)

The Board is asked to consider the following report which went to the Pensions Panel on 28 January 2019.

Report by Director Finance, Performance and Procurement attached for members of the Board only (yellow paper).

**To all members of the Pension Advisory Board**

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## **Pension Advisory Board**

21 November 2018 – 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, Miranda Kadwell, Kim Martin, Becky Caney, Chris Scanes (arrived at 9.40am) and Tim Stretton

### **Part I**

#### **70. Declarations of Interests and Conflicts**

70.1 The Chairman welcomed Becky Caney and Miranda Kadwell to their first meeting. The Chairman also welcomed officer Daniel Jadzevics to his first meeting.

70.2 Tim Stretton declared a personal interest as he held personal investments with Baillie Gifford.

70.3 The Chairman reported that he was no longer a trustee of the Scout Association Pension Fund.

70.4 The Chairman reported that the declarations of interest and register of interests forms were in different places on the internet. - *Adam Chisnall resolved to look into this.*

70.5 The Board asked if a summary of register of interests could be added to the agenda. - *Adam Chisnall resolved to look into this.*

#### **71. Part I Minutes of the last meeting**

71.1 Resolved – That the part I minutes of the meeting of the Board held on 18 July 2018 be approved as a correct record and signed by the Chairman

#### **72. Progress Report**

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

72.2 Adam Chisnall introduced the report and highlighted that the Pensions Regulator Survey results had been sent out to Board members on the 16 November.

72.3 The Board discussed the outstanding actions and agreed to remove the Scheme Advisory Board (SAB) Survey and Audit Training actions from the report. SAB survey results would be picked up within report papers and the audit training would be picked up as part of the training strategy.

72.4 The Board asked for an update on the AVC/SCAVC action. - *Steve Harrison confirmed that this would be picked up as part of the transfer to*

*Hampshire County Council. Tara Atkins confirmed that the wording had been amended and would be published when the transfer was complete. Officers felt that there had been no risk to the previous wording.*

72.5 The Chairman reported that he had read an article that the Myners Compliance Statement would be changing and resolved to send the article to Steve Harrison.

72.6 Resolved – That the Board noted the report.

### **73. Pensions Panel Minutes - Part I**

73.1 The Board considered the confirmed part I minutes from the 30 April 2018 Pensions Panel meeting; the confirmed part I minutes from the 25 July 2018 Pensions Panel meeting; the confirmed minutes from the 25 July 2018 Annual Meeting of the Pensions Fund; and the Agenda from the 1 November 2018 Pensions Panel meeting (copies appended to the signed minutes).

73.2 The Board requested an update on Guaranteed Minimum Pension. – *Tara Atkins reported that the detail was currently unclear until Her Majesty's Revenue and Customs (HMRC) provided a response which was expected in February.*

73.3 Resolved – That the minutes and agenda be noted.

### **74. Business Planning and Performance**

74.1 The Board considered a report by the Director of Finance, Performance and Procurement which had gone to the 1 November 2018 Pensions Panel meeting; and the training log for the Board (copy appended to the signed minutes).

74.2 The Chairman reported that Kim Martin had now completed the Pension Regulator toolkit modules. Becky Caney and Miranda Kadwell reported that they had started the modules.

74.3 Steve Harrison introduced the report and gave an update on pooling. Link were completing work that would allow the pension fund to consider sub fund investments. Steve Harrison highlighted the training strategy which would align training requirements between the Pension Advisory Board and the Pensions Panel.

74.4 The Chairman noted that there was no business plan for the Board and that the Pensions Panel business plan did not align with the work of the Board. The Chairman resolved to write a business plan for the Board which would link with the business plan for the Panel. The Chairman resolved to bring the business plan to the March meeting.

74.5 The Chairman reiterated his plan for performance review for the Board. 1:1s would be scheduled with the Chairman and the Board members, with an anonymised write up coming to the March meeting. Self-assessment documents may also be utilised which would assist with

training needs. Steve Harrison resolved to speak with his colleagues who were working on self-assessment training reports.

74.6 The Chairman asked if he should meet with the section 151 officer and the Pensions Panel Chairman. – *Steve Harrison commented that these meetings had been referenced in the CIPFA review and resolved to look into the meetings.*

74.7 The Board made comments including those that follow.

- Queried if there should be an induction process for new Board members. – *Steve Harrison proposed looking at the Pensions Panel induction practices and resolved to bring an update to the next meeting. Existing Board members commented that they would welcome this as refresher training.*
- Sought clarity on the length of term appointments for Board members. – *The Chairman resolved to look into appointment terms and what the terms of reference outlined for future terms. Board members were encouraged to inform the Chairman of their interest in remaining on the Board.*

74.8 The Board noted that a training session from Steven Law (Hymans Robertson, the fund actuary) covering various issues relating to the GAD Section 13, cost sharing valuations, GMP and quadrennial valuations would follow the meeting.

74.9 Resolved – That the Board notes the report and the training log.

## **75. Regulations and Guidance update**

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

75.2 The Chairman introduced the report and explained that he wanted members of the Board to be aware of necessary documentation and how to find them. Relevant items would be brought to Board meetings for discussion.

75.3 Resolved – That the report is noted.

## **76. Review of CIPFA's Guide for Local Pension Boards**

76.1 The Board considered a report by the Director of Finance, Performance and Procurement (copy appended to the signed minutes).

76.2 Steve Harrison introduced the report and explained that the issues within the CIPFA guide had been anticipated and already actioned for the Board, such as an increase in Board membership and an increase in meetings.

76.3 The Chairman reported that there was a lot of guidance for pension boards, some was for compliance and some was for guidance.

76.4 The Board discussed appendix A and noted that the Board regularly monitored the work of the Pensions Panel and had access to part II papers on request.

76.5 The Board made comments including those that follow.

- Discussed involvement with the Pension Panel and that Board member attendance at Panel meetings would be useful. It was proposed to consider a rota for Board members attendance at the Panel meetings. It was also discussed that the Chairman of the Pensions Panel should attend a Board meeting annually. – *Steve Harrison resolved to speak to the Pensions Panel Chairman about the attendance discussion.*
- Discussed section 151 officer and noted that this role would be engaged with as part of an escalation process. The Governance Committee would also be an appropriate route for raising issues. *Steve Harrison resolved to look into the formal processes and send a structure chart to the Board members.*
- Queried the service level agreements for Hampshire County Council. – *Steve Harrison reported that the expectation would be to ask Hampshire to attend Board meetings to report on this.*
- Asked when Terms of Reference were reviewed. – *Adam Chisnall reported that all meetings within the County Council added Terms of Reference to first meeting agendas after an election.*
- Noted the need to monitor the SAB and bring issues to the Board if required. Minutes from the Scheme Advisory Board meeting would be circulated to Board members.
- Commented on the proposal to preview Pensions Panel papers and felt that it was appropriate for the Board to continue monitoring Panel papers after the meeting.
- Discussed pooling and felt that the Board's role was to monitor and check that appropriate plans were in place.

76.6 Resolved – That update and guidance is noted.

## **77. Review of Pension Fund Policy Documents**

77.1 The Board received a report by the Director of Finance (copy appended to the signed minutes).

77.2 The Chairman introduced the item and explained that the aim would be to look at two policy documents each meeting.

77.3 The Board noted the list of policy documents at appendix A and requested that future reports should list the date of implementation of the process as July 2018, and then monitor progress going forwards.

77.4 Steve Harrison introduced the Governance Policy and Compliance Statement and explained that the Governance Committee had ultimate responsibility for the pension fund, which had been delegated to the Pensions Panel.

77.5 The Board made comments including those that follow.



- Asked if the employee representative was a Unison role. – *Steve Harrison reported that the current appointment was a retired person, who the Chairman was satisfied could maintain the role. The appointment had been done through Unison, but was not a Unison role. The Board queried if the role should be a 'Member' representative rather than 'Employee'. Steve Harrison resolved to look into this.*
- Queried the independent advisor for the fund. – *Steve Harrison reported that this was Caroline Burton who's expertise was in investment. Officers assisted with governance arrangements. Steve Harrison resolved to check the guidance for independent governance advice.*
- Asked if there should be more references to the Board, e.g. Board meeting frequency. – *Steve Harrison resolved to look into this.*
- Sought clarity on the terminology 'usual maximum length' of representative members. – *Steve Harrison resolved to look at the constitution wording and report back to the Board members.*
- Commented that the Board membership numbers required updating.

77.6 Tara Atkins introduced the Internal Dispute Resolution Procedure (IDRP) and explained that the administering authority required a separate policy for the pension fund and one for the County Council as an employer. The policy would require a review following the completion of the Hampshire transfer.

77.7 The Board made comments including those that follow.

- Asked if the policy covered members who thought they had been underpaid. – *Tara Atkins explained that this scenario would be covered by other processes in place. This policy would cover ill health payment disputes.*
- Queried the Pension Regulator strategy recommendation to include the Pension Advisory Service (TPAS) within the IDRP. – *Tara Atkins explained that they did not exist anymore and the pensions ombudsmen was referenced.*
- Sought clarity on the information required to raise a complaint. – *Tara Atkins explained that if someone sent in all relevant details, the complaint would be processed in any format. The Board felt the guidance should be clearer on this, in that a specific application form was not required. Tara Atkins resolved to look into this.*

77.8 The Board discussed what policies should be discussed at the next meeting. The Chairman resolved to look at the Annual Report for compliance and circulate a note to the Board members. The Board felt it would be appropriate to look at particular policy documents after the transfer was complete. The Chairman resolved to liaise with officers on the policies to be discussed at the next meeting.

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

## **78. Administration procedures and performance**

78.1 The Board received a report by the Director of Finance, Performance and Procurement (copy appended to the signed minutes).

78.2 Tara Atkins introduced the report and highlighted the scheme return work and officers' aim to improve the quality of data.

78.3 The Board made comments including those that follow.

- Queried if late contributions were a concern. – *Tara Atkins reported that no particular employer was a concern; however there were employers who routinely paid a day late.*
- Sought clarity on the time taken to complete open cases. – *Tara Atkins reported that officers were continuing to work with Capita ahead of the transfer to resolve outstanding cases.*
- Asked if the relationship with Capita was still working. – *Steve Harrison reported that Capita had seen some staffing changes and that a meeting was due to take place to discuss wider staff resources.*
- Queried the administration performance. – *Tara Atkins reported that backlog work was still being completed which had an impact on the figures. Hampshire aimed for 100% completion rate, but did have longer key performance timescales. Hampshire worked closely with employers to assist with any issues with processes. Steve Harrison confirmed that Hampshire went live on 4 March and that any issues with data would be carefully monitored.*
- Asked who was responsible for the next set of Annual Benefit Statements. – *Tara Atkins confirmed this would be Hampshire.*
- Queried the issues with P60 processes. – *Tara Atkins resolved to send an update to the Board.*
- Questioned the take up on 50/50 contributions. – *Tara Atkins confirmed that there had not been a large take up on this. Hampshire would be able to better report on this.*

78.4 Resolved – That the Board notes the report.

## **79. Date of Next Meeting**

79.1 The Board noted that its next scheduled meeting would take place on Wednesday 6 March 2018 at 9.30 a.m. at County hall, Chichester.

79.2 The Board also noted the dates for 2019/20.

## **80. 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.

## **81. Part II Minutes of the last meeting**

The Board agreed the Part II minutes of the 18 July 2018 meeting.

**82. Pension Administration Update**

The Board considered a report by the Director of Finance, Performance and Procurement which had gone to the 1 November 2018 Pensions Panel meeting.

The report gave details on the pension administration transfer to Hampshire County Council.

The Board noted the update.

