

Public Document Pack

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24 October 2018

Pensions Panel

A meeting of the panel will be held at **10.00 am** on **Thursday, 1 November 2018** 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. **Minutes for approval**

(a) **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 25 July 2018 attached (cream paper).

(b) **Minutes of the Annual Meeting of the Pension Fund** (Pages 11 - 14)

The Panel is asked to agree the minutes of the Annual Meeting

of the Pension Fund held on 25 July 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.
- 10.05 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 15 - 22)
- Report by Director of Finance, Performance and Procurement.
- The Panel is asked to consider the recommendation within the report.
- 10.35 am 6. **Actuarial Matters**
- Presentation by Hymans Robertson.
- 10.50 am 7. **Business Plan** (Pages 23 - 42)
- Report by Director Finance, Performance and Procurement attached and Presentation by Hymans Robertson.
- The Panel is asked to note the progress on the Fund Business Plan. The Panel is also asked to note and agree the Training Strategy.
- 11.10 am 8. **Date of the next meeting**
- The next meeting of the Pensions Panel will be 10.00 a.m. 28 January 2019 at County Hall.

Part II

- 11.15 am 9. **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.
- 11.15 am 10. **Part II Minutes of the last meeting** (Pages 43 - 46)

To confirm the part II minutes of the meeting of the Panel held on 25 July 2018, for members of the Panel only (yellow paper).

- 11.20 am 11. **Update on Pensions Administration** (Pages 47 - 52)
- 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.
- 11.35 am 12. **Review of Pension Performance**
- The following reports are for the Panel to review Pension performance over the last quarter.
- (a) **Transaction and Performance** (Pages 53 - 54)
- 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).
- 11.45 am 13. **Presentation by UBS**
- Portfolio from Fund Manager for members of the Panel only.
- Lunch - for members of the Panel and Guests**
- 1.45 pm 14. **Presentation by Partners Group**
- Portfolio from Fund Manager for members of the Panel only.

To all members of the Pensions Panel

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Pensions Panel

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

Present: Mr Hunt (Chairman)

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

Part I

58. Declarations of Interests

58.1 Mr Hunt declared a personal interest as the Chairman of Chichester Harbour Conservancy.

59.1 Mr Donnelly declared a personal interest as a substitute member of the Sussex Police and Crime Panel.

59. Part I Minutes of the last meeting

59.1 The Panel queried the progress on joint training arrangements with the Pension Advisory Board. – *Steve Harrison reported that the arrangements were being worked on by officers and would be discussed at the following Panel meeting.*

59.2 Resolved - that the Part I minutes of the Pensions Panel held on 30 April 2018 be approved as a correct record, and that they be signed by the Chairman.

60. Investment Strategy Statement

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

60.2 Rachel Wood introduced the report and highlighted the draft Investment Strategy Statement appendix which included an annex on investment beliefs. The strategy also included Growth, Income and Protection (GrIP) framework.

60.3 The Panel queried when Partners Group would be attending a meeting. – *Mr Hunt explained that this would be happening in November. Due to the AGM meeting in the afternoon, there was not enough time on the current agenda.*

60.4 The Panel asked what level the fund was at. – *Steven Law confirmed that the funding level was in the 110% region.*

60.5 in respect of voting guidelines, the Panel queried incentive packages and if a limit should be considered. – *Mr Hunt felt that the Panel should stand by the Fund Managers conviction on corporate governance as issues including levels of remuneration could impact on the return from*

investments. The Panel queried if 'proportional' could be used within the guidelines rather than 'viable' for incentive arrangements. Mr Hunt explained that these were guidelines and should not be too prescriptive.

60.6 The Panel queried the wording in the statement relating to private equity allocation. – *Steve Harrison explained that the wording was consistent with the current approach and that the Fund had not made any recent or further commitments to the asset class. The Panel proposed adding 'currently' to the strategy to clarify the position; 'Private Equity: The Fund's allocation to private equity is currently being wound down and therefore not currently within the strategic allocation.'*

60.7 Resolved – That the Panel agrees the Investment Strategy Statement subject to the amendment in minute 60.6.

61. Pension Administration Update

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

61.2 Steve Harrison introduced the report which provided an update on pension administration since the last panel meeting. A report had gone to the Performance and Finance Select Committee which recommended a change in pension administration provider. This was followed by a decision by the Cabinet Member for Finance and Resources to move the provision to Hampshire County Council.

61.3 Officers were looking into the major task to move all the records over to Hampshire County Council. Progress on the project would be reported back to the Panel.

61.4 The Committee made comments including those that follow.

- Raised concerns on Capita's performance commitment until the end of the contract. – *Steve Harrison explained that officers would be working with Capita to ensure performance was maintained. The terms of Capita's contract remained until the provision was moved to Hampshire County Council. Mr Hunt agreed to discuss the terms of the contract with Katharine Eberhart.*
- Queried the volatility of performance figures between months. – *Mr Hunt explained that police transfer work had had a large impact for Capita. Rachel Wood confirmed that the police transfer was now complete.*
- Questioned the communication plan for informing fund members. – *Steve Harrison confirmed that a communication plan was included within the project scope.*
- Sought reassurance on the migration for records and the contingencies that were in place. – *Steve Harrison reported that there was regular weekly contact with the administration manager and senior partner on this process. Some identified issues with IT had already been resolved. Once a clear plan had been agreed with Hampshire County Council the process for the transfer would be mapped out. Additional resources could be utilised for this if*

required. Mr Hunt agreed to bring a high level update to the next meeting.

61.5 Resolved – that the update be noted.

62. Annual Report and Accounts

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

62.2 Steve Harrison introduced the report and highlighted the significant growth of members to the fund which had been driven by academisation.

62.3 The Regulation, Audit and Accounts Committee had recently considered the Pension Fund accounts. Ernst and Young, the external auditor, had made minor comments during their audit which officers had taken on board.

62.4 The Committee made comments including those that follow.

- Highlighted some inaccuracies with the training log and the lack of detailed recognition for previous training. – *Steve Harrison resolved to correct any inaccuracies within the annual report for training attendance and improve the section for previous training.*
- Queried why the Pension Advisory Board attendance was only looking at two meetings. – *Rachel Wood explained that the March meeting had moved to April due to poor weather conditions. The total was looking at the meetings that had taken place within the 2017/18 municipal period.*
- Asked why the estimate cost for Administration and Management Costs were very different to the actual cost. – *Rachel Wood explained that the actual figure included Baillie Gifford's performance fee. Steve Harrison resolved to confirm this.*
- Felt that the section for Caroline Burton should include background information to assist external readers in understanding Caroline's role.
- Queried the figures for stock lending. – *Rachel Wood confirmed that of the £200,000 income, £45,000 was fees which meant £155,000 was the net figure. Steve Harrison confirmed that the accounts included the correct figure and that the annual report would be updated accordingly.*
- Praised the annual performance and congratulated the officers, actuary and fund managers.

