

West Sussex Pension Advisory Board

Business Plan 2019/20 performance report

Board establishment

The revised Board structure agreed in 2018 which increased membership by two and added a fourth meeting has proved effective in increasing the capacity to deliver the Board's business during 2019/20. The terms of reference were revised by the Governance Committee in December to regularise the appointment process.

Board meetings

The Board held four meetings during the year with good attendance as shown in the table at the end of Appendix A. 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 May 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.

The Board reviews reports considered by the Panel on the business plan updates, including risks, administration, ACCESS and other issues to avoid duplication by officers. This has worked well in the year in keeping the Board well informed of the Panel's deliberations.

The Board has also established standing agenda items on regulations and guidance (with references to the LGPC, SAB and tPR websites) which not only provide updates on changes but also provide a source of reference for the statutory regulations and guidance.

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 one-to-one performance review meetings held at the beginning of February. Some of the key conclusions are summarised below.

Annual Meetings

The Chairman met with the Pensions Panel Chairman, Jeremy Hunt, and Katharine Eberhart, Section 151 Officer, on 3 February and discussed matters including the Board's work, Pensions Panel engagement and upcoming work activities.

One-to-one review meetings

Board Meetings - All members thought the papers were circulated sufficiently on time and the meetings were well planned and documented, decisions were effective and well made. Key issues were being prioritised and information provided, and the relevant officers were helpful. There was a marginal improvement in the marking which reflects the experience of the new members one year on.

Individual contribution - Most considered they were making an effective contribution although some were finding it hard to devote as much time as they would wish due to work and other commitments. All members felt they had a better grasp of the issues and some thought refresher training would be useful.

Individual approach - All members felt they had a fairly sound approach to the Board and didn't feel there were any particular barriers to their contribution, other than time constraints.

Independent chairmanship - Everyone felt the role of independent chairman worked well, that he helped make the Board more effective and made a valuable contribution. Communication worked well allowing an open discussion and as a team. One member felt that strengthening member skills generally would be useful to avoid over-reliance on the expertise and opinion of the chairman.

Board performance - All members considered that the Board had performed well in 2019/20. It was felt generally that the Board was doing its job well but that there were areas where more needed to be done, particularly with new governance challenges on the horizon.

Areas for improvement

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

Business Plan - More attention needs to be given to monitoring the Panel's risk control framework.

Administration - There has been some frustration with monitoring the level of performance by Hampshire as delays have occurred over the transition period due to the high level of unexpected workloads. While the position has improved significantly over the past year, there is concern about how to avoid similar problems in the future and in how the Board can assess performance relative to other funds. This could gain a higher focus with the Good Governance Review.

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 - revised guidance is currently still

awaited after a year. The Board needs to clarify its on-going governance and monitoring role in relation to the Panel once the transition is complete.

Communications - Due to the 'newness' of the administration arrangements, the Board has not had as much impact on or input to communications as it would have wanted.

Key markers for future consideration

Administration arrangements - To fully understand the new arrangements and performance indicators, particularly compared to other funds, to obtain assurances about the effectiveness of internal control arrangements and to regularise the recording of breaches.

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 when issued.

Communications - To consider and seek to improve communications with employers and between employers. To review the effectiveness of information about ABSs and the AVC arrangements.

Business Plan - To better understand the Board's role in risk management and the Pensions Regulator's expectations in this area.

Training - To develop a more effective and structured approach to training needs and requirements, and to consider a more collaborative approach to sharing learning experiences.

Board operations - Comments made previously were reinforced that some form of comparison with the work of other local pension boards, including non-LGPS, should be attempted.

Knowledge and understanding

It was generally agreed that all members have achieved a good level of knowledge and understanding of the key issues but that it was not entirely clear what level was expected in such a wide range of options. The outcome of the Good Governance Review might shed some light on that.

All agreed that it was important to maintain the current arrangements, particularly with refresher training, and welcomed the training sessions either as part of the agenda items or separately after each meeting. The process of sharing feedback from external training should be developed and new knowledge gained in a collaborative manner.