**83. Pensions Panel Minutes – Part II**

The Board noted the contents of Part II minutes from the 30 April 2018 and 25 July 2018 Pensions Panel meetings.

The meeting ended at 12.07 pm

Chairman

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## Pension Advisory Board

6 March 2019

### Progress Report

<b>Date received / Minute No:</b>	<b>Subject:</b>	<b>Matters Arising</b>	<b>Officer Contact:</b>
<b>18/07/18 Minute No. 62.4</b>	<b>Key Performance Indicators</b>	Request for information	Rachel Wood
<b>March Update</b>	The Board requested that the proposed list of new KPIs for Hampshire County Council could come to a Board meeting. <b>In Progress</b>		
<b>22/11/18 Minute Nos. 70.4 &amp; 70.5</b>	<b>Declarations of Interest &amp; Register of Interests</b>	Improving accessibility	Adam Chisnall
<b>March Update</b>	The locations of 'Declarations of Interest' & 'Register of Interests' are in set locations to align with corporate website structure and so it is not possible to move them. However, a link to the Register of Members' Interests has been added to the Board's description page. <b>Complete</b>		
<b>22/11/18 Minute No. 74.4</b>	<b>Business Plan</b>	Alignment with Pensions Panel	Peter Scales
<b>March Update</b>	The Chairman noted that there was no business plan for the Board and that the Pensions Panel business plan did not align with the work of the Board. The Chairman resolved to write a business plan for the Board. <b>In Progress</b>		
<b>22/11/18 Minute No. 74.6</b>	<b>Meetings</b>	Meetings for The Chairman with the section 151 officer and the Pensions Panel Chairman	Rachel Wood
<b>March Update</b>	The meetings had been referenced in the CIPFA review and officers resolved to look into the meetings. <b>In Progress (partly complete)</b> The Chairman met with the section 151 officer on 29 January.		
<b>22/11/18 Minute No. 74.7 1st Bullet</b>	<b>Inductions</b>	Induction process for new Board members	Rachel Wood

<b>Date received / Minute No:</b>	<b>Subject:</b>	<b>Matters Arising</b>	<b>Officer Contact:</b>
<b>March Update</b>	Officers proposed looking into the Pensions Panel induction practices. <b>In Progress</b>		
<b>22/11/18 Minute No. 74.7 2nd Bullet</b>	<b>Board Member appointment terms</b>	Confirmation on terms of reference	Peter Scales
<b>March Update</b>	The term of office for members is four years. This can be extended following reselection up to a maximum of three terms. Reselection for those members whose appointments end on 31/03/19 is being investigated by the officers. <b>Complete</b>		
<b>22/11/18 Minute No. 76.5 1st Bullet</b>	<b>Pensions Panel</b>	Board member/ Pensions Panel Chairman attendance	Rachel Wood
<b>March Update</b>	Officers resolved to discuss regular Board member attendance and the Pensions Panel; and the Pensions Panel Chairman attending an annual Board meeting. <b>In Progress (partly complete)</b>  The Chairman to attend one Panel meeting each year to present the annual report (July proposed). The Pensions Panel Chairman to be asked about attending Pension Advisory Board meetings.		
<b>22/11/18 Minute No. 76.5 2nd Bullet</b>	<b>Raising of issues</b>	Structure Chart and Processes.	Rachel Wood
<b>March Update</b>	The Board discussed issue raising and the escalation process. Officers resolved to look into the formal processes and send a structure chart to the Board members. <b>In Progress</b>		
<b>22/11/18 Minute No. 77.5 1st Bullet</b>	<b>Pensions Panel Representative Member Roles</b>	Change in role title	Rachel Wood
<b>March Update</b>	The Board queried if the Pensions Panel's 'Employee' representative role should be 'Member' representative. <b>In Progress</b>		

<b>Date received / Minute No:</b>	<b>Subject:</b>	<b>Matters Arising</b>	<b>Officer Contact:</b>
<b>22/11/18 Minute No. 77.5 2nd Bullet</b>	<b>Pensions Panel Independent Advisor</b>	Governance advice	Rachel Wood
<b>March Update</b>	Officers resolved to check guidance for independent governance advice for the Pensions Panel.  <b>In Progress</b>		
<b>22/11/18 Minute No. 77.5 3rd Bullet</b>	<b>Governance Policy and Compliance Statement</b>	References to the Board	Rachel Wood
<b>March Update</b>	Query if there should be more references to the Board, e.g. Board meeting frequency.  <b>In Progress</b>		
<b>22/11/18 Minute No. 77.5 4th Bullet</b>	<b>Governance Policy and Compliance Statement</b>	Representative member duration	Rachel Wood
<b>March Update</b>	The Board sought clarity on the terminology 'usual maximum length' of representative members.  <b>In Progress</b>		
<b>22/11/18 Minute No. 77.7 3rd Bullet</b>	<b>Internal Dispute Resolution Procedure (IDRP)</b>	Guidance clarity	Tara Atkins

Date received / Minute No:	Subject:	Matters Arising	Officer Contact:
<b>March Update</b>	<p>The Board sought clarity on the information required to raise a complaint and felt that guidance should be clearer.</p> <p>Officers have proposed new wording as follows:</p> <p><b>First Stage</b></p> <p><i>If you need to make a formal complaint, you should make it:</i></p> <ul style="list-style-type: none"> <li><i>in writing, you may wish to use the application form for ease.</i></li> <li><i>normally within 6 months of the day when you were told of the decision you want to complain about</i></li> </ul> <p><b>Click on the <a href="#">application form</a> to complete.</b></p> <p>Officers will update the website with the policy, including this wording, at the point it is updated with Hampshire Pension Services details.</p> <p style="text-align: right;"><b>Complete</b></p>		
<b>22/11/18 Minute No. 78.3 6th Bullet</b>	<b>Administration procedures and performance</b>	P60 processes	Tara Atkins
<b>March Update</b>	<p>The Board queried the issues with P60 processes.</p> <p>It is officers' understanding that these will be sent from Hampshire Pension Services and will include Capita figures.</p> <p style="text-align: right;"><b>Complete</b></p>		



## **Pensions Panel**

1 November 2018 – At a meeting of the Pensions Panel held at 10.00 am at County Hall, Chichester.

Present: Mr Hunt (Chairman)

Mr Bradford, Mr Elkins, Mr Jupp, Mrs Urquhart, Dr Walsh, Mr Donnelly and Ms Taylor

Apologies were received from Mrs Dennis

### **Part I**

#### **70. Declarations of Interests**

70.1 No interests were declared.

#### **71. Part I Minutes of the last meeting**

71.1 Steven Law, Hymans Robertson, commented that minute 63.8 should say 'an amber flag' rather than 'a red flag'. The Panel agreed to the amendment.

71.2 Resolved – That the Part I minutes of the Pensions Panel held on 25 July 2018, amended as above, be approved as a correct record, and that they be signed by the Chairman.

#### **72. Minutes of the Annual Meeting of the Pension Fund**

72.1 Resolved – That the minutes of the Annual Meeting of the Pension Fund held on 25 July 2018 be approved as a correct record, and that they be signed by the Chairman.

#### **73. Investment Strategy**

73.1 The Panel considered a report by the Director of Finance, Performance and Procurement (copy appended to the signed minutes).

73.2 Rachel Wood, Pension Fund Investment Strategist, introduced the report and informed the Panel that the funding level was 106.3%.

73.3 Members of the Pensions Panel had previously had an informal meeting where infrastructure and private debt investment options had been discussed and so David Walker, Hymans Robertson, gave a presentation to the Panel on Income Asset Considerations (copy appended to the signed minutes).

73.4 The presentation outlined the details for the different types of investment including examples and risks.

73.5 The Panel made comments including those that follow.

- Queried the definition of Social infrastructure. – *David Walker explained that this referred to schools and hospitals. The Panel discussed the consideration that was being given to investment in local housing in West Sussex. Katharine Eberhart, Director of Finance, Performance and Procurement, explained that this option could not be used if it provided a less favourable risk adjusted return than in other geographical areas.*
- Noted the social benefits of social investments, but raised concerns on the level of returns. – *The Panel noted that their duty was the financial stability of the fund and that the Panel's focus was different from the County Council's. Steven Law commented that other Local Government Pension Schemes had made social investments which could be looked into to see the results. Caroline Burton, Independent Fund Advisor, commented that Manchester had found it difficult to balance investment and social responsibility in this field.*
- Raised concerns on the risks associated with Private Debt investments and queried if there was a need to deviate from the current fund strategy. – *Jeremy Hunt explained that the need to change the strategy had already been established, but acknowledged the concerns about Private Debt as an option.*
- Queried the risks involved with Private Debt and what yields could be expected. – *David Walker acknowledged the risks and explained that careful manager appointment would be important. Returns could be 5-7% over Libor and preferred strategies with a focus on senior secured debt.*

73.6 Jeremy Hunt noted the concerns of the Panel and acknowledged the need for more testing and investigation on the discussed investment options.

73.7 Resolved - That the Panel supports the work of officers with Fund advisers to develop the options around income based asset allocation, to include the advantages and disadvantages, for further consideration.

## **74. Actuarial Matters**

74.1 Steven Law gave a presentation to the Panel on hot topics for Local Government Pension Schemes (LGPS) (copy appended to the signed minutes).

74.2 Steven Law began by reporting on the Government Actuary's Department (GAD) Section 13 valuation and how this could impact the West Sussex Pension Fund.

74.3 Steven Law discussed Cost Cap Valuations and how the calculations looked into the impact of staff promotion and life expectancy. These factors were considered when looking at the value of the Scheme for members. The expectation was that lower pay employee contributions would change.

74.4 Steven Law explained the plan to bring LGPS funding valuations in line with National Scheme valuations and highlighted the timeline within the presentation to achieve this. Steven Law explained that it would be

possible to set a contribution rate for the County Council for five years, but admitted bodies may require more frequent funding assessments.

74.5 The Panel made comments including those that follow.

- Queried the impact of the Cost Cap Valuations for the LGPS. – *Steven Law explained that that employer rates would remain for the LGPS, however the Fire Fighters pension would see employer rates rise from 17% to 30%. Rachel Wood clarified that this would impact the County Council, but not the pension fund.*
- Sought clarity on the impact of the changes for lower pay employee contributions. – *Steven Law resolved to look into this and provide detail for the Panel.*
- Asked how long life considerations were used for the fund. – *Steven Law explained the Club Vita work which looked at mortality risks for the fund. Social economic effects were also considered. Mortality assumptions and West Sussex profiling would impact the scheme now for those retiring in 30 years.*

74.6 The Panel thanked Steven Law for the presentation.

## **75. Business Plan**

75.1 The Panel considered a report by the Director of Finance, Performance and Procurement (copy appended to the signed minutes).

75.2 Steve Harrison, Financial Planning Manager, introduced the report and gave an update on the current progress with pooling where sub fund negotiations were taking place.

75.3 Steve Harrison reported that work was continuing with Capita in preparation for the administration transfer.

75.4 Steve Harrison highlighted the training strategy within the report that would ensure a common strategy for the Pensions Panel and the Pension Advisory Board.

75.5 The Panel made comments including those that follow.

- Queried the use of the term 'Pension Board' within the training strategy. – *Steven Law confirmed that this reference referred to the Pension Advisory Board and that this was the term that the Pensions Regulator term for local pension boards.*
- Asked if members could receive as much notice as possible when they were notified about training events. – *Rachel Wood resolved to see if earlier notice could be given. Members also requested guidance on which training to attend.*
- Highlighted that the training log was missing some attended events and should also include historic training that had been undertaken. – *Rachel Wood resolved to look into this.*
- Requested training on private equity. – *Rachel Wood resolved to look into this.*

- Sought reassurance that the administration migration plan was robust and asked if the Panel could look at it. – *Steve Harrison resolved to share the plan.*

75.6 Resolved – That the progress made on the Fund Business Plan is noted and that the Training Strategy is noted and agreed.

## **76. Date of the next meeting**

76.1 The Panel noted that its next scheduled meeting would take place on 28 January 2019 at County Hall, Chichester.

## **77. Exclusion of Press and Public**

77.1 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.

## **78. Part II Minutes of the last meeting**

The Panel agreed the Part II minutes of the Pensions Panel held on 25 July 2018.

## **79. Update on Pensions Administration**

The Panel received an update from the Director of Finance, Performance and Procurement on the Pension Administration transfer to Hampshire County Council.

The Panel noted the update.

## **80. Review of Pension Performance**

The Panel considered a paper by the Director of Finance, Performance and Procurement.

The Panel received an update from Caroline Burton relating to the quarterly performance reports from the fund managers.

The Panel welcomed the advice.

## **81. Presentation by UBS**

The Panel received an update from Malcolm Gordon, Jonathan Davies and Scott Wilkin from UBS on the portfolio performance for the quarter.

## **82. Presentation by Partners Group**

The Panel received an update from Alexander Ott, Sarah Brewer and Courtney Bensen from Partners Group on the portfolio performance.

The meeting ended at 2.15 pm

Chairman

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**Tony Kershaw**  
Director of Law and Assurance

If calling please ask for:

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18 January 2019

## Pensions Panel

A meeting of the panel will be held at **10.00 am** on **Monday, 28 January 2019** at **County Hall, Chichester**.

**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:

- Dr. Walsh is a Member of the Littlehampton Harbour Board, Arun District Council and Littlehampton Town Council
- Mr Donnelly is a Horsham District Councillor
- Mr Jupp has a daughter who works for Blackrock

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

#### 10.02 am 2. **Part I Minutes of the last meeting** (Pages 5 - 10)

The Panel is asked to agree the Part I minutes of the meeting of the Panel held on 1 November 2018 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.      **Investment Strategy** (Pages 11 - 32)
- Report by the Director of Finance, Performance and Procurement.
- The Panel will also receive a presentation from Hyman Robertson.
- The Panel is asked to consider the options presented in the report and within the presentation provided during the meeting.
- 10.35 am      6.      **Pension Fund Policy Documents** (To Follow)
- Report by the Director of Finance, Performance and Procurement.
- The Panel is asked to consider the recommendation within the report.
- 10.50 am      7.      **Date of the next meeting**
- The next meeting of the Pensions Panel will be 10.00 a.m. 29 April 2019 at County Hall.
- Part II**
- 10.52 am      8.      **Exclusion of Press and Public**
- The Board is asked to consider in respect of the following item(s) whether the public, including the press, should be excluded from the meeting on the grounds of exemption under Part I of Schedule 12A of the Local Government Act 1972, as indicated below, and because, in all the circumstances of the case, the public interest in maintaining the exemption of that information outweighs the public interest in disclosing the information.
- 10.52 am      9.      **Part II Minutes of the last meeting** (Pages 33 - 36)
- To confirm the Part II minutes of the meeting of the Panel held on 1 November 2018, for members of the Panel only (yellow paper).
- 10.55 am      10.      **Investment Pooling** (Pages 37 - 66)
- Report by Director Finance, Performance and Procurement attached for members of the Panel only (yellow paper).



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

11.15 am      11.      **Review of Pension Performance**

The following reports are for the Panel to review Pension performance over the last quarter.

(a)      **Transaction and Performance** (To Follow)

Paper by the Director of Finance, Performance and Procurement summarising transactions and performance during the quarter, for members of the Panel only (yellow paper).

(b)      **Independent Fund Advisor Comments** (To Follow)

Paper from the independent fund advisor giving comments on the quarter, for members of the Panel only (yellow paper).

11.25 am      12.      **Business Plan (including Pension Administration)** (Pages 67 - 76)

Report by Director Finance, Performance and Procurement attached for members of the Panel only (yellow paper).

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

11.45 am      13.      **Presentation by Baillie Gifford**

The Panel to receive a presentation on portfolio performance.

12.30 pm      14.      **Presentation by Aberdeen Standard**

The Panel to receive a presentation on portfolio performance.

**To all members of the Pensions Panel**

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## **Pension Advisory Board**

**6 March 2019**

### **Business Planning and Performance**

#### **Report by the Chairman of the Pension Advisory Board**

##### **Executive Summary**

The Pension Advisory Board (PAB) is required to review its performance over the past year and report to the Governance Committee. Consideration of the work programme and budget for 2019/20 has been deferred to the meeting in May in order to align the programme with the Pensions Panel's business Plan.

##### **Recommendations**

The Board is asked to agree:

- i. the performance report for 2018/19 [**Appendix A**];
- ii. the budget statement showing expenditure in 2018/19 against budget [**Appendix B**];
- iii. the statement for inclusion in the Fund Annual Report [**Appendix C**];
- iv. that the Pensions Panel and Governance Committee be informed accordingly.

#### **1. Business Plan performance report for 2018/19**

- 1.1 The draft report set out in **Appendix A** provides a brief summary of the Board's operations and activities over the past year. This summary includes an assessment of the Board itself and identifies a number of key achievements.
- 1.2. As agreed by the Board in 2018, the Chairman met with each board member at the end of January 2019 on a one-to-one basis to discuss performance over the past year, plans for the coming year and future training needs. The Chairman also met with the S151 Officer, Katharine Eberhart to discuss the Board's role, performance and plans.
- 1.3 Overall there was a very good outcome to these discussions and a summary note has been circulated to Board members and officers.

#### **2. Budget Statement**

- 2.1 **Appendix B** shows forecast spending against budget in 2018/19. Overall expenditure is well within budget and there were no exceptional or unexpected items to report.

**3. Statement for the Fund Annual Report**

- 3.1 **Appendix C** provides a draft statement for inclusion in the 2017/18 Fund Annual Report in a similar style to that for the Pensions Panel.

**4. Business Plan for 2019/20**

- 4.1 Work is still progressing on formulating an integrated business plan with that of the Panel. This will be considered at the Board's meeting on 22 May 2019 after the Panel has agreed their business plan for the coming year. In the meantime, meetings will be structured to cover the standing agenda items and the core work plans in place.

**5. Need for advisors**

- 5.1 It was agreed in 2015/16 that there was no recurring need for external advisors but that provision should be made in the annual budget in case specific advice was required (e.g. legal advice) at any stage. It is likely that any external advisory input, as agreed previously, would be for the provision of training and not formal advice.
- 5.2 While training was received during the year, there was no requirement for formal independent advice in 2018/19 and it is not anticipated that any will be required in 2019/20.

**6. Equality Impact Review**

- 6.1 An Equality Impact Review is not required as there are no relevant decisions to be taken.

**Peter Scales**

Chairman of the Pension Advisory Board

**Contact:** Adam Chisnall, Democratic Services Officer, 033 022 28314

**Appendices**

Appendix A - Business Plan Performance Report for 2018/19

Appendix B - Budget Statement for 2018/19

Appendix C - Statement for Fund Annual Report 2018/19

**Background papers**

None

## **West Sussex Pension Advisory Board**

### **Business Plan 2018/19 performance report**

#### **Board establishment**

Officers undertook a review of the Board's structure and operations based on practice elsewhere with the ACCESS Pool members. Changes were agreed at the April meeting resulting in two additional Board members and the terms of reference were revised accordingly.

#### **Board meetings**

As part of the review, it was agreed to hold one additional meeting each year, and meetings to be held around 10 days after each Panel meeting in a timelier manner. Thus the Board held four meetings during the year with attendance as follows: Peter Scales (4); Richard Cohen (4); Miranda Kadwell (2 - appointed from November); Kim Martin (2); Becky Caney (2 - appointed from November); Christopher Scanes (4); and Tim Stretton (3). Relevant interests are recorded and any changes declared at each meeting. There have been no conflicts of interest potential or otherwise and the register has been updated.

The business for each meeting has been in line with the core work plan agreed in April and is based on the responsibilities of the Board and guidance issued about key issues to cover, and on 'live' issues arising during the year.

As part of the review, it was agreed to re-align the Board's work plan and training plan with those of the Panel, including risk framework, and to introduce a regular review of policy documents with two each meeting on a rotational basis. A schedule of policy documents was drawn up to monitor and manage progress. However, progress on aligning the Board and the Panel's business plans has proved elusive during a busy year but will be done once the Panel's Plan for 2019/20 has been agreed.

In terms of what has been achieved during the year, the schedule below shows actions against key tasks and demonstrates that a comprehensive programme of work has been completed.

In terms of individual Board members perceptions of performance, these were covered in the on-to-one performance review meetings held at the end of January. Some of the key conclusions are summarised below.

### **Top level review with S151 Officer**

The Chairman met with Katharine Eberhart on 29 January and the main conclusions were:

- The Board had stabilised following the structural review and the increase in meetings has provided greater flexibility.
- The addition of two new members has provided strength and diversity, and the appointment procedure had operated smoothly.
- There is scope to improve liaison with the Panel and to raise awareness of the Board's activities.
- The minutes of Board meetings should be reported to the Panel and the Chairman should attend at least one Panel meeting each year to present the Board's annual report.
- The role of an independent chairman had worked well and brought wider knowledge and expertise to the Board, and his views on LGPS developments were helpful.
- Proposed changes to the MHCLG guidance on pooling investments would need to be reviewed and the governance arrangements (e.g. Panel and Board roles) for the new pooling structure needed to be established once transition had settled.

### **One-to-one review meetings**

Board Meetings - All members thought the papers were circulated sufficiently on time and the meetings were well planned, decisions were effective and well made. Key issues were being prioritised and information provided, and the relevant officers were helpful.

Individual contribution - Most considered they were making an effective contribution although new members had only attended one meeting and were still finding their feet. All were diligent in reading the papers and felt their time commitment sufficient. Training needs were varied.

Individual approach - The longer standing members all felt they had a sound approach to the Board and its members, and didn't feel there were any barriers to their contribution. Newer members had yet to establish their approach but there were no adverse comments.

Independent chairmanship - Everyone felt the role of independent chairman worked well and that he helped make the Board more effective and made a valuable contribution. Communication worked well allowing an open discussion and as a team.

Board performance - All responses were favourable in this section, subject to a limited view for those new to the Board. It was felt generally that the Board was doing its job well but that there were areas where more needed to be done.

## **Areas of under-performance**

These are the areas where progress has not been as good as was expected:

Business Plan - Progress on developing the work plan into a business plan that is consistent with the Panel's has been much slower than intended and has been re-scheduled for 2019/20.

Administration - There has been some frustration with the level of performance by Capita which has led to a review by the Panel and a change in supplier for 2019/20 onwards. While performance has continued to be monitored it has not been possible for the Board to make much input during the transition process.

Pooling arrangements - Understandably the transition to these new arrangements has been a long process and under some uncertainty, particularly in relation to the guidance given centrally - new guidance is currently under consultation. The Board has to await the outcome of this process before it can begin to fully understanding and contribute to the new governance arrangements.

Communications - Due to the on-going review of the administration arrangements, the Board has not had as much impact on communications as it would have wanted.

## **Key markers for future consideration**

New administration arrangements - To fully understand the new arrangements and performance indicators, to consider the Board's role in relation to the Panel, and to meet with Hampshire representatives on a regular basis.

Pooling arrangements - To review the governance arrangements and to clarify both the Board's and the Panel's roles once transition is complete. To review the MHCLG revised guidance.

Valuation process - To better understand the process and compliance issues, particularly in relation to the cost cap mechanism.

Communications - To consider and seek to improve communications with employers and between employers, particularly on the valuation outcomes.

Business Plan - To establish a revised planning framework, including risk management, and to understand the Board's role in that.

Operations - To ensure data quality issues are being managed and improved, and to better understand key risk areas of internal controls

### **Knowledge and understanding**

The Board agreed a revised training strategy in November which aligns the Board's requirements with those of the Panel. As a follow up to that, each member undertook a knowledge and understanding survey prepared by Hymans Robertson, the results of which are to be considered at a future meeting.

Training sessions were held to cover the pooling process outcomes and governance, risk management, and valuation and actuarial matters. In addition, each meeting provides members with a broad update on key issues. Also some members attended the in-house training session on the financial statements with members of the Panel.

The Board has been well represented on special refresher and update sessions run by CIPFA especially for local pension boards, providing the opportunity to meet members of other boards. The material from these sessions is shared with all Board members.

Two new initiatives in the year established focussed learning resources:

- [1] An explanation of the LGPC website was given and members now know how to access the on-line LGPS regulations and guidance.
- [2] LGPC bulletins and updates are circulated on a frequent basis in between meetings. A standing agenda item now monitors scheme developments giving Board members the opportunity to keep up to date and broaden their knowledge.

Each member, including those new to the Board, has completed and 'passed' the Pensions Regulator's on-line modular training toolkit. Progress on training was monitored and discussed at each meeting, and a training log is being maintained.

### **Indicators of performance and achievement**

As the Board's work is generally subjective in nature, it is not practicable to measure performance against 'hard' indicators. However, performance has been good in monitoring compliance and effectiveness in the administration procedures throughout the year.



### **Chairman's comments**

The Board's operations over the past four years continue bring compliance and performance into sharper focus and with an employer/member perspective. In addition, the Board is enabling the Scheme Manger to demonstrate compliance with regulations and guidance, and helping ensure the Fund is administered efficiently and effectively.

In my view the Board has continued to operate well in developing circumstances, particularly as regards the new pooling arrangements and other changes taking place, especially with new members coming on board. Each member continues to demonstrate their commitment to meeting their responsibilities, to gaining new knowledge and understanding of the issues, by preparing for each meeting and by participating effectively in discussion.

Board members are keenly aware of the need not to duplicate the work of the Pensions Panel and officers, nor to generate unnecessary demands for monitoring information for meetings. At the same time, members do not hesitate to challenge decisions or practices when it is appropriate to do so, to seek improvements where beneficial, or to expose non-compliance.

Pension Advisory Board 6 March 2019

## Pension Advisory Board

### Work programme 2018/19

Key tasks and activities	Action in 2018/19
<b><u>Business planning and performance</u></b> <ul style="list-style-type: none"> <li>✓ Agree work programme, budget and resources for coming year</li> <li>✓ Review advisor requirements</li> <li>✓ Review performance against work programme and budget for report to committees *</li> <li>✓ Board self-assessment</li> <li>✓ Report for Fund Annual Report</li> <li>✓ Report to Employer Annual Meeting</li> <li>✓ Report to Scheme Advisory Board/DCLG/tPR</li> </ul>	<ul style="list-style-type: none"> <li>✓ 2018/19 programme and budget agreed on 20 April 2018</li> <li>✓ Agreed there was no requirement for specialist advisers</li> <li>✓ Performance for 2017/18 reviewed and report agreed on 20 April</li> <li>✓ Report for 2017/18 annual report agreed on 20 April</li> <li>✓ Three Board members attended the Employers AGM on 25 July 2018</li> <li>✓ No reports required for SAB/MHCLG/tPR</li> <li>✓ One-to-one performance reviews for 2018/19 held in January</li> <li>✓ 2019/20 work programme and budget agreed on 6 March 2019</li> <li>✓ 2018/19 performance review and reports agreed on 6 March 2019</li> <li>✓ Reviewed response to tPR survey</li> </ul>
<b><u>Compliance checks</u></b> <ul style="list-style-type: none"> <li>✓ Annual review of conflicts of interest</li> <li>✓ Review relevant Pension Panel decisions</li> <li>✓ Annual Report &amp; Accounts</li> <li>✓ Review of policy statements</li>   <li>✓ Review of risk register</li>   <li>✓ Internal controls/audit reports</li> <li>✓ Regulations and guidance</li> </ul>	<ul style="list-style-type: none"> <li>✓ Reviewed on 21 November and on 6 March</li> <li>✓ Reviewed at each meeting as a standing agenda item</li> <li>✓ Reviewed by chairman, subject to new CIPFA guidance</li> <li>✓ New standing agenda item - two documents each meeting, including Discretions policy, privacy notice, Governance Policy, IDRP, Treasury Management and Administration Strategy</li> <li>✓ Monitored reviews by Pensions Panel under business plan updates</li> <li>✓ Specific presentation on 18/7/18</li> <li>✓ Noted audit assurances</li> <li>✓ New resource introduced on accessing LGPC web site</li> <li>✓ LGPC bulletins circulated and reviewed</li> <li>✓ SAB update reports reviewed</li> <li>✓ Reviewed CIPFA guidance for LPBs</li> </ul>

\* Pensions Panel and Governance Committee

Key tasks and activities	Action in 2018/19
<p><b><u>Administration procedures and performance</u></b></p> <p>Admin report to cover:</p> <ul style="list-style-type: none"> <li>✓ Notifiable events</li> <li>✓ Data quality and integrity</li> <li>✓ Disclosure of information</li> <li>✓ Contribution monitoring</li> </ul>	<ul style="list-style-type: none"> <li>✓ Reviewed administration procedures and performance at each meeting</li> <li>✓ Concerns raised about poor performance against KPIs and monitored move to new service provider</li> <li>✓ Annual benefits process, management of late payment of contributions and process for monitoring breaches were reviewed</li> <li>✓ Customer satisfaction survey results were reviewed</li> <li>✓ Monitored progress on GMP liabilities</li> <li>✓ Data quality and recovery arrangements reviewed</li> </ul>
<p><b><u>Communications</u></b></p> <ul style="list-style-type: none"> <li>✓ Newsletters and annual statements</li> <li>✓ Website and portal</li> </ul>	<p>Review of newsletters pending new arrangements</p> <p>Reviewed communications policy</p> <p>Questioned new arrangements pending transition from Capita</p>
<p><b><u>Training</u></b></p> <ul style="list-style-type: none"> <li>✓ Review training log and plan needs</li> </ul>	<ul style="list-style-type: none"> <li>✓ All members have completed and passed tPR's on-line training modules</li> <li>✓ CIPFA training sessions attended</li> <li>✓ Training session on financial statements for 2017/18</li> <li>✓ Training session on managing risk</li> <li>✓ Training session on valuation issues covering, GAD S13 valuations, costs sharing mechanisms, GMP liabilities, and proposals for quadrennial valuations</li> <li>✓ Training log maintained and reviewed at each meeting</li> </ul>

Key tasks and activities	Action in 2018/19
<p><b><u>Special items and reviews</u></b></p> <ul style="list-style-type: none"> <li>✓ Board governance arrangements</li> <li>✓ Valuation assumptions and outcomes</li> <li>✓ Investment pooling arrangements including governance arrangements</li> <li>✓ Investment regulations and guidance</li> </ul>	<ul style="list-style-type: none"> <li>✓ Officer review of arrangements agreed in April</li> <li>✓ Frequency of meetings increased from three to four per annum</li> <li>✓ Membership increased to seven (including independent chairman)</li> <li>✓ Items of business for each meeting expanded and regularised</li> <li>✓ Business planning process to integrate with Panel Plan</li> <li>✓ Risk management to be taken into account</li> <li>✓ Terms of Reference revised accordingly</li> <li>✓ Two new Board members appointed in November</li> <li>✓ Advanced information considered at Employer AGM</li> <li>✓ Presentation by Scheme Actuary</li> <li>✓ Reports to the Pensions Panel have been reviewed</li> <li>✓ Update as standing agenda item</li> <li>✓ Considered proposal for representation on Oversight Committee</li> <li>✓ Considered response to MHCLG consultation on guidance for pooling</li> </ul>

## Pension Advisory Board Budget Statement

Budget item	Budget 2018/19 £	Spend * 2018/19 £
Allenbridge fee for independent chairman	15,000	15,000
Travel expenses/subsistence	2,000	?
Training provision	5,000	?
Democratic Services Support (0.2 FTE)	12,000	?
Meetings (incl. refreshments)	1,000	?
Provisional sums:		
✓ Legal and other external advice	3,000	0
✓ Contingency	2,000	0
<b>TOTAL BUDGET</b>	<b>40,000</b>	

\* Provisional actuals pending closure of accounts

N.B. VAT excluded

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## **Pension Advisory Board** [For insertion in Fund Annual Report 2018/19]

The Pension Advisory Board was established on 1 April 2015 under the provisions of the LGPS Regulations 2013 to assist the Scheme Manager, in matters of governance and administration, to secure compliance with regulations, guidance and other legislation; with requirements imposed by the Pensions Regulator; and to help secure effective and efficient governance and administration.

The Board is required to have a minimum of four members with equal representation of employers and scheme members. In April 2018, following a review, it was agreed to increase the size to six members and the meetings to four each year. Details of the current members are available on the Pension Advisory Board section of the website.

The Board met four times during the year with attendance as follows and three members also attended the AGM for employers:

	<b>20/4/18*</b>	<b>18/7/18</b>	<b>21/11/18</b>	<b>6/3/19</b>	<b>Total</b>
Peter Scales (Chairman)	✓	✓	✓	✓	4/4
Richard Cohen (Emp)	✓	✓	✓	✓	4/4
Miranda Kadwell (Emp)			✓	✓	2/2
Kim Martin (Emp)	x	x	✓	✓	2/4
Becky Caney (Active)			✓	✓	2/2
Christopher Scanes (Pen)	✓	✓	✓	✓	4/4
Tim Stretton (Active)	✓	x	✓	✓	3/4

\* The March meeting had to be changed due to unforeseen adverse weather conditions

The business for each meeting has been planned by reference to the work plan agreed in April and is based on the responsibilities of the Board and guidance issued about key issues to cover. All items have been covered during the year and there have been no disputes in the decisions reached. Key items covered include administration performance, late payment of contributions, the websites and newsletters, policy statements, data quality, new regulations and guidance, the new pooling arrangements with ACCESS, and knowledge and skills requirements.

The Board has formulated its training plan to cover the individual requirements of each member based on guidance issued by CIPFA, using the suggested framework to ensure coverage of all items over a reasonable period of time and this was updated during the year. Training sessions are held as part of each Board meeting and additional induction training given to new members.

Each member has completed the Pensions Regulator's on-line modular training toolkit. Progress on training is monitored and discussed at each meeting, and reviewed annually in the year-end performance review one-to-one meetings. In addition, members have attended external training courses run by CIPFA and relevant to the Board's work.

The Board is satisfied that the West Sussex Pension Fund is operated in compliance with statutory regulations and other legislation, and with guidance issued by MHCLG and CIPFA. The requirements imposed by the Pensions Regulator are being met and the Board is monitoring the effectiveness and efficiency of the governance and administration arrangements, particularly in relation to pooling and to the switch to a new administration service provider.

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## **Pension Advisory Board**

**6 March 2019**

### **Regulations and Guidance Update**

#### **Report by the Chairman of the Pension Advisory Board**

##### **Executive Summary**

Members of the Pension Advisory Board (PAB) are required to maintain a suitable level of knowledge and understanding in relation to the Scheme Regulations and Guidance.

This report provides an update on issues covered by the LGPC bulletins and by the Scheme Advisory Board at its meeting on 16 January 2019.

##### **Recommendations**

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

#### **1. Knowledge & Skills Resources**

- 1.1 A note was circulated to PAB members in August 2018 outlining the various sources of information, current action to update those resources and described the means to access the LGPS website. That remains the primary source of information on the LGPS regulations and guidance.

#### **2. LGPS Bulletins**

- 2.1 At the end of 2018 LGPC issued three bulletins but these were not circulated in advance due to the Christmas holiday period. In February, two further bulletins have been issued. Brief details of these bulletins, together with a brief status report on any action required are set out in **Appendix A**.

#### **3. Scheme Advisory Board**

- 3.1 With a view to improving communication of its work, the SAB has agreed to circulate a bullet point summary of each of its Board meetings with a more detailed summary available on the website. [[www.lgpsboard.org](http://www.lgpsboard.org) "Board Publications" section]
- 3.2 The first of these was issued recently covering the SAB meeting on 16 January 2019 and is attached at **Appendix B** together with further detail circulated recently concerning the "Good Governance" survey.
- 3.3 Further information will be provided orally at the meeting regarding the delay to the cost cap mechanism and the pooling guidance is subject to a separate report on the agenda.

#### **4. Equality Impact Review**

- 4.1 An Equality Impact Review is not required as there are no relevant decisions to be taken.

#### **Peter Scales**

Chairman of the Pension Advisory Board

**Contact:** Adam Chisnall, Democratic Services Officer, 033 022 28314

#### **Appendices**

Appendix A - Knowledge & Skills Resources - LGPS Bulletins

Appendix B - Scheme Advisory Board meeting - main points

#### **Background papers**

None

## West Sussex Pension Advisory Board

### Knowledge & Skills Resources - LGPS Bulletin update

<b>Bulletin</b>	<b>Relevant content</b>	<b>Report</b>
<b>173 June</b>	Recovery of overpayments - time limits ruling	<b>TBR</b>
<b>174 July</b>	Exit credits - tax position Contracted-out reconciliation - urgent action	<b>TBR</b> <b>TBR</b>
<b>176 Sept</b>	<b>The Pensions Regulator</b> - New approach to workplace pensions regulation - for further review as details emerge	<b>TBR</b>
<b>177 Oct</b>	<b>Section 13 report</b> <b>SF3 data published</b> <b>SAB update</b>	21/11/18 For noting 21/11/18
<b>178 Nov</b>	<b>MHCLG consultation on technical amendments</b> <b>Pension fund annual reports</b> - request by SAB for submission by 30 November	For noting For noting
<b>179 Dec</b>	<b>LGPS Miscellaneous Amendment Regulations</b> coming into force on 10 January	6/3/19
<b>2019</b> <b>180 Feb</b>	<b>Detailed commentary on the Amendment Regulations</b> containing considerable details about the changes and the actions for administering authorities	6/3/19
<b>181 Feb</b>	<b>Cost management update</b> <b>SAB update</b> <b>Consultation on pooling guidance</b> <b>Consultation on fair deal</b> to strengthen the pension protections for employees transferring to a service provider <b>Contribution bands for 2019/20</b> <b>Discretionary policies</b> - minor changes <b>Exit credits</b> update on discussions	6/3/19  <b>TBR</b>  For noting

**TBR** = To be reported

March 2019

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## **Scheme Advisory Board meeting on 16 January 2019**

### **Main points circulated by Pensions Secretary**

Dear LGPS Colleague – The Scheme Advisory Board is keen to improve communication of the work it is undertaking on your behalf. Although the Board's website at [www.lgpsboard.org](http://www.lgpsboard.org) can be helpful in this respect, the Board has now agreed that a bullet point summary of each Board meeting should be sent to scheme stakeholders as soon as possible after each meeting. A more detailed summary will be available on the Board's website in the "Board Publications" section.

This email covers the main points of the Board meeting held on the 16<sup>th</sup> January 2019. The meeting commenced with a minutes silence in memory of the late Councillor Ian Greenwood.

#### **SAB Cost Cap**

- Statement detailing the SAB package circulated on the 21<sup>st</sup> December 2018
- Ongoing discussions with HMCLG and other interested parties
- Q&A paper for administering authorities being prepared
- 1<sup>st</sup> April deadline for scheme changes is becoming increasingly challenging
- MHCLG confirmed that a consultation paper is almost ready to go
- A shortened consultation could take place once government has given the green light
- On introduction of the SAB package, the HM Treasury cost cap scheme valuation will then be undertaken

#### **Cost Transparency – Compliance System**

- Deadline for bids for the compliance contract was the 22<sup>nd</sup> January
- Four bids were received
- SAB will consider recommendation from the bidding panel.
- Northern Ireland LGPS is to be added to the Code of Transparency

#### **Academies and Third Tier Employers' Projects**

- SAB was advised that work on both projects had been deferred because of other competing priorities but that work would recommence as a matter of urgency in January.

#### **Good Governance in the LGPS Project** (see later statement below)

- Contract has been awarded to Hymans Robertson
- SAB agreed to rename the project to allay fears of separation from local government

#### **Responsible Investment**

- The Board agreed that the guidance on Responsible Investment should be extended to include a checklist on climate change risk.
- Work also to be undertaken on assisting administering authorities in developing policy statements on climate change risk.

#### **MHCLG Draft Statutory Guidance on Pooling**

- MHCLG confirmed that this was not a public consultation
- Informal comments from SAB, administering authorities, local pension boards and pool companies requested
- SAB will submit a composite response but member's organisations may respond directly
- Closing date for comments is 28<sup>th</sup> March

**IORP II Directive**

- SAB agreed to open discussions with MHCLG on the scope for introducing some of the key elements of the Directive into scheme regulations or guidance

**Local Pension Boards**

- SAB agreed that the Secretariat should prepare a follow up survey to test the ongoing effectiveness of local pension boards for consideration at the next meeting in April

**2019/20 Budget and Workplan**

- 2019/20 to be a year of consolidation
- Some work on annual and lifetime tax allowances may need to be undertaken
- Secretariat to firm up 2019/20 budget and workplan for final consideration by SAB

**Pensions Regulator**

- SAB was advised that no reply had been received to the Chair's letter of November 2018.
- SAB tasked the Secretariat to chase a reply.

**Stop Press** – Following an exchange of emails it transpires that Lesley Titcomb had replied in December but that this had not been received by the Chair or the Secretariat. A copy of the missing letter has been requested. Lesley Titcomb also confirmed that a senior member of her team will be asked to attend the next SAB meeting in April.

**BOB HOLLOWAY**

Pensions Secretary  
Scheme Advisory Board  
4 February 2019

### **"Hymans Robertson Appointed to conduct "Good Governance" Survey**

The LGPS Scheme Advisory Board (SAB) is established under the Public Service Pensions Act 2013 to advise the Secretary of State for the Ministry of Housing, Communities and Local Government on the development of the Local Government Pension Scheme.

The SAB has commissioned Hymans Robertson to facilitate a consultation on good governance structures for the LGPS. The purpose of the consultation is to consider how best to accommodate LGPS functions within the democratically accountable local authority framework in a way that ensures that conflicts of interest are addressed and managed appropriately and that the LGPS remains appropriately resourced and able to deliver its statutory functions. We have asked Hyman Robertson to help the SAB identify the real issues and potential options for change to the current arrangements which are proportionate, pragmatic and would improve LGPS governance in these areas.

Through the consultation process, SAB will be seeking the views of as many stakeholders, representing all elements of the LGPS, as possible. Scheme stakeholders will be invited to complete a short online questionnaire which asks for examples of actual conflicts that can arise, your views on the effectiveness of current LGPS governance arrangements and your suggestions for improvement. Further stages of the consultation will include interviews and workshops with key stakeholders. This will allow the SAB to consult on a series of options that reflect the reality of LGPS governance as experienced by those who experience it first-hand.

This work will begin immediately, with reports coming to the SAB in April and July. Colleagues from Hymans Robertson will be in touch shortly with further details of the project including information on how to complete the questionnaire and further engagement plans.

Commenting on the appointment of Hymans Robertson, Chair of SAB, Councillor Roger Phillips said "I look forward to working closely with Hymans Robertson and would encourage all those who wish to see the continued success of the LGPS to participate in this important piece of work."

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## **Pension Advisory Board**

**6 March 2019**

### **Review of Pension Fund policy documents**

#### **Report by Director of Finance, Performance and Procurement**

##### **Summary**

Following the recent review of the Terms of Reference of the Pension Advisory Board it was been agreed to update the regular agenda items including the review of policy documents.

##### **Recommendation(s)**

- (1) That the Board note the register of policy documents
- (2) That the Board feedback on the policies presented at the meeting

## **1. Introduction**

- 1.1 The Pension Regulator Code of Practice 14 requires that –

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

- 1.2 Under the recent review of the Boards Terms of Reference it was agreed that the regular agenda items would be increased to include, amongst others, a review of policy documents.
- 1.3 By reviewing policy documents on a regular basis the Board will be fulfilling their role in supporting the Scheme Manager by ensuring compliance with regulations. This would also assist members in ensuring they have the relevant knowledge and understanding.

## **2. Pension Fund policy documents**

- 2.1 The Pension Fund is required by law to keep and maintain a number of policy documents.
- 2.2 A list of all Pension Fund Policy Documents is included at Appendix A.

- 2.3 It is proposed that as policies are reviewed by Officers they will be presented to the Board for review against Regulations or Guidance.
- 2.4 The Pension Panel considered and agreed the revised Treasury Management Policy at their meeting on 28 January 2019. The report has been included in Appendix B for review.
- 2.5 As part of the transfer of pension administration to Hampshire County Council the Pension Fund's Administration Strategy has been revised. This is included in Appendix C for review. The relevant pieces of legislation are included within the cover sheet for each Appendix.

### **3. Recommendation**

- 3.1 That the Board note the register of policy documents
- 3.2 That the Board feedback on the policies presented at the meeting

**Katharine Eberhart**

Director of Finance, Performance and Procurement

**Contact:** Rachel Wood, Pension Fund Strategist, 033 022 23387

### **Appendices**

Appendix A – List of All Policy Documents  
Appendix B – Treasury Management Policy  
Appendix C – Administration Strategy

### **Background Papers**

None

## List of All Policy Documents

POLICY	Policy Requirement	Published	How often it should be reviewed	Last reviewed by PAB	Next date of review by Officers
Abatement policy	Regulation 70 LGPS (administration) Regulations 2008	Website <a href="https://www.westsussex.gov.uk/media/10462/policy_for_abatement.pdf">https://www.westsussex.gov.uk/media/10462/policy_for_abatement.pdf</a>	Every 3 years		May-20
Actuarial valuation	Regulation 62 LGPS Regulations 2013	Website <a href="https://www.westsussex.gov.uk/media/9537/lgps_wscc_pension_fund_valuation_report.pdf">https://www.westsussex.gov.uk/media/9537/lgps_wscc_pension_fund_valuation_report.pdf</a>	Every 3 years		Mar-19
Administration Strategy	Regulation 59 LGPS Regulations 2013	Removed from website as currently under review. Will be published once administration service transfer is complete	Annually		Oct-18
Annual Report	Regulation 57 LGPS Regulations 2013	Website <a href="https://www.westsussex.gov.uk/media/11930/lgps_annual_report_2017-18.pdf">https://www.westsussex.gov.uk/media/11930/lgps_annual_report_2017-18.pdf</a>	Annually		Nov-18
Breaches policy	Regulation 70 Pensions Act 2004	Website <a href="https://www.westsussex.gov.uk/media/11930/lgps_annual_report_2017-18.pdf">https://www.westsussex.gov.uk/media/11930/lgps_annual_report_2017-18.pdf</a>	Every 2 years		Oct-19
Communications Policy Strategy	Regulation 61 LGPS Regulations 2013	Website <a href="https://www.westsussex.gov.uk/media/11930/lgps_annual_report_2017-18.pdf">https://www.westsussex.gov.uk/media/11930/lgps_annual_report_2017-18.pdf</a>	Annually		Apr-19
Conflict of Interest	Regulation 5(4) and 5(5) of the Public Service Pension Act 2013	Website – County Council Constitution <a href="http://www2.westsussex.gov.uk/ds/constitution/part5-1.pdf">http://www2.westsussex.gov.uk/ds/constitution/part5-1.pdf</a>	Every 3 years		Apr-21
Employers Guide - West Sussex LGPS <sup>1</sup>	LGPS Regulations 2013 (SI 2013/2356)	Website <a href="https://www.westsussex.gov.uk/media/6223/employer_guide_west_sussex_lgps.pdf">https://www.westsussex.gov.uk/media/6223/employer_guide_west_sussex_lgps.pdf</a>	Every 3 years		Oct-17
Funding Strategy Statement	Regulation 58 LGPS Regulations 2013	Website <a href="https://www.westsussex.gov.uk/media/9536/lgps_funding_strategy_statement.pdf">https://www.westsussex.gov.uk/media/9536/lgps_funding_strategy_statement.pdf</a>	Every 3 years		Mar-19
Governance Policy and Compliance Statement	Section 55 LGPS Regulations 2013	Website <a href="https://www.westsussex.gov.uk/media/7105/governance_policy_and_compliance_statement.pdf">https://www.westsussex.gov.uk/media/7105/governance_policy_and_compliance_statement.pdf</a>	Annually	Nov 18	Mar-19

<sup>1</sup> The review of the Employer Guide has been delayed due to change in Pension Administration provision.

POLICY	Policy Requirement	Published	How often it should be reviewed	Last reviewed by PAB	Next date of review by Officers
IDRP (Internal Dispute Resolution Procedure)	Pensions Act 2004	Website <a href="https://www.westsussex.gov.uk/media/11028/internal_dispute_resolution_procedure.pdf">https://www.westsussex.gov.uk/media/11028/internal_dispute_resolution_procedure.pdf</a>	Every 3 years	Nov 18	Mar-19
Investment Strategy Statement	LGPS Regulations (Management and Investment of Funds) 2016	Website <a href="https://www.westsussex.gov.uk/media/11028/internal_dispute_resolution_procedure.pdf">https://www.westsussex.gov.uk/media/11028/internal_dispute_resolution_procedure.pdf</a>	Every 3 years		Jul-20
LGPS Administering Authority Discretions	Regulation 60 LGPS Regulations 2013	Website <a href="https://www.westsussex.gov.uk/media/10917/lgps_admin_authority_discretions.pdf">https://www.westsussex.gov.uk/media/10917/lgps_admin_authority_discretions.pdf</a>	Every 4 years	July 18	Mar-22
LGPS Privacy Notice	Data Protection Act 2018 and General Data Protection Regulation (EU) 2016/679	Website <a href="https://www.westsussex.gov.uk/media/8756/lgps_privacy_notice.pdf">https://www.westsussex.gov.uk/media/8756/lgps_privacy_notice.pdf</a>	Every 3 years	July 18	Mar-21
Risk Register	Part 4 Section 4 of WSCC Constitution	Website – within Business Plan <a href="https://www.westsussex.gov.uk/media/10104/lgps_business_plan_2017.pdf">https://www.westsussex.gov.uk/media/10104/lgps_business_plan_2017.pdf</a>	Annually		Apr-19

## Treasury Management Strategy (2019/20)

1. The Pension Fund holds cash as working balances. It operates separate bank accounts, keeping its cash separate from the County Council in accordance with LGPS (Management and Investment of Funds) legislation, and consequently also has a separate treasury management policy to West Sussex County Council. Working balances comprise funds required to pay pensions, to fund private equity and property investments and to pay day-to-day expenses. Surplus balances will be sent to the external fund managers for investment in accordance with their approved strategies. A charge will be incurred by the fund for the treasury management service supplied by West Sussex County Council.

## Annual Investment Strategy

2. Having due regard to the security of principal sums invested and the short term nature of deposits, no financial institution will be eligible to receive deposits for longer than seven days without the explicit approval of the Director of Finance, Performance and Procurement in consultation with the Chairman of the Pensions Panel. The administering authority will therefore utilise investments that are designed to offer both high liquidity and high security, with the minimum of formalities. Such investments will be denominated in Sterling and may be deposited with the UK Government, a UK Local Authority (including local authority administered pension funds) or a financial institution with 'high' credit quality (including short-term Money Market Funds).
3. In assessing counterparty creditworthiness the administering authority will consider credit ratings as provided by Fitch, Moody's and Standard and Poor's. Additionally the administering authority will consider other indicators when assessing creditworthiness including, credit default swap (CDS) prices, share prices, media coverage and market sentiment. In assessing credit ratings the Director of Finance, Performance and Procurement uses the 'Lowest Common Denominator (LCD)' approach, meaning that it uses the lowest rating of those provided by Fitch, Moody's and Standard & Poor's. The minimum credit rating criteria will be:
  - Short-term minimum: F1(Fitch); P1(Moody's); A1(S&P)
  - Long-term minimum: A-(Fitch); A3(Moody's); A-(S&P)
  - Sovereign minimum (Non-UK): AA+(Fitch); Aa1(Moody's); AA+(S&P)

Institution	Minimum short-term credit rating	Minimum long-term credit rating	Monetary limit
UK/Non-UK Banks	As Above	As Above	£5m per group
UK Building Societies	As Above	As Above	£5m per group
Money Market Funds (i)	-	AAA	£5m per fund (ii)
Local Authorities	-	-	£5m per Authority
UK Government	-	-	No limit

(i) Funds that operate either under a constant net asset valuation (CNAV) or under a Low Volatility Net Asset Valuation (LVNAV).

(ii) Exposure limit per fund set to £5m or 0.5% of the fund's net asset size, whichever is lowest.

4. The monetary limit per group will be subject to explicit approval by the Director of Finance, Performance and Procurement in consultation with the Chairman of the Pensions Panel and will be continually reviewed in-year. Such approval will relate to the institution rather than the particular investment and will remain in force until revoked. In particular, approval is given to hold cash deposits, including foreign currency (EUR/USD) held within separate bank accounts, in excess of the approved £5m monetary limit with the Pension Fund's main provider of banking services (currently Lloyds Bank).
5. As at **28 January 2019** the current list of approved counterparties that meet the investment criteria and offer instant access deposit accounts are:

<b>Institution (i)</b>	<b>Sovereign</b>	<b>ST Credit Ratings</b>	<b>LT Credit Ratings</b>	<b>Maximum time limit</b>
Lloyds Bank plc	UK	F1/P1/A1	A+/Aa3/A+	7 days
Handelsbanken plc	UK	F1+/ /A1+	AA/ /AA-	7 days
Santander UK plc	UK	F1/P1/A1	A+/Aa3/A	7 days
Debt Management Office	UK	-	AA	7 days
<b>Money Market Funds (GBP)</b>	<b>Domiciled</b>			
Amundi	Luxembourg	-	AAA	Overnight
BlackRock	Ireland	-	AAA	Overnight
BNP Paribas	Luxembourg	-	AAA	Overnight
Deutsche	Ireland	-	AAA	Overnight
Federated Investors	UK	-	AAA	Overnight
Goldman Sachs	Ireland	-	AAA	Overnight
JP Morgan	Luxembourg	-	AAA	Overnight
Morgan Stanley	Luxembourg	-	AAA	Overnight
State Street	Ireland	-	AAA	Overnight

(i) *The consideration of UK Banks that offer instant access accounts only has reduced the number of approved institutions as shown above.*

6. The administering authority will run a daily cash flow reconciliation of funds held by the Fund as working balances.

### **Borrowing Strategy**

7. The LGPS (Management and Investment of Funds) Regulations 2016 give a fund's administering authority explicit power to borrow for up to 90 days for the purpose of its pension fund:
  - To pay benefits due under the scheme, or
  - To meet investment commitment arising from the implementation of a decision to change the balance between different types of investment provided that if, at the time of borrowing, the authority reasonably believes that the sum borrowed and interest charged in respect of such sum can be repaid out of its pension fund within 90 days of the date of the borrowing.
8. The West Sussex Pension Fund currently has sufficient cash flow and cash balances not to have to borrow to pay benefits due under the scheme.

## **Administration Strategy**

*Extract from The Local Government Pension Scheme Regulations 2013 //*  
*Regulation 59*

An administering authority may prepare a written statement of the authority's policies in relation to such of the matters mentioned in paragraph (2) as it considers appropriate ("its pension administration strategy") and, where it does so, paragraphs (3) to (7) apply.

1. The matters are—

- a) procedures for liaison and communication with Scheme employers in relation to which it is the administering authority ("its Scheme employers");
- b) the establishment of levels of performance which the administering authority and its Scheme employers are expected to achieve in carrying out their Scheme functions by—
  - (i) the setting of performance targets,
  - (ii) the making of agreements about levels of performance and associated matters, or
  - (iii) such other means as the administering authority considers appropriate;
- c) procedures which aim to secure that the administering authority and its Scheme employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance;
- d) procedures for improving the communication by the administering authority and its Scheme employers to each other of information relating to those functions;
- e) the circumstances in which the administering authority may consider giving written notice to any of its Scheme employers under regulation 70 (additional costs arising from Scheme employer's level of performance) on account of that employer's unsatisfactory performance in carrying out its Scheme functions when measured against levels of performance established under sub-paragraph (b);
- f) the publication by the administering authority of annual reports dealing with—
  - (i) the extent to which that authority and its Scheme employers have achieved the levels of performance established under sub-paragraph (b), and
  - (ii) such other matters arising from its pension administration strategy as it considers appropriate; and

- g) such other matters as appear to the administering authority after consulting its Scheme employers and such other persons as it considers appropriate, to be suitable for inclusion in that strategy.
- 2. An administering authority must—
  - a) keep its pension administration strategy under review; and
  - b) make such revisions as are appropriate following a material change in its policies in relation to any of the matters contained in the strategy.
- 3. In preparing or reviewing and making revisions to its pension administration strategy, an administering authority must consult its Scheme employers and such other persons as it considers appropriate.
- 4. An administering authority must publish—
  - a) its pension administration strategy; and
  - b) where revisions are made to it, the strategy as revised.
- 5. Where an administering authority publishes its pension administration strategy, or that strategy as revised, it must send a copy of it to each of its Scheme employers and to the Secretary of State as soon as is reasonably practicable.
- 6. An administering authority and its Scheme employers must have regard to the pension administration strategy when carrying out their functions under these Regulations.
- 7. In this regulation references to the functions of an administering authority include, where applicable, its functions as a Scheme employer.



## **Pension Administration Strategy**

### **Background**

1. West Sussex County Council is the administering authority for the Local Government Pension Scheme (LGPS) on behalf of the Scheme employers participating in the LGPS through the West Sussex Pension Fund (WSPF). The LGPS is governed by statutory regulations.
2. The Administration Strategy set out levels of performance which the administering authority and its Scheme employers are expected to achieve in carrying out their Scheme function.
3. The performance standards set out in the Strategy do not override any statutory provision or requirement. If the administering authority or Scheme employers fail to comply with any statutory requirements, the administering authority will consider whether there has been a relevant breach and take action as necessary.
4. The Strategy does not include performance levels in respect of actuarial work which will be agreed on a case by case basis.
5. Employers are responsible for verifying the accuracy of any information provided by them for the purpose of calculating benefits under the provisions of the Local Government Pension Scheme and the Discretionary Payments Regulations. Any over payment made by the Scheme resulting from inaccurate information supplied by the employer shall be recovered by the Pension Fund from the employer.