62.5 Resolved – That the Panel:

(1) Agrees the Annual Report, subject to the discussed amendments.

(2) Notes the Statement of Accounts appended to the Annual Report.

(3) Notes the items raised by the external auditors.

63. Actuarial Update

63.1 Steven Law gave a presentation to the Panel (copy appended to the signed minutes).

63.2 Steven Law outlined the change in legislation for exit credits. Previously, any surplus following cessation would remain within the fund. Following May, any surplus will be returned to the employer.

63.3 Legislation changes also meant the actuary had to perform exit calculations as soon as the last active member left an employer to determine whether a surplus exists. This would have an impact on Town and Parish Councils who could have one clerk employee, as cessation calculations would be immediately required between clerk appointments, rather than being suspended pending any new eligible members joining the Scheme which will add actuarial costs.

63.4 The tax implications of paying back a surplus have not been confirmed. - POST MEETING CLARIFICATION: LGA has confirmed no tax is payable.

63.5 Steven Law also spoke on the updates for the Funding Strategy Statement. Suspension notices would no longer be issued if there were no actives for an employer where a surplus is identified. The option to issue a suspension notice will remain where a deficit is identified. Work was underway to consider the administration costs for this for the fund. Flight plans would be utilised to manage the risks of a surplus emerging.

63.6 It was proposed to hold an informal Pensions Panel to discuss the impact to the investment strategy.

63.7 The Committee made comments including those that follow.

- Queried how the legislation changes may impact the fund stability. – *Steven Law explained that he would continue to use Gilts basis for employers with no guarantor – no change. However, further management may be required to control potential surpluses and the cash balance of the Fund. New admitted bodies would be underwritten and so have no impact.*
- Sought clarity on the different levels of surplus/deficits for admitted bodies. – *Steven Law explained that bodies that had no backer would be calculated on a stricter basis. Other bodies had large time frames and so investments would be used to help deficits.*
- Asked how the fund could become cashflow negative. – *Steven Law explained that this happened if the fund was paying out more than the contributions received. Rachel Wood added that the fund received income from investment mandates which gave the fund more breathing space.*
- Queried how the fund was insulated from the different financial positions of academies. – *Steven Law explained that if an academy experienced financial difficulties it would either be transferred to a new Multi-Academy Trust or go under. A new Multi-Academy Trust would take on the old position; if the academy went under the Department of Education would underwrite the deficit.*
- Asked who paid the valuation and cessation fees for Parish Councils. – *Steven Law explained that this would be netted from the asset*

position. Whilst a surplus would be payable within three months of the exit date, if a deficit was identified, there is a discretion to allow employers to be given a suspension notice which would give a plan on payment timing.

- Queried if all Parish Councils could be merged in the fund. – Steven Law confirmed that the regulations did not allow this.

63.8 Steven Law gave an update on the Government Actuary Department (GAD) valuation which had put a red fail flag on the pension fund for increased costs for funding level reductions if there were a shock to the Fund's growth assets. The actuary has lobbied GAD that raising costs would not be necessary for the Fund due to the already high funding level and changes to the Fund's investment strategy. GAD have agreed to remove the flag.

63.9 The Panel welcomed the update and agreed to have an informal meeting on the 12 September to discuss the investment strategy.

64. Date of the next meeting

64.1 The Panel noted that its next scheduled formal meeting would take place on 1 November 2018 at 10.00 a.m. at County Hall, Chichester.

65. Exclusion of Press and Public

65.1 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.

66. Part II Minutes of the last meeting

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

67. ACCESS Pooling Update

The Panel considered a report by the Director of Finance, Performance and Procurement and also received a presentation on from John Wright, Hymans Robertson.

The Panel thanked John Wright for the update.

68. 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, Independent Adviser, relating to the quarterly reports from the fund managers.

Agenda Item 2a

The Panel welcomed the advice.

69. Presentation by Baillie Gifford

The Panel received an update from Lynn Dewar and Susan Swindells from Baillie Gifford on the portfolio performance for the quarter.

The meeting ended at 12.48 pm

Chairman

Annual Meeting of the Pension Fund

25 July 2018 – At the Annual Meeting of the Pension Fund held at 2.15 pm at Committee Room 3, County Hall, Chichester, West Sussex, PO19 1RQ.

1. Welcome

1.1 Jeremy Hunt, Chairman of the Pensions Panel, welcomed attendees to the meeting.

1.2 Jeremy Hunt welcomed the attendees from the Pension Advisory Board; representatives from Hymans Robertson (the fund Actuary); representatives from Baillie Gifford; and attendees from Hampshire County Council who would be taking on responsibility for Pension Fund administration from March 2019.

1.3 Jeremy Hunt thanked the existing Capita staff for their work on pension administration and hoped to see as many staff as possible transfer over to Hampshire County Council.

1.4 Jeremy Hunt thanked officers and fund managers for their work which had resulted in a good position for the fund which was 110% funded.

1.5 Pooling remained a challenge for the fund, and officers were thanked for their work in progressing this.

2. Draft Annual Report of the Pension Fund

2.1 Steve Harrison, Financial Planning Manager, introduced the draft Annual Report of the Pension Fund (copy appended to the signed minutes).

2.2 The Fund held £4.2bn in total assets and was currently moving from equities to bonds to derisk. The fund was cashflow positive and had seen good performance from fund managers.

2.3 The role of the Pensions Panel was explained and how the Pension Advisory Board ensured compliance for the fund.

2.4 An attendee questioned the mention of oversea and domestic meetings within the report. – *Steve Harrison explained that this referred to the work of fund managers who would be tracking foreign investments.*

3. Pension Fund Pooling

3.3 John Wright, Hymans Robertson, gave a presentation on pooling (copy appended to the signed minutes).

4. Investment Markets

4.1 Susan Swindells and Lynn Dewar gave a presentation and spoke about the returns that Baillie Gifford had achieved for the pension fund (copy appended to the signed minutes).

4.2 Baillie Gifford looked at businesses that were focussed on growth and were currently investigating opportunities in LED Lighting.

4.3 The Baillie Gifford Global Alpha Stewardship was also explained, and how it would align with the aspirations of the pension fund.

5. Actuarial Matters

5.1 Steven Law, Hymans Robertson gave a presentation on regulatory changes and the impact on exit credits (copy appended to the signed minutes).