As shown in the table below, 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.

Each member has completed and 'passed' the Pensions Regulator's on-line modular training toolkit. There is some expectation that the toolkit is due for renewal and one member felt it might be helpful to revisit the toolkit as a refresher.

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 have stabilised, and all members are contributing effectively to meeting the Board's responsibilities. But there is more to be done and there are new challenges to face over the coming year. Nevertheless, there are no concerns that the Panel or the Scheme Manager are not operating satisfactorily, and the Board's principal role remains one of oversight.

Members consider that the Board is enabling the Scheme Manager to demonstrate compliance with regulations and guidance and helping ensure the Fund continues to be 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. 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 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.

Overall, the Board is doing the job it was set up to do and doing it well.

Pension Advisory Board 26 February 2020

Pension Advisory Board - Business Plan 2019/20
Achievement of key tasks and activities

Core on-going tasks	Achievement of core tasks	Special activities and reviews
Business planning and performance		
<p>Agree programme of work, budget and resources for the coming year and monitor progress at each meeting</p> <p>Undertake a self-assessment of performance for the year to include on-to-one interviews</p> <p>Agree a report each year on activity for inclusion in the Fund Annual Report and for scheme employers</p>	<p>Plan agreed at 22 May meeting and monitored in September and November</p> <p>Plan reported to Governance Committee and Pensions Panel</p> <p>Chairman attended Pensions Panel in July</p> <p>Three members attended employer AGM in July</p> <p>Assessments completed in February 2020</p> <p>Report agreed at 26 February meeting</p>	<p>Review arrangements with other local pension boards</p> <p>Informal review of four other local pension boards undertaken by chairman</p>
<p>Key risks</p> <ul style="list-style-type: none"> Failure to manage work efficiently and effectively <p>Failure to account for activities and performance</p>	<p>All risks managed and no new risks identified</p>	
Compliance checks		
<p>Review policy on conflicts of interest annually, interests declared at each meeting, and maintain a register of interests on the website</p> <p>Review the Pension Fund Annual Report and Accounts for content and compliance</p> <p>Review statutory policy statements on a regular basis (at least two per meetings) and on a three year rolling basis</p>	<p>Register of interests linked on website</p> <p>Agreed to develop separate PAB conflicts policy in 2020</p> <p>Annual report and accounts reviewed at 4 September meeting</p> <p>Draft FSS reviewed in May and subsequent updates</p> <p>Communications policy reviewed in May</p> <p>Policy on reporting breaches and compliance with CoP 14 reviewed in November</p> <p>TPR self-assessment tool reviewed in November</p> <p>Treasury Management Policy reviewed in February</p>	<p>Review updated guidance from CIPFA on preparing the annual report</p> <p>Review completed as part of the consideration of the annual report</p>

Monitor and review changes to regulations and guidance at each meeting	Regulation changes, LGPC Bulletins and SAB meeting notes reviewed at each meeting	
Key risks <ul style="list-style-type: none"> • Failure to manage conflicts properly Non-compliance with regulations and guidance	All risks managed and no new risks identified	

Core on-going tasks	Achievement of core tasks	Special activities and reviews
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Governance arrangements		
<p>Review decisions of the Pensions Panel</p> <p>Review management and monitoring of the pension fund risk register</p> <p>Monitor audit reports and assurances on internal controls</p> <p>Monitor work planned by the Pensions Regulator (tPR)</p> <p>Monitor reports and initiatives from the Scheme Advisory Board (SAB)</p> <p>Respond to surveys and requests for information from the tPR and the SAB</p> <p>Report to the Pensions Panel and Governance Committee on a regular basis and as required</p> <p>Report to tPR, MHCLG and SAB in exceptional circumstances</p>	<p>Panel minutes reviewed at each meeting</p> <p>Panel report reviewed at each meeting</p> <p>Reviewed in February</p> <p>tPR announcements reviewed</p> <p>SAB meetings and notes monitored</p> <p>Draft guidance on responