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| Pension Panel |
| 24 July 2019 Part 1 |
| Business Plan Update |
| Report by Director of Finance and Support Services |
| <p>Summary</p> <p>The Pensions Panel approved its Business Plan for 2019/20 when it met on 29 April 2019.</p> <p>The Panel will receive an update on progress against the Business Plan objectives, details impact on risk (where applicable) and proposes actions each quarter.</p> <p>Recommendation</p> <p>That the updates to the Business Plan are noted.</p> |

Background

1. The Business Plan sets out the aims and objectives of the fund over the coming year, its core work and how the objectives will be achieved.
2. 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, any issue with the highest levels of risk identified, any area of concern with administration performance 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.
3. The Fund's overarching objectives are set out below:
 - **Governance:** Act with integrity and be accountable to stakeholders for decisions, ensuring that they are robust, and well based, ensuring sound governance, risk management and compliance and that the management of the Fund is undertaken by people who have the appropriate knowledge and expertise.
 - **Investments and Funding:** To maximise returns from investments within reasonable risk parameters and with clear investment decisions based on a prudent long term funding priorities given the preference to keep employer contribution rates are reasonably stable where appropriate.
 - **Administration and Communication:** Deliver a high quality administration service to all stakeholders with processes and procedures to ensure that the Fund receives all income due and payments are made to the right people at the right time, clear communication and robust accounting and reports.

Update on Business Plan Priorities – Q1

4. The table below provides an update on the Business Plan Priorities for 2019/20.

| | Area | Update |
|-----------|---|--|
| a) | Pension Administration (including Employer data quality) | <p>Hampshire Pension Services have completed their End of Year process to provide updated membership data for the Actuarial Valuation and to members via the Annual Benefit Statements.</p> <p>Work is now underway between Hampshire Pension Services and West Sussex County Council to agree and implement plans for data quality improvement.</p> <p>A detailed update is provided elsewhere on the agenda.</p> |
| b) | Reconciliation to HMRC of GMP (Guaranteed Min Pension) | Results from the Capita specialist Guaranteed Minimum Pension (GMP) team on the responses from HMRC to the reconciliation issues raised are expected in September 2019. This will determine appropriate 'next steps'. |
| c) | Annual Report and Accounting | <p>The Annual Reports has been provided to the Pension Panel for their consideration and the Accounts have been approved by the County Council's Regulation, Audit and Accounts Committee following external audit work by Ernst & Young.</p> <p>A detailed update is provided elsewhere on the agenda.</p> |
| d) | GDPR | No update. |
| e) | Investment Strategy | Following the Pension Panel's decision in April officers have engaged with the County Council's procurement team to determine the appropriate route. |
| f) | <p>Working collaboratively on the ACCESS Pool</p> <p>Working at Fund level to reflect the addition of the ACCESS Pool</p> | <p>The ACCESS Joint Committee met on 11 June 2019 and considered matters including transfer of assets to the Authorised Contractual Scheme and the governance arrangements relating to the Pool.</p> <p>A detailed update is provided elsewhere on the agenda.</p> |
| g) | ESG | Further representation has been made by Worthing Climate Action Network to the Chairman regarding the Pension Fund's investment strategy and holdings in fossil fuel companies. |

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| | It is proposed that the Pension Panel receive further training on this matter in the autumn. |
| h) Custodian transition | The transfer to the new custodian (Northern Trust) was completed on schedule (1 July 2019). |
| i) 2019 valuation preparation | The draft Funding Strategy Statement has been considered by the Pension Advisory Board and circulated to employers as part of the Pension Fund's consultation. Data is due to be submitted to the Actuary in late June 2019. |
| j) Work by the Scheme Advisory Board | Engagement with employers on the valuation outcomes is expected in Autumn 2019. Officers have participated in the Good Governance survey, commissioned by the Scheme Advisory Board. An initial report is expected later in July 2019. |

Risks

- There are no changes to the risks relating to the Pension Fund activities to draw to the Pension Panel's attention.
- The Risk Monitor is included in Appendix 1.

Training

- A Training Strategy has been 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.
- Appropriate training events are listed below for the Panel to consider:

| Dates | Event | Venue |
|----------------------|-----------------------------------|-------------------------------|
| 5 – 6 September 2019 | LGC Investment Summit | Celtic Manor, Newport |
| 25 September 2019 | CIPFA Introduction to the LGPS | Canary Wharf, London |
| 1 October 2019 | UBS Trustee Training Step 1 | Liverpool Street, London |
| 3 October 2019 | LGA Fundamentals Day 1 | Westminster, London |
| 9 – 10 October 2019 | Baillie Gifford LGPS Conference | Edinburgh |
| 5 November 2019 | UBS Trustee Training Step 2 | Liverpool Street, London |
| 6 November 2019 | LGA Fundamentals Day 2 | Westminster, London |
| 13 November 2019 | CIPFA Pensions Network Conference | London Stock Exchange, London |
| 18 December 2019 | LGA Fundamentals Day 3 | Westminster, London |
| 18 – 20 May 2020 | PLSA Local Authority Conference | Cotswolds |

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Appendix 1

| Risk Theme | Action |
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| Insufficient funds to meet liabilities resulting in increased contributions required from employers or changing to a higher risk investment strategy | Prudent assumptions adopted by the Fund Actuary. Monitor, maintain and review the Investment Strategy Statement and Funding Strategy Statement. Regularly review investment performance and funding levels. |
| Insufficient resources to comply with the Administering Authority's Regulatory responsibilities. | Develop and monitor Business Plan on a regular basis. Ensure service contracts are clearly specified and obligations met. |
| Poor quality data resulting in error and misstatement. | Develop and implement a Data Improvement Plan. Maintain robust accounting records. |
| Officer, Panel and Board knowledge and understanding resulting in poor decision making and disengagement on key issues. | Develop, implement and monitor a Training Strategy. |
| Performance of the Fund's assets creates volatility and pressure on employer contribution rates. | Monitor, maintain and review the Investment Strategy Statement and Funding Strategy Statement. Clear Investment Management Agreements in place. Regularly review investment performance and funding levels. Consideration of Environmental, Social and Governance issues on the performance of the portfolio. |
| The introduction of asset pooling impacts on the Fund's ability to implement its investment strategy successfully or the Administering Authority is considered to not comply with the relevant statutory guidance. | Continued strong involvement in the work of the ACCESS Group at officer and at Fund Chairman level. |
| Change to payroll and pension admin provider resulting in incomplete or inaccurate data being transferred and stakeholders not adopting new requirements. | Well defined project which is robustly managed including appropriate due diligence and testing throughout the project. Clear communication with stakeholders during project and as part of business as usual. |
| Failure to secure value for money through managing contracts with third parties | Strong contract management Compliance with procurement requirement and standing orders for provision of services to the Fund. |
| Political environment (locally or nationally) impact on investment markets and legislative requirements. | Work closely with investment managers, other suppliers and advisers to understand potential impacts and responses. Develop, implement and monitor a Training Strategy. |
| Conflict of interest for members and employers | Clearly defined roles and responsibilities for those working for the Pension Fund. Maintenance of Conflict of Interest policy and register by the County Council. |
| Increase in variety and number of employers participating in the Scheme resulting in risk of non-compliance with obligations. | Clear Admission Agreements in place. Guidance published and reviewed relating to the Scheme requirements. Proactive engagement with employers. |
| Cyber crime resulting in personal data for members being accessed fraudulently. | Strong IT environment for administration system and web-based Portals. |