5.2 Steven Law explained the recent change in legislation and how this would impact exit credits.

5.3 Steven Law also explained the National Academy Review and the consultation process this would follow.

5.4 An attendee questioned the 110% funding level and if this would lead to a change in employer contributions and lump sum amounts. – *Steven Law explained that in the immediate term, this would only impact a closed admission body that was leaving the fund soon as contributions from employers are otherwise set at each valuation. However, contribution rates and lump sums would be considered at the next valuation in 2019.*

5.5 An attendee asked when employers would be informed of initial contribution rates. – *Steven Law expected this information should be available in October 2019 to assist with budget planning.*

5.6 An attendee sought clarity on section 75 payments and the repayment of deficits. – *Steven Law explained that if there was a surplus the regulations said this should be paid in 3 months or on an agreed date. The regulations did not have a deadline for deficit payments. Attendees were advised to talk to the pension fund if they were concerned.*

6. Pension Administration Update

6.1 Steve Harrison introduced the item and explained that the decision had been taken to move the pension administration function from Capita to Hampshire County Council.

6.2 Andrew Lowe from Hampshire County Council explained that the main migration work would be completed in March 2019. Hampshire County Council had experience with pension transfers. The migration would be performed with the pension system provider Civica. Discussions were already taking place with Capita regarding the migration.

6.3 Andrew Lowe explained that Hampshire County Council placed great emphasis on data quality and would maintain a high standard of performance for the pension fund.

6.4 An attendee queried what would happen with the Hartlink system. – *Andrew Lowe explained that the Hartlink system belonged to Capita and so Hampshire County Council intended to transfer data to their own administration system (Civica). Member access would be in place when the system went live, employer access would follow.*

6.5 An attendee queried how members would be engaged in the changes. – *Steve Harrison explained that a communication plan was a key consideration for the project.*

6.6 An attendee sought clarity on how incorrect data within the current system would not be migrated across to the new system. – *Andrew Lowe explained that the Civica system would perform match exercise to look at the data. The output of this would be shared with West Sussex County Council and employers to rectify any issues.*

6.7 An attendee queried the progress with Guaranteed Minimum Pension. – *Steve Harrison explained that this project was still underway. The work will progress but complete following the migration in compliance with HMRC requirements.*

6.8 An attendee queried the implications of GDPR. – *Andrew Lowe explained that West Sussex County Council, Hampshire County Council, Capita and Civica were all collaborating to ensure the safety of data was maintained. Steve Harrison added that officers were mindful of this and had sought IT and legal advice.*

6.9 An attendee queried how Hampshire County Council's performance statistics compared to Capita's. – *Jeremy Hunt explained that Hampshire County Council's Key Performance Indicators (KPIs) had slightly longer turnaround times than current adopted for the Capita contract but they covered a broader range of case types and there was a 100% target for each providing more certainty for delivery. As a result Hampshire County Council had a high satisfaction rating. It was important to improve the management of member expectations and ensure that delicate situations were handled on a case by case basis.*

The meeting ended at 3.25 pm

Chairman

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Pensions Panel

1 November 2018

Investment Strategy

Report by Director of Finance, Performance and Procurement

Summary

This paper updates the Panel with the ongoing work reviewing the Fund’s Investment Strategy.

Recommendation

Officer’s work with Fund advisers to develop the options around income based asset allocation, to include the advantages and disadvantages, for further consideration.

Background

1. The Pension Panel’s Business Plan includes a priority relating to the Fund’s Investment Strategy in respect of the Fund’s strong asset performance, the need to ensure that the investment strategy remains aligned to meet its long term objectives and in the context of Environmental, Social and Governance (ESG) issues.
2. In addition, the Pension Fund’s risk register includes the risk that there are insufficient funds to meet pension obligations resulting in the Fund changing to a higher risk investment strategy and that the Pension Fund does not provide a clear and suitable investment strategy for Fund managers to follow. It should be noted that where there is evidence to suggest that an authority is acting unreasonably, it may be appropriate for the Secretary of State to consider intervention.
3. Following the decisions made by the Pensions Panel in respect of the Pension Fund’s investment strategy framework it is appropriate for the Pensions Panel to consider asset types in consideration of its ‘income’ strategic allocation.
4. The Pension Panel has determined a set of Investment Beliefs to inform its decision making. These are shown in Appendix A.

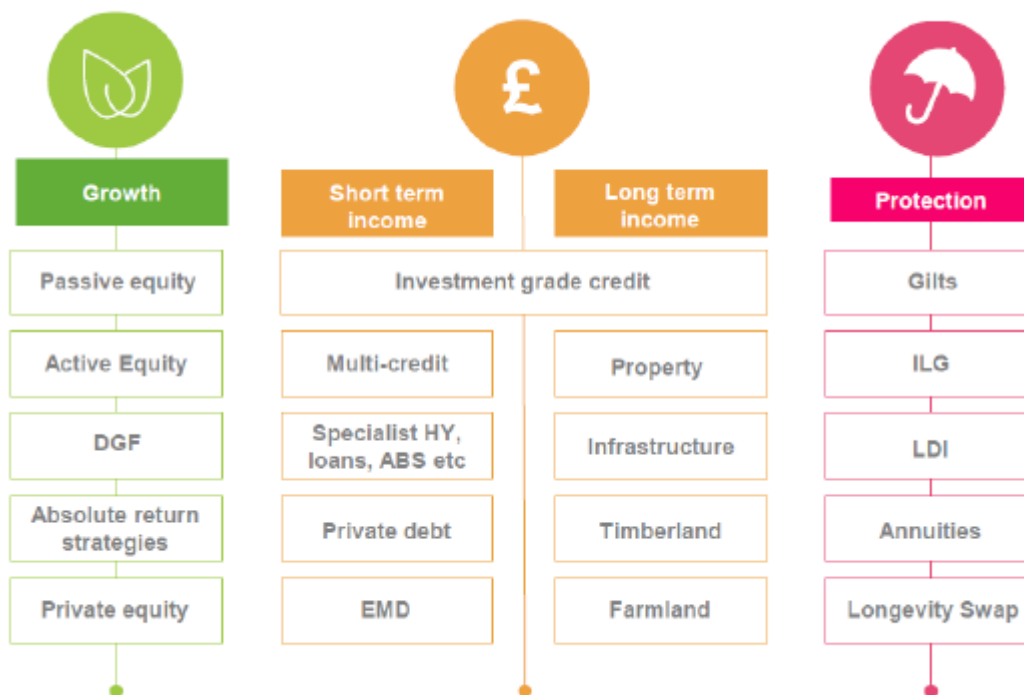
GrIP Framework

5. The Pensions Panel have considered the Fund’s investment strategy in the context of the de-risking triggers being exhausted and the strong funding position being maintained by the Fund.
6. As a result the Fund’s investment strategy has been considered in broad terms – growth assets, income assets and protection assets – with a strategic allocation as set out below.