### Related Policies <sup>1</sup>

6. The Strategy should be read in conjunction with:
  - The Pension Fund's Communication Policy Statement in respect of procedures for liaison and communication with employing authorities
  - The Pension Fund's Privacy Notice
  - The Data Processing Agreements in place between Employers and the County Council.
  - The Pension Fund's Employer Guide
  - Information contained on the County Council's website
  - The Administering Authority Discretions
  - The Pension Fund's Pension Regulator's Breaches Policy

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<sup>1</sup> Hyperlinks to be included in final version

### Principal Regulations

7. The principal Regulations underpinning this document are:
- The Local Government Pension Scheme Regulations 2013 (and any amendments thereto)
  - The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (and any amendments thereto)
  - The Local Government Pension Scheme (Administration) Regulations 2007 (and any amendments thereto)
  - The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (and any amendments thereto)
  - The Local Government Pension Scheme (Transitional Provisions) Regulations 1997 and 2007 (and any amendments thereto)
  - The Local Government Pension Scheme (Transitional Provisions) Regulations 1997 (and any amendments thereto)
  - The Local Government Pension Scheme Regulations 1997 (and any amendments thereto)
  - The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 (and any amendments thereto)
  - The Local Government Pension Scheme (Miscellaneous) Regulations 2012
  - The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (and any amendments thereto)

### **Publication**

8. This version of the Strategy was produced by West Sussex County Council in consultation with the Scheme employers and is effective from [TBC].
9. This Strategy will be published on the Pension Fund's website, sent to each of its employing authorities and sent to the Secretary of State.

### **Review**

10. Employers may submit suggestions to improve any aspect of this Strategy at any time and the administering authority will keep this Strategy under review. In making any amendments, the administering authority will consult its employing authorities and such other persons as it considers appropriate.

## Queries

11. Any enquiries in relation to this Communications Policy Statement should be forwarded to Tara Atkins, Principal Pensions Consultant (Administration and Employers) (0330 222 8787 or tara.atkins@westsussex.gov.uk)

## Charges

12. In line with its Funding Strategy Statement the administrative costs of running the Pension Fund are predominantly charged to employers through their contribution rate. However it should be noted:
  - i. In compliance with its Discretions Policy the administering authority will consider giving written notice (including charges) to Scheme employers under on account of the authority's unsatisfactory performance against levels of performance.
  - ii. Work commissioned specifically on behalf of a Scheme employer will be charged for that work. This includes IAS19 / FRS17 valuations, Actuarial modelling, assessments or advice, and / or legal advice and technical advice, (where re-charging is deemed appropriate because the advice is
  - iii. The Scheme employer is responsible for any work carried out on its behalf by another section of their organisation or by a contractor appointed by that organisation (e.g. Pay or Human Resource sections).
  - iv. In the event that the County Council as administering authority is fined by the Pensions Regulator due to an Scheme employer's action or inaction this will be passed on to the relevant Scheme employer.
  - v. The Scheme employer will maintain employment records for each member for the purposes of determining membership and entitlement to benefits (this will need to include full service history for the period of LGPS membership held under the employment, as well as any gaps in service and whether these were repaid).
  - vi. The employer must keep a full pay history for the 13 years, ending 31 March, before the member leaves the Scheme.

## **Levels of performance which the administering authority and its employing authorities are expected to achieve**

13. The table below sets out the levels of performance which Scheme employers, their contractors and the administering authority are expected to achieve in carrying out their Scheme functions.

Scheme Employer (or their contractors) performance	Administering Authority (or their contractors) performance
<b>Answer enquiries made by members and employers</b>	
	<p>The Administering Authority will respond to all enquiries within <b>5 working days or sooner where possible.</b></p> <p>Where an enquiry will take longer than 5 working days to resolve, the Administering Authority will notify the member or employer and keep the member updated.</p>
<b>Actuarial Valuation</b>	
<p>The employer will provide information in line with Year End Information requirements.</p>	<p>The Actuarial Valuation report (which includes the Rates and Adjustment Certificate) will be published by the Administering Authority by <b>31 March of the year following a valuation.</b></p>
<b>Additional Voluntary Contributions</b>	
<p>The employer must pay additional voluntary contributions to the AVC provider by the 19th of the month following that in which they were deducted along with a schedule in the format required by the AVC provider.</p>	<p>The Administering Authority will notify the AVC provider <b>within 10 working days</b> of receiving a request of a new AVC application.</p>
<b>Annual Benefit Statements</b>	
<p>The employer will provide information in line with Year End Information requirements.</p>	<p>The Administrator will make a members ABS available to members online or as hard copy by <b>31 August</b> each year.</p>
<b>Change in member details</b>	
<p>Information to be provided within by the end of the month in which the change occurs.</p>	<p>The Administering Authority will update the member record to reflect the change within <b>15 working days</b> of receipt of the relevant information.</p>
<b>Death Benefits</b>	
<p>Notification must be provided to the Administrator within 5 working days of the death of the member.</p>	<p>The Administering Authority will:</p> <ul style="list-style-type: none"> <li>• acknowledge in writing the death of a member enclosing claim forms to the informant or next of kin within <b>5 working days of being notified of the death.</b></li> <li>• Supply survivor beneficiaries with notification of their entitlements including the method of calculation within <b>15 working days</b> of all the information being received..</li> <li>• pay any death grant due within</li> </ul>

<p><b>10 working days</b> of receipt of all necessary paperwork to be able to produce the calculation (this includes Grant of Probate or Letters of Administration). As agreed by exception in certain circumstances (e.g. hardship cases)) the timescale can be contracted</p>	
<p><b>Discretionary Powers</b></p>	
<p>Each employer is responsible for exercising the discretionary powers given to them by the Regulations and publish their policy in respect how they will exercise these discretionary powers. This is a statutory requirement. Employers must advise the Administering Authority of any changes to their discretions policy immediately and confirm that they have reviewed their discretions policy annually.</p>	<p>Once any amendments are received the Administering Authority will apply the changes with immediate effect.</p>
<p><b>Divorce Estimates</b></p>	
	<p>The Administering Authority will provide estimates/actuals for pension sharing provided during the year within <b>15 working days of receiving all necessary information.</b></p>
<p><b>Employer Decisions</b></p>	
<p>The employer is responsible for implementing such areas correctly, (e.g. deduction of contributions at the correct rate, notification to employee and within the correct timescales).</p>	<p>The Administering Authority will write to all employers within <b>10 working days</b> of the notification from Government to ensure that any changes to the contribution rates are communicated.</p>
<p><b>Independent Medical Practitioner</b></p>	
<p>The Employer should provide details of its appropriately qualified independent medical practitioner to the Administering Authority before admission.  If the employer chooses to change its appropriately qualified independent medical practitioner the employer should provide details to the Administering Authority within 10 working days.</p>	<p>The Administrator will verify the employers nominated independent medical practitioners is appropriately qualified to deal with ill health retirement cases, as set out in the Regulations <b>at the point of an ill health retirement</b>, through their retirement processes.  The Administrator will seek confirmation at the point of <b>an employer being admitted</b> to the Scheme and confirm the information</p>

<b>at the time</b> of an ill health retirement.	
<b>Leaver forms including for Bulk Transfer Out Employer Cessation Deferred Benefits upon Leaving</b>	
For employer notification of a retirement, please see "Retirement Benefits".	For payment of retirement benefits, please see "Retirement Benefits".
Leaver form to be provided within 10 working days following the end of the month in which the employee was paid.	For the deferment of a members benefits, the Administering Authority will issue a letter informing member of their deferred pension rights within <b>30 working days</b> of receipt of all the necessary information required to produce calculation.
The Employer should notify the Administering Authority as soon as they identify that a bulk transfer is likely to take place.	The Administering Authority will repay contributions for members with less than two years membership within 20 working days of receiving all necessary information.
	For an individual transfer out, the Administering Authority will make payment of the transfer value within <b>15 working days</b> of receipt of all necessary information
	For bulk transfers and cessations, the performance level will be agreed between the Administering Authority, its Actuary the Administrator and the Receiving Scheme on a case by case basis.
<b>New Starter including for Bulk Transfer In</b>	
New Starter form to be provided within 10 working days following the end of the month in which the employee joined the LGPS.	The Administering Authority will set up a member record within <b>20 working days</b> of receipt of the new starter form.
A member may elect to transfer other pensions into the Scheme by completing the necessary form within 12 months of joining.	Where a member transfers in other pension benefits the Administering Authority will update the members pension record and issue member with statutory notification with relevant details within <b>15 working days</b> of confirmation that the payment from the other pension scheme has been allocated to the pension fund.
The Employer should notify the Administering Authority as soon as they identify that a bulk transfer is likely to take place.	For bulk transfers, the performance level will be agreed between the

Administering Authority, its Actuary the Administrator and the Predecessor Scheme on a case by case basis.	
<b>Payment of Contributions</b>	
<p>All member and employer contributions must be deducted at the correct rate and must make payment to the Administering Authority's by 19th of the month (or the last working day before where the 19th is not a working day) following the month the contributions relate to unless it is paid electronically when payment must be cleared in the Administering Authority's bank account by 22<sup>nd</sup> of the month following the month the contributions relate.</p> <p>All employers must submit their bespoke remittance advice form electronically in advance of their payment.</p>	
<b>Provision of the LGPS Employee Guide to all new employees</b>	
<p>An employer must ensure that all new employees eligible to join the Local Government Pension Scheme (LGPS) receive a copy of the Employee Guide to the Scheme within two months of becoming employed.</p> <p>The Employee Guide can be found on the Fund's website.</p>	
<b>Retirement Benefits</b>	
The Employer must provide a retirement notifications at least 20 days before an employee's retirement date.	<p>The Administering Authority will pay lump sums within <b>10 working days</b> of the retirement date or of receipt of all necessary paperwork to be able to make the payment.</p> <p>Retirement pension will be made to pensioner on the <b>next available pensioner payroll run.</b></p>
<b>Retirement Estimates</b>	
The Employer must provide estimated pensionable pay details within 10 working days of the members' request.	In line with the Employer Estimate Policy the Administrator will provide the retirement estimate within <b>15 working days</b> of receipt of accurate pensionable pay details from an

Employers may consider a previous years pay may be more beneficial to the member and should provide such information if necessary.

employer.<sup>2</sup>

#### **Year End Information**

The employer (or their payroll contractor / agency for whom the employer is responsible) shall provide Capita with year-end information as at 31 March each year in the notified format no later than 30 April.

The information should distinguish those amounts representing deductions for voluntary contributions and the employees paying those voluntary contributions.

The Administering Authority will request information and provide specification to employers not later than the **end of the first week in March**. A reminder will be sent out 10 working days before the due date of **30<sup>th</sup> April**.

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<sup>2</sup> Employers can request a maximum of two estimates per employee in any 12 month period. Additional estimates provided to employers, subject to a separate administration charge. A member is restricted to one estimate in any 12 month period (in addition to their annual benefit statement).



## **Pension Advisory Board**

**6 March 2019**

### **Administration Procedures and Performance**

#### **Report by Director of Finance, Performance and Procurement**

##### **Summary**

This report provides a high level view of the administration process and performance in support of the Pension Fund and its members, active, deferred and retired.

##### **Recommendation**

That the Pension Advisory Board receives the report and confirms any further information that they require.

#### **1. Background and Context**

- 1.1 As the Board are aware, Capita provide the Pension Administration Service for the West Sussex Local Government Pension Fund. The administration team are based in Chichester and the County Council works closely with Capita.