Asset Type and Role	Asset	Strategic	Geography
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	Class	Allocation	
Growth <ul style="list-style-type: none"> • Generate returns in line with equities • Provide liquidity for de-risking • Keep contributions affordable 	Listed Equity	40.0%	Diversified
	Private Equity	0.0%	Diversified
Income <ul style="list-style-type: none"> • Generate a reliable income providing additional cash flows if required • Additional yield versus protection assets 	Direct property	10.0%	UK
	[TBD]	10.0%	[TBD]
Protection <ul style="list-style-type: none"> • Change value in line with liabilities • Protect against movements in interest rates and inflation expectations • Provide liquidity for re-risking • Keep contributions stable 	Bonds	40.0%	Diversified

7. The asset classes set out above reflect the Fund’s current allocations. The illustration below shows potential alternative asset classes:



Income Assets

Characteristics

8. Income assets sit between "Growth" and "Protection" assets in respect of their anticipated risk and return profile. For this reason they are considered beneficial to the Fund to provide diversification and can assist in the achievement of the long term funding objectives through delivering a predictable and stable return, meaningfully higher than what can currently be achieved through investing in cash or long-term index-linked government bonds, ideally with a degree of reasonable long-term inflation linkage.
9. Importantly investing in the income asset classes broadly maintained the expected level of returns, and therefore could still maintain the ambition to reduce employer contribution rates over time.

Considerations

10. Pension Panel Members attended an informal session on 12 September led by David Walker from Hymans Robertson which considered income asset types in some detail in order to provide background to the Panel and facilitate any questions or issues arising.
11. During the session the Panel considered the following asset classes:
 - Infrastructure
 - Investment Grade Credit
 - Liquid Credit (High Yield, Loans and Asset-Backed Securities)
 - Illiquid Credit (Private Debt and Real Estate Debt)
12. The key asset classes highlighted for further investigation were infrastructure and private debt. The rationale for considering these asset classes were as follows:
 - The current market outlook for these assets looks attractive relative to many other asset classes
 - Both infrastructure and private debt have a strong income component to the return stream giving some visibility and increased confidence over the expected returns that can be achieved
 - Both asset classes are relatively illiquid investments but this is aligned to the long term investment horizon available to the Fund, which can benefit from the illiquidity premium
 - Both offer attractive levels of risk adjusted returns which are aligned to the investment and funding requirements of the Fund
13. A further informal meeting could be considered to allow a focus on this work.

Independent Adviser

14. Note that the Fund's Independent Adviser was unable to attend the informal Pension Panel meeting on 12 September but comments can be supplied for the Panel meeting and also as the detailed options are progressed.

Impact of Pooling

15. It is unlikely that the ACCESS Pool will have a solution for either asset class prior to 2021. Therefore the Fund may need to consider appropriate options for its investment in the shorter term.

Options for Further consideration:

16. It is proposed that Officers and advisers progress the above considerations prior to the Pension Panel meeting in January reflecting on:
- Size of Allocation: It is considered that a minimum allocation of 5% of total fund assets is required to have an impact. However allocations of 10% to a single asset class may take time to implement.
 - Appropriate strategy, risk and return profile for any investments: Based on liquidity, yield, timescales, cost and governance.
 - Procurement and implementation considerations: Products, whole of market search etc.
 - The pros and cons of the allocations under consideration

Implementation Period

17. Irrespective of the asset class / classes allocated to, the implementation period for infrastructure or private debt is likely to be 2-3 years. It is therefore appropriate for the Pension Panel to consider the level of risk being run by the Pension Fund ahead of any new mandates being funded. The allocation to income assets will be drawn from the current growth strategies, which presents a higher risk of the funding level falling back from current levels than if the new income solutions had been funded.
18. An interim 'de-risking' solution could be achieved by moving some "Growth" assets into "Protection" assets within the existing bond mandates, or cash.
19. However Hymans Robertson have suggested that there is no immediate need to take action to reduce risk for the following reasons:
- The Fund is a long term investor and while short term falls in asset values are undesirable the Fund is well placed to withstand this volatility
 - The Fund already has a sizeable allocation to liquid liability focussed protection assets as a result of previous de-risking steps. This provides a strong buffer from adverse asset movements and a liquid source of funding should there be a need to rebalance back into higher return seeking assets
 - The investment and funding framework is robust and now has a sizeable funding buffer that means contributions should withstand short term market volatility
 - There would be costs associated with any implementation.

Growth and Protection Assets

20. Further consideration of appropriate growth and protection asset classes will be considered in the future.
21. In the context of Pooling, work has been commissioned on behalf of ACCESS Authorities to consider the appropriate mix of fixed income sub-funds. This could facilitate alternative implementation for the Fund as a whole or for employer strategies.

Katharine Eberhart

Director of Finance, Performance and Procurement

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

Appendices

Appendix A - Investment Beliefs

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Investment Beliefs

Governance

A well run fund offers a number of benefits, most notably improving funding outcomes.

1. The Fund's investment strategy should be reviewed in conjunction with each actuarial valuation.
2. The Panel has a preference for avoiding a large number of separate manager relationships.
3. Fees and costs incurred within investment manager mandates are important though the emphasis is on achieving the best returns for the Fund net of fees.
4. Active management of the Fund's investments is expected to provide higher returns net of fees to the Fund over the long term than passive (index-tracking) investment.
5. The performance of active managers should be assessed over suitably long periods.

Structural

There exists a relationship between the level of risk taken and the rate of expected investment return.

6. As the Fund remains open to new members and employer covenants are generally strong, it is appropriate to take a long term view when setting the investment strategy.
7. There is expected to be a long term risk premium to be earned from investing in equities, credit, property and illiquid assets, relative to government bonds.
8. Illiquid investments should be considered where an attractive premium return is expected to be available, though the total allocation within the Fund will be limited.
9. Local investments should be considered, though the risks and expected returns should be commensurate with comparable investment opportunities elsewhere.

Strategic

Return and risk should be considered relative to the Fund's liabilities, funding position and contribution strategy.

10. The level of risk within the investment strategy should be considered in conjunction with the funding position of the Fund. Different levels of risk may be taken at different funding levels.
11. The Fund should take investment risk in order to meet its objective of stable and affordable contribution rates for employers.
12. The Panel should not take short term tactical asset allocation positions relative to the strategic asset allocation.
13. The Panel do not expect the Fund's managers to take substantial short term tactical asset allocation positions relative to their benchmarks. Mandates will be defined accordingly.

Responsible Investment

Environmental, social and governance (**ESG**) considerations should all be taken into account when making and holding investments.

14. Well managed companies will produce superior returns for the Fund over the long term.
15. The Fund should exercise its voting rights as fully as possible.
16. The Fund should engage with managers on environmental, social and governance issues relating to its investments.
17. Corporate engagement is preferred to exclusion of stocks from the Fund.

Pension Panel

1 November 2018

Business Plan and Risk Register

Report by Director of Finance, Performance and Procurement

Summary

This report focuses on the day to day activities of the Fund, as set out originally in the 2018/19 business plan agreed by the panel in April 2018.

It highlights the progress against key tasks and how risks are being addressed or mitigated by that work.

Recommendation

That the progress made on the Fund Business Plan is noted.

That the Training Strategy set out as part of the update is noted and agreed.

Background

1. The Pensions Panel approved its Business Plan for 2018/19 at its meeting in 30 April 2018.
2. The Business Plan is an important document which sets out the aims and objectives of the fund over the coming year, its core work and how the objectives will be achieved.
3. The Pensions Panel approach, historically, has been to review its business plan annually at the start of the year and consider the risks faced by the Fund. A report based on any emerging key business issues, issues with a high level of risk identified, any area of concern or any other matter the Director of Finance, Performance and Procurement wishes to bring to the attention of the Panel is then provided to the Panel each quarter.

Business Plan Update on Objectives and Risk 2018/19

4. The below table provides an update on progress against the Business Plan objectives, details the impact on risk and proposes actions for the next quarter.

Progress on LGPS Asset Pooling	
Update	<p>Officers are active on the Section 151 and the Officer Working Group to ensure the requirement of our Pension Fund are being met.</p> <p>A progress update was provided to Government in mid-October 2018 setting out the work of the Pool against the criteria set by Government.</p> <p>The Operator (Link) is currently negotiating terms with Investment Managers to launch a further series of sub-funds between December 2018 to April 2019.</p> <p>The officer recruitment to the ACCESS Support Unit (ACS) is underway, to provide officer support across the Pooled Funds.</p>
Impact on risk	<p>New arrangements for pooling under ACCESS may not meet the requirements of the West Sussex Pension Fund.</p> <p>Failure to comply with Government expectations on asset pooling.</p>
Actions for the next quarter	<p>Continued involvement at officer and Member level in the ACCESS meetings.</p> <p>Work on the governance of ACCESS and the role of the Treasurer (S151 officer) expected ahead of the January Pension Panel meeting.</p>
GDPR	
Update	<p>Updates to the Fund's privacy notice, completing a schedule detailing the parties the Fund shares information with and putting in place a Memorandum of Understanding with all employers to set out the rights and obligations regarding data sharing.</p> <p>Privacy notice updated.</p> <p>Data Sharing Agreements with employers in place with employers at the moment. This is being actively pursued by officers.</p> <p>Ensure that East Sussex CC (who process a small number of records for a College that merged into West Sussex) is GDPR compliant.</p>
Impact on risk	Non-compliance with GDPR
Actions for the next quarter	Ensure the Fund can evidence that all employers are GDPR compliant.

Environmental, Social and Governance Matters	
Update	Officers are regularly reviewing the Funds position regarding those asset classes which it receives the most correspondence on i.e. fracking and fossil fuel investments.
Impact on risk	Reputational risk if unresponsive to issues raised Changes to Investment Regulations could affect the investment scope.
Actions for the next quarter	Discuss emerging issues relating to Environmental, Social and Governance (ESG) matters with investment managers. Work with ACCESS colleague to reflect ESG policies within any sub-fund arrangements for asset pools. Review Stewardship Code.
Administration	
Update	The Pensions Regulators Scheme Return is due on 6th November. The Fund is currently working with Capita to provide analysis of the data held on the Administration system and a resultant data improvement plan. The Fund is required to complete a reconciliation of Guaranteed Minimum Pension records between its own records and records held by HMRC. For deferred and pensioners the Fund is in the final stages and are awaiting a response from HMRC on the queries. For active members we are coming to the end of phase one where queries will be submitted to HMRC. Progress on the pension administration transfer to Hampshire County Council is reported elsewhere on the agenda.
Impact on risk	Inaccurate and/or incomplete data retained by the Pension Fund impacting the information provided to members in terms of accuracy and timeliness, and assessment of employer positions. Legislation specifies the records that must be kept and failure to comply is a breach of the law.
Actions for the next quarter	Submit return to the Pension Regulator Progress work on the Guaranteed Minimum Pension as required by HMRC. Continue to work with Hampshire County Council and Capita to progress on the pension administration transfer including working with the Fund Actuary on data quality ahead of the 2019 Actuarial Valuation.

Training	
Update	<p>A log of training completed and available is included at Appendix A.</p> <p>Plan drafted and attached to this update at Appendix B (including annexes).</p>
Impact on risk	Knowledge and understanding of the Board and Panel members may not comply with the requirement to have the appropriate knowledge and understanding.
Actions for the next quarter	<p>Agree and implement the Plan.</p> <p>The Pension Advisory Board has a high standard of knowledge set for it by the Pension Regulator and there may be merit in using any sessions set up for the Panel to provide joint training with members of the Pension Advisory Board also.</p>

Katharine Eberhart

Director of Finance, Performance and Procurement

Contact: Steve Harrison, Financial Planning Manager, 033 022 23391

Appendices

Appendix A - Completed and Upcoming Training Log at 30 September 2018

Appendix B – Draft Training Strategy

Background Papers

None

Completed and Upcoming Training Log at 30 September 2018

	Training Offered	Event Date	Mr Bradford	Mrs Dennis	Mr Elkins	Mr Hunt	Mr Jupp	Mrs Urquhart	Dr Walsh	Mr Donnelly	Ms Taylor
Completed	Fundamentals	10 October 2017		✓							
	CIPFA Annual Pensions Conference	22 November 2017	✓				✓	✓			✓
	Baillie Gifford: Global Alpha Investor Forum	29 November 2017	✓								
	Fundamentals Day 1	10 October 2017		✓			✓				
	Fundamentals Day 2	15 November 2017		✓		✓	✓				
	Fundamentals Day 3	13 December 2017		✓			✓				
	LAPF Strategic Investment Forum	07 February 2018		✓		✓	✓			✓	✓
	Aberdeen Standard Investments 2018 UK Pension Investment Seminar	30 January 2018								✓	
	WSCC & WSPF Financial statements	13 June 2018		✓	✓		✓		✓	✓	✓
	Baillie Gifford: investment seminar	26-27 September 2018				✓					
Upcoming	PLSA Local Authority update (London)	06 November 2018									
	SPS LGPS Investment Strategies Conference (London)	15 November 2018									
	CIPFA Annual Pensions Conference (London)	22 November 2018									
	Club Vitas 10th Birthday Seminar(London)	04 December 2018									
	LGA – LGPS Local Governance Conference (Bristol)	17 – 18 January 2019									✓
	LAPF Strategic Investment Forum (London)	07 February 2019					✓				
	Baillie Gifford: LGPS investment seminar (Edinburgh)	09-10 October 2019				✓					

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TRAINING STRATEGY 2018/19

This is the training strategy for the West Sussex County Council Pension Fund.