#### **2. Compliance with Scheme Regulations**

- 2.1. The Terms of Reference for the Pension Advisory Board includes assisting the Scheme Manager to secure compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme and any statutory pension scheme that is connected with it. The following projects are therefore considered relevant to note work being undertaken to comply with changes.

##### Amendment Regulations

- 2.2. On 18 December 2018 the LGPS (Miscellaneous Amendment) 2018 Regulations were laid before parliament.
- 2.3. The Regulations came into force on 10 January 2019. There are a number of the regulations that are backdated and have effect from 17 April 2018, 5 December 2005 and 13 March 2014. These Regulations amend the LGPS 2013 Regulations and the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 by
  - bringing dependents benefits in line with that of a widow in cases of same-sex marriage or civil partnership. This was in response to the Supreme Court judgement of Walker v Innospec.

- correcting an oversight in the May 2018 amendment Regulations, to allow all deferred members over the age of 55 the ability to draw their pensions early with the appropriate actuarial reductions.
- 2.4. Officers are liaising with the Pensions Team at both Capita and Hampshire to identify those individuals who are affected by these changes, to ensure that the appropriate benefits are calculated and backdated accordingly.
- 2.5. In addition, the Secretary of State was given Regulatory powers to give statutory guidance when an amendment to the Regulations is required following a Case law/Supreme Court outcome.

### **3. Performance**

- 3.1. The principal functions of the Board's include "seeking assurance that administration performance is in compliance with the Administration Strategy". The following items are considered relevant in respect of compliance of the Fund and its employers in line with the Strategy and Regulations.
- 3.2. Details of the caseload performance reported against target are shown in Appendix A.
- 3.3. At the request of the Pension Advisory Board:
- Work completed outside of target has been included in Appendix B
  - Analysis of contribution payment receipts is shown in Appendix C
  - Details of Membership Movements (including transfers out and opt out figures) are shown in Appendix D

#### Compliments and Complaints

- 3.4. Details of the compliments and complaints received through the Pensions Team this information is provided to Officers on a monthly basis, which allows for them to identify any trends and service improvements that may be required.
- 3.5. A summarised report is attached at Appendix E.

**Katharine Eberhart**  
**Director of Finance, Performance**  
**and Procurement**

**Contact:** Rachel Wood, Pension Fund Strategist, 033 022 23387

**Background**

[Walker v Innospec Supreme Court Judgement](#)

**Appendices**

Appendix A – Caseload performance reported against target

Appendix B – Work completed outside of target: Ageing analysis

Appendix C – Analysis of contribution payment receipts

Appendix D – Membership movements, Transfers Out and Opt Outs

Appendix E – Compliments and Complaints

**Background papers**

None

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## Caseload Performance – Local Government Pension Scheme

Detail of KPI	% Target	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19
Benefits Payments - Payments made to new pensioners within 10 working days of receipt of all information	97	74.40% 125/168	69.80% 145/208	76.20% 192/252	71.30% 164/230	79.60% 168/211	85.32% 279/327	86.96% 180/207	90.08% 227/252
Retirement Estimates - Estimates provided within 10 working days of receipt of all information	97.5	79.28% 88/111	85.60% 89/104	77.10% 74/96	53.70% 22/41	75.00% 75/100	72.26% 112/155	81.55% 84/103	78.86% 97/123
Deferred Benefits - Statements to deferred (members leaving eligible employment) 20 working days	97.5	93.45% 385/412	74.20% 222/299	87.30% 274/314	66.60% 506/760	54.30% 390/718	78.55% 1,461/1,860	94.70% 965/1,019	95.38% 578/606
Reworking by Actuary - Rejection by the actuary for higher than 1% inaccuracy (reported annually)	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

## **Definition of KPIs**

### Benefit Payment

% of pension benefits, retirement benefits and death benefits paid accurately and in line with payment timelines, following appropriate authorisation.

1. Retirement Benefits – Lump Sum to be paid within 10 working days of receipt of all necessary paperwork to be able to make payment
2. Retirement Pension – To be sent to pensioner payroll for the next available pensioner payroll run

### Retirement Estimates

Estimate to be provided within 10 working days of receipt of all necessary information required to produce estimate - % calculated accurately and within timescales.

### Deferred Benefits

% Deferred Benefits upon Leaving – Letter informing member of their deferred pension rights to be issued within 20 working days of receipt of all necessary information required to produce calculation - % calculated accurately and within timescales.

### Reworking By Actuary

% of data sets provided to the Pension Fund actuary which required reworking on rejection by the actuary for higher than 1% inaccuracy and / or inadequacy as a % of the total number of such data sets provided to the actuary.

## Work completed outside of target: Aging Analysis

	Success	Failures	Days outside of target						
			1-10	11-20	21-30	31-40	41-50	51-60	61+
<b>Oct</b>	<b>1396</b>	<b>705</b>	212	56	62	50	34	12	279
<b>Nov</b>	<b>2193</b>	<b>659</b>	288	71	43	40	22	17	178
<b>Dec</b>	<b>1352</b>	<b>125</b>	64	24	8	7	2	3	17
<b>Jan</b>	<b>1064</b>	<b>119</b>	62	23	2	10	6	1	15

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## Late Contribution Payments

	<b>Apr</b>	<b>May</b>	<b>Jun</b>	<b>Jul</b>	<b>Aug</b>	<b>Sep</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>YTD Average</b>
Late	2	1	3	1	2	1	5	4	7	1.7
On time	188	188	185	188	186	189	186	188	186	187.3
<b>Number of Active Employers</b>	<b>190</b>	<b>189</b>	<b>188</b>	<b>189</b>	<b>188</b>	<b>190</b>	<b>191</b>	<b>192</b>	<b>193</b>	189.0
% Late of Active Employers	1.05%	0.53%	1.60%	0.53%	1.06%	0.53%	2.62%	2.08%	3.63%	0.88%
Average Days Late	9.00	3.00	10.67	1.00	5.50	24.00	48.60	41.25	62.71	8.9
Total Amount Overdue (£)	49,375	302	14,046	302	12,963	302	4,000	4,095	344,453	12,881.7
Total Contributions (£)	10,010,677.11	10,248,327.11	10,105,469.84	10,423,990.94	10,023,717.49	10,105,976.98	10,159,819.60	10,233,041.71	10,266,765.69	10,153,026.6
% Late of total contributions	0.49%	0.00%	0.14%	0.00%	0.13%	0.00%	0.04%	0.04%	3.36%	0.1%

<b>% Late Payments</b>	<b>No. ERs</b>	<b>% total ERs</b>
0%	174	92%
1% - 10%	2	1%
11% - 20%	11	6%
21% - 30%	1	1%
31% - 40%	1	1%
41% - 50%	0	0%
51% - 60%	0	0%
61% - 70%	0	0%
71% - 80%	0	0%
81% - 90%	0	0%
90% - 100%	1	1%
	190	

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Membership Movements - November 2018 to January 2019

<b>Membership Type</b>	<b>01/11/2018</b>	<b>Joiners</b>	<b>Leavers</b>	<b>31/01/2019</b>
Active	27,412	708	559	27,561
Deferred	28,393	377	1,371	27,399
Pensioner	17,280	167	58	17,389
Spouse/Dependant	2,416	16	34	2,398
<b>Total</b>	<b>75,501</b>	<b>1,268</b>	<b>2,022</b>	<b>74,747</b>

Transfer Out Estimates - November 2018 to January 2019

<b>Membership Type</b>	<b>Nov-18</b>	<b>Dec-18</b>	<b>Jan-19</b>
Transfers-Out Estimates	51	273	114

Transfer Out Actuals - November 2018 to January 2019

\*Actuals = estimates which went on to become confirmed transfer outs

<b>Membership Type</b>	<b>Nov-18</b>	<b>Dec-18</b>	<b>Jan-19</b>
Transfers-Out Actuals	8	52	70

Opt Outs - November 2018 to January 2019

<b>Membership Type</b>	<b>Nov-18</b>	<b>Dec-18</b>	<b>Jan-19</b>
Opt Outs	5	4	4

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Pensions Complaints Analysis 2018/19

Month	Number of new cases	Compliment	Delay	Correspondence not received /wrong address	Charges /fees	Non-receipt of pension/late payment	ABS error	Incorrect figures /information	Unhappy with regs	Abatement	User error/HOL or website	Member expectations not met	Dispute over amount
April	9		4	1		1	1	1			1		
May	15	3	8	1		1					1	1	
June	9	9	4	1				1				3	
July	6	6	4			1					1		
August	8	8	3					1				2	2
September	9	9	4		1						1	1	2
October	6		3								1	2	
November	13		7	1							1	4	
December	2		2									2	
January													
February													
March													
Totals	77	35	39	4	1	3	1	3	0	0	6	15	4

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**Training Sessions Delivered at County Hall and External**

	22 June 2015	22 June 2015	23 October 2015	23 October 2015	22 June 2015	22 June 2015	23 October 2015	23 October 2015	16 March 2016	6 December 2016	27-Feb-17	2 March 2017
	Training from Baillie Gifford on Investment Managers work	Training from Steve Harrison on background of the West Sussex LGPS	Training from Peter Scales on Pension Board Governance	Training from Clare Chambers on the work of Capita	Training from Baillie Gifford on Investment Managers work	Training from Steve Harrison on background of the West Sussex LGPS	Training from Peter Scales on Pension Board Governance	Training from Clare Chambers on the work of Capita	Training from EY and from Internal Audit	Training from Peter Scales on the Investment Regulations	CIPFA LGPS Spring Seminar for LPPs	Training from Richard Cohen on the UK taxation system and the wider pension landscape.
Peter Scales	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Richard Cohen	✓	✓	✓	✓	✓	✓	✓	✓	✓			✓
Christopher Scanes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓
Kim Martin										✓		✓
Tim Stretton												
Becky Caney												
Miranda Kadwell												

	21 June 2017	28 June 2017	29 & 30 June 2017	5 July 2017	19 September 2017	26 February 2018	13-Jun-18	27-Jun-18	18-Jul-18	15-Oct-18	21-Nov-18
	Pensions Panel Induction Training	CIPFA LPBs Two Years On	LGA LGPS Trustees Conference	LGPS Pooling Update	Pension and Lifetime Savings Conference	CIPFA Local Pension Board seminar	WSPF Financial statements	CIPFA Local Pension Board Annual Event	Risk Framework (internal training)	CIPFA Local Pension Board seminar	Actuary Training
Peter Scales		✓		✓	✓	✓	✓		✓	✓	✓
Richard Cohen	✓			✓	✓		✓		✓		✓
Christopher Scanes			✓	✓			✓	✓	✓		✓
Kim Martin	✓						✓				✓
Tim Stretton						✓		✓			✓
Becky Caney											✓
Miranda Kadwell											✓



## Pension Regulator Toolkit - Module Progress

	Conflicts of Interest	Managing risk and internal controls	Maintaining accurate member data	Maintaining member contributions	Providing information to members and others	Resolving internal disputes	Reporting breaches of the law
Peter Scales	Passed	Passed	Passed	Passed	Passed	Passed	Passed
Becky Caney	Passed	Passed	Passed	Passed	Passed	Passed	Passed
Richard Cohen	Passed	Passed	Passed	Passed	Passed	Passed	Passed
Miranda Kadwell	Passed	Passed	Passed	Passed	Passed	Passed	Passed
Kim Martin	Passed	Passed	Passed	Passed	Passed	Passed	Passed
Christopher Scanes	Passed	Passed	Passed	Passed	Passed	Passed	Passed
Tim Stretton	Passed	Passed	Passed	Passed	Passed	Passed	Passed

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