The training strategy is established to aid the Pension Panel and Pension Advisory Board members in performing and developing personally in their individual roles and to equip them with the necessary skills and knowledge to act effectively in line with their responsibilities. This is in the context of:

The Pensions Regulator's Code of Practice relating to the requirements of the knowledge and understanding of the Pension Advisory Board (see Annex 1 for more information).

The Knowledge and Skills Framework developed by CIPFA (see Annex 2 for more information).

Guidance covering the knowledge and understanding of the Pension Advisory Board issued by the Scheme Advisory Board (SAB) (see Annex 3 for more information).

Although the legal requirements in relation to the Pension Advisory Board are more stringent than any obligations enforceable on Pension Panel members or Officers, the expectation is that the same knowledge and understanding requirements should apply. Therefore this strategy applies equally.

This strategy was approved by the Pension Panel on 1 November 2018 and is effective from that date. This strategy is expected to be appropriate for the long-term but it will be reviewed annually, and if necessary, more frequently to ensure it remains accurate and relevant.

Purpose of the Strategy

Background

1. It is appropriate for the Pension Fund to establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding to support Pension Advisory Board, Pension Panel and Officers. The responsibility for ensuring that a framework is developed and implemented is ultimately the Scheme Manager, supported by Finance Manager – Pension Fund Governance.
2. Notwithstanding the above, it is ultimately the members' responsibility to ensure that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their function as a member of the Panel or Board.

Strategy Objectives

3. The West Sussex Pension Fund's objectives relating to knowledge and skills are to:
 - Ensure that the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise;
 - Ensure the Pension Fund is effectively governed and administered; and
 - Ensure decisions are robust, are well founded and comply with regulatory requirements or guidance from the Pensions Regulator, the Scheme Advisory Board and the Secretary of State for Communities and Local Government.
4. To assist in achieving these objectives, the County Council will aim for full compliance with the areas of knowledge and understanding set out by the Pensions Regulator in their Code of Practice (No. 14) and CIPFA Knowledge and Skills Framework. Attention will also be given to the guidance issued by the Scheme Advisory Board and guidance issued by the Secretary of State. Members of the Pension Panel, members of the Pension Advisory Board and Officers require a knowledge and understanding of:
 - The **relevant Pensions Legislation** including LGPS Regulations and any other regulations governing the LGPS;
 - Public Sector **governance** including responsibilities delegated by West Sussex County, the roles and responsibilities and duties of the scheme manager and other committees and effective decisions in the management of the Pension Fund including risk assessments / management and risk registers.
 - The fundamental requirements relating to **financial markets and pension fund investments** including investment performance, risk management and the Investment Strategy Statement;

- The **operation and administration** of the Pension Fund including any document recording policy / scheme-approved policy about the administration of the Pension Fund¹ and Pensions Accounting and Auditing Standards;
 - **Actuarial methods, standards and practices** and controlling and monitoring the funding level including the Funding Strategy Statement; and
 - Pensions Services **procurement and relationship management**;
 - Such other matters as may be prescribed.
5. To support this, members of the Pension Panel, members of the Pension Advisory Board and Officers will:
- Have their knowledge measured and assessed;
 - Receive appropriate training to fill any knowledge gaps identified; and
 - Seek to maintain their knowledge.

Further details on how this will be achieved are set out in the next section (Delivery of Training).

6. Given the importance of the roles of Chairman of the Pension Panel and Chairman of the Pension Advisory Board in leading and shaping the direction of their respective bodies, it is expected that they will both be able to demonstrate an additional level of knowledge and skills to that required by the other members of the Pension Panel and Pension Advisory Board.

How the strategy meets West Sussex County Council Pension Fund Objectives

7. The strategy meets the following objectives of the West Sussex County Council Pension Fund as set out in the Business Plan –
- Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance;
 - Manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers;
 - Ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities

¹ Including conflicts of interest, record keeping, internal dispute resolution, reporting breaches, maintaining contributions, appointments, exercise of discretionary functions, statement of communication, pension administration strategy and admission body arrangements.

and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment;

- Continually monitor and measure clearly articulated objectives through business planning; and
- Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.

Delivery of Training

Training Plans and Resources

8. To be effective, training must be recognised as a continual process and will be centred on three key points
 - The individual;
 - The general pensions environment;
 - Coping with change and current talking points.
9. All members and officers should commit sufficient time in their learning and development and be aware of their responsibilities immediately when they take up their position.
10. Members of the Pension Panel, members of the Pension Advisory Board and Officers will have their knowledge measured and assessed at least annually via a questionnaire.
11. Training plans will be developed by officers at least on an annual basis following a review of the above assessments to ensure as far as possible individual members receive appropriate training to fill any knowledge gaps identified. These will be updated as required taking account of the identification of any knowledge gaps, changes in legislation, key events (e.g. the triennial valuation) and receipt of updated guidance. However it is recognised that a rigid training plan can be detrimental. Learning programmes will therefore be flexible to deliver the appropriate level of detail required.
12. Members of the Pensions Panel, Pension Advisory Board and Officers will be expected to maintain their knowledge through continuing attendance at training events, reading material and conferences as appropriate.
13. Consideration will be given to various training resources available in delivering training to the Pension Panel, members of the Pension Advisory Board and officers. These may include but are not restricted to:

Delivery	Commentary	PAB	Panel	Officers
Induction training	This will involve covering the requirements of the training strategy alongside guidance and information on the requirements of their roles.	✓	✓	✓
The Pension Regulator's e-learning programme	<p>On line tool covering seven short modules:</p> <ol style="list-style-type: none"> 1. Conflicts of Interests; 2. Managing Risk and Internal Controls; 3. Maintaining Accurate Member Data; 4. Maintaining Member Contributions; 5. Providing Information to Members and Others; 6. Resolving Internal Disputes; 7. Reporting Breaches of the Law. <p>The toolkit is designed specifically with Pension Advisory Board members in mind but the material covered is of equal relevance to members of the Pension Panel and Officers.</p> <p>It is expected that all modules are covered.</p>	✓	✓	✓
Attending courses, seminars and external events	<p>Notification of appropriate training events will be sent on receipt and a log will be included within the Business Plan updates to each of the relevant meetings.</p> <p>After attendance at an external event, Members and Officers will be asked to provide feedback via a feedback form which will be issued by Officers covering the following points:</p> <ul style="list-style-type: none"> • Their view on the value of the event and the merit, if any, of attendance; • A summary of the key learning points gained from attending the event; and • Recommendations of any subject matters at the event in relation to which training would be beneficial to other Pension Panel, Pension Advisory Board 	✓	✓	✓

Delivery	Commentary	PAB	Panel	Chair
	<p>members or other Officers.</p> <p>This will assist with ensuring relevant training is offered in the future and enable Officers to ensure that the Fund is meeting the requirements of the Pension Regulator.</p>			
<p>Internally developed training days and pre/post meeting sessions or in collaboration with other Funds or frameworks</p>	<p>Owing to the changing world of pensions, it will also be necessary to have ad hoc training on emerging issues or on a specific subject on which a decision is to be made by the Panel in the near future or is subject to review by the Board.</p>	✓	✓	✓
<p>Regular updates from officers and/or advisers including circulated reading material</p>	<p>This can be provided as necessary depending on the topical issues arising which the Fund is facing, to ensure up to date knowledge.</p>	✓	✓	✓
<p>Self-improvement and familiarisation with regulations and documents</p>	<p>Formal training can be used to highlight sources of further information for supplementary reading. Information held on the internet – such as webinars – can be used as a source of further information.</p>	✓	✓	✓
<p>Training for qualifications from recognised professional bodies (e.g. CIPFA, CIPP, PMI)</p>	<p>As agreed by the Director of Finance, Performance and Procurement, to meet the needs of the service and where necessary in keeping with the requirements of apprenticeship training</p>			✓

Risk

Risk Management

14. The compliance and delivery of this training strategy is at risk in the event of:
- Frequent changes in membership of the Pension Panel or Pension Advisory Board;
 - Poor individual commitment;
 - Resources not being available;
 - Poor standards of training;
 - Inappropriate training plans.
15. These risks will be monitored by officers within the scope of this training strategy and be reported where appropriate.

2019 Training Proposals

Training for November 2018 will focus on investment types currently being considered as part of the review work of the investment strategy e.g. infrastructure and private debt. This may also be relevant to investment pooling options being opened up by the ACCESS work.

Further training as background to decisions on the investment strategy will therefore be expected.

2019 will be a Fund valuation year, and the work of valuation and the role of the actuary will need to be covered.

2019 will also see the pension administration function transfer to Hampshire County Council, and hence it may be appropriate to provide a session around the requirements of administration (such as the need for an annual benefit statement) as part of the background for this transfer.

Understanding the statutory framework including the role of the Pension Regulator may also be useful and any issues the Regulator has raised in relation to LGPS funds.

Joint training with the Pension Advisory Board may be appropriate for some sessions.

Pension Regulators Area of Knowledge and Understanding

1.1. Legal requirements

- 1.1.1. A member of the pension board of a public service pension scheme must be conversant with:
 - the rules of the scheme, and
 - any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme.
- 1.1.2. A member of a pension board must have knowledge and understanding of:
 - the law relating to pensions, and
 - any other matters which are prescribed in regulations.
- 1.1.3. The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the pension board

1.2. Practical guidance

- 1.2.1. The legislative requirements about knowledge and understanding only apply to pension board members. However, scheme managers should take account of this guidance as it will support them in understanding the legal framework and enable them to help pension board members to meet their legal obligations
- 1.2.2. Schemes should establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding to support their pension board members. Schemes should designate a person to take responsibility for ensuring that a framework is developed and implemented.
- 1.2.3. However, it is the responsibility of individual pension board members to ensure that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the pension board.

1.3. Areas of knowledge and understanding required

- 1.3.1. 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. Being 'conversant' means having a working knowledge of the scheme regulations and policies, so that pension board members can use them effectively when carrying out their duties.
- 1.3.2. They must also have knowledge and understanding of the law relating to pensions (and any other matters prescribed in legislation) to the degree appropriate for them to be able to carry out their role, responsibilities and duties.

- 1.3.3. In terms of documented administration policies, specific documents recording policy about administration will vary from scheme to scheme. However, the following are examples of administration policies which the regulator considers to be particularly pertinent and would expect to be documented where relevant to a pension scheme, and with which pension board members must therefore be conversant where applicable. This list is not exhaustive and other documented policies may fall into this category:
- any scheme-approved policies relating to:
 - conflicts of interest and the register of interests
 - record-keeping
 - internal dispute resolution
 - reporting breaches
 - maintaining contributions to the scheme
 - the appointment of pension board members
 - risk assessments/management and risk register policies for the scheme
 - scheme booklets, announcements and other key member and employer communications, which describe scheme policies and procedures
 - the roles, responsibilities and duties of the scheme manager, pension board and individual pension board members
 - terms of reference, structure and operational policies of the pension board and/or any sub-committee
 - statements of policy about the exercise of discretionary functions
 - statements of policy about communications with members and scheme employers
 - the pension administration strategy (or equivalent), and
 - any admission body strategy (or equivalent)
- 1.3.4. For pension board members of funded pension schemes, documents which record policy about the administration of the scheme will include those relating to funding and investment matters. For example, where relevant they must be conversant with the statement of investment principles and the funding strategy statement.
- 1.3.5. Pension board members must also be conversant with any other documented policies relating to the administration of the scheme.
- 1.3.6. Where DC or DC AVC options are offered, pension board members should also be familiar with the requirements for the payment of member contributions to the providers, the principles relating to the operation of those arrangements, the choice of investments to be offered to members, the provider's investment and fund performance report and the payment schedule for such arrangements.
- 1.3.7. Schemes should prepare and keep an updated list of the documents with which they consider pension board members need to be conversant. This will enable them to effectively carry out their role. They should make sure that both the list and the documents are available in accessible formats.

1.4. Degree of knowledge and understanding required

- 1.4.1. The roles, responsibilities and duties of pension boards and their individual members will vary between pension schemes. Matters for which the pension board is responsible will be set out in scheme regulations. Clear guidance on the roles, responsibilities and duties of pension boards and the members of those boards should be set out in scheme documentation.
- 1.4.2. Schemes should assist individual pension board members to determine the degree of knowledge and understanding that is sufficient for them to effectively carry out their role, responsibilities and duties as a pension board member.
- 1.4.3. Pension board members must have a working knowledge of their scheme regulations and documented administration policies. They should understand their scheme regulations and policies in enough detail to know where they are relevant to an issue and where a particular provision or policy may apply.
- 1.4.4. Pension board members must have knowledge and understanding of the law relating to pensions (and any other prescribed matters) sufficient for them to exercise the functions of their role. Pension board members should be aware of the range and extent of the law relating to pensions which applies to their scheme, and have sufficient understanding of the content and effect of that law to recognise when and how it impacts on their responsibilities and duties.
- 1.4.5. Pension board members should be able to identify and where relevant challenge any failure to comply with:
 - the scheme regulations
 - other legislation relating to the governance and administration of the scheme
 - any requirements imposed by the regulator, or
 - any failure to meet the standards and expectations set out in any relevant codes of practice issued by the regulator.
- 1.4.6. Pension board members' breadth of knowledge and understanding should be sufficient to allow them to understand fully and challenge any information or advice they are given. They should understand how that information or advice impacts on any issue or decision relevant to their responsibilities and duties.
- 1.4.7. Pension board members of funded pension schemes should ensure that they have the appropriate degree of knowledge and understanding of funding and investment matters relating to their scheme to enable them to effectively carry out their role. This includes having a working knowledge of provisions in their scheme regulations and administration policies that relate to funding and investment, as well as knowledge and understanding of relevant law relating to pensions.
- 1.4.8. All board members should attain appropriate knowledge so that they are able to understand the relevant law in relation to their scheme and role. The degree of knowledge and understanding required of pension board members may vary according to the role of the board member, as well as the expertise of the board member. For example, a board member who is also a

pensions law expert (for instance, as a result of their day job) should have a greater level of knowledge than that considered appropriate for board members without this background.

1.5. Acquiring, reviewing and updating knowledge and understanding

- 1.5.1. Pension board members should invest sufficient time in their learning and development alongside their other responsibilities and duties. Schemes should provide pension board members with the relevant training and support that they require. Training is an important part of the individual's role and will help to ensure that they have the necessary knowledge and understanding to effectively meet their legal obligations.
- 1.5.2. Newly appointed pension board members should be aware that their responsibilities and duties as a pension board member begin from the date they take up their post. Therefore, they should immediately start to familiarise themselves with the scheme regulations, documents recording policy about the administration of the scheme and relevant pensions law. Schemes should offer pre-appointment training or arrange for mentoring by existing pension board members. This can also ensure that historical and scheme specific knowledge is retained when pension board members change.
- 1.5.3. Pension board members should undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses. They should use a personalised training plan to document and address these promptly.
- 1.5.4. Learning programmes should be flexible, allowing pension board members to update particular areas of learning where required and to acquire new areas of knowledge in the event of any change. For example, pension board members who take on new responsibilities will need to ensure that they gain appropriate knowledge and understanding relevant to carrying out those new responsibilities.
- 1.5.5. The regulator will provide an e-learning programme to help meet the needs of pension board members, whether or not they have access to other learning. If schemes choose alternative learning programmes they should be confident that those programmes:
 - cover the type and degree of knowledge and understanding required
 - reflect the legal requirements, and
 - are delivered within an appropriate timescale.

1.6. Demonstrating knowledge and understanding

- 1.6.1. Schemes should keep appropriate records of the learning activities of individual pension board members and the board as a whole. This will help pension board members to demonstrate steps they have taken to comply with legal requirements and how they have mitigated risks associated with knowledge gaps. A good external learning programme will maintain records of the learning activities of individuals on the programme or of group activities, if these have taken place.

CIPFA Requirements

1.7. CIPFA Knowledge and Skills Framework

1.7.1. In January 2010 CIPFA launched technical guidance for Elected Representatives on s101 Pension Committees and non-executives in the public sector within a knowledge and skills framework. The framework covers six areas of knowledge identified as the core requirements:

- Pensions legislative and governance context;
- Pension accounting and auditing standards;
- Financial services procurement and relationship development;
- Investment performance and risk management;
- Financial markets and products knowledge; and
- Actuarial methods, standards and practice.

1.7.2. The Knowledge and Skills Framework sets the skills required for those responsible for pension scheme financial management and decision making under each of the above areas in relation to understanding and awareness of regulations, workings and risk in managing LGPS funds.

1.8. Local Pension Boards: A Technical Knowledge and Skills Framework

1.8.1. In August 2015 CIPFA extended the Knowledge and Skills Framework to specifically include members of Local Pension Boards, albeit there exists an overlap with the original Framework. The Framework identifies the following areas as being key to the understanding of local pension board members;

- Pensions Legislation;
- Public Sector Pensions Governance;
- Pensions Administration;
- Pensions Accounting and Auditing Standards;
- Pensions Services Procurement and Relationship Management;
- Investment Performance and Risk Management;
- Financial markets and product knowledge;
- Actuarial methods, standards and practices.

1.9. CIPFA's Code of Practice on Public Sector Pensions Finance, Knowledge and Skills (the "Code of Practice")

1.9.1. CIPFA's Code of Practice, issued in 2013, embeds the requirements for the adequacy, acquisition, retention and maintenance of appropriate knowledge and skills required. It recommends (amongst other things) that LGPS administering authorities:

- formally adopt the CIPFA Knowledge and Skills Framework in its knowledge and skills statement;
- ensure the appropriate policies and procedures are put in place to meet the requirements of the Framework (or an alternative training programme);
- publicly report how these arrangements have been put into practice each year

- 1.9.2. The West Sussex County Council Pension Fund fully supports the intentions behind CIPFA's Code of Practice and has agreed to formally adopt its principles. This training strategy formally sets out the arrangements the West Sussex County Council Pension Fund will take in order to comply with the principles of the Code of Practice.

Guidance from the Scheme Advisory Board

1.10. General Principles

- 1.10.1. The Scheme Advisory Board has taken note of the regulatory requirements and the principles of the Pension Regulator's Code of Practice and in January 2015 published Guidance for administering authorities to support them in establishing their Local Pension Board. The Guidance includes a section designed to help Pension Advisory Board members to understand their knowledge and understanding obligations.
- 1.10.2. Knowledge and understanding must be considered in the light of the role of a local pension board and West Sussex County Council will make appropriate training available to assist and support PAB members in undertaking their role.

1.11. Committee Members

- 1.11.1. Although the CIPFA Knowledge and Skills Framework complements the Code of Practice that should be adopted by administering authorities there is no legal requirement for knowledge and understanding for members of an s101 Pension Committee. However, it is proposed that members of the Pension Panel should have no less a degree of knowledge and skills than those required in legislation by the Local Pension Board.

1.12. Degree of Knowledge and Understanding

- 1.12.1. The role of the Pension Advisory Board is to assist the Scheme Manager i.e. the administering authority. To fulfil this role, Pension Advisory Board members should have sufficient knowledge and understanding to challenge failure to comply with regulations, any other legislation or professional advice relating to the governance and administration of the LGPS and/or statutory guidance or Codes of Practice.
- 1.12.2. Pension Advisory Board members should understand the regulatory structure of the LGPS and the documentary recording of policies around the administration of the West Sussex County Council Pension Fund in enough detail to know where they are relevant and where it will apply.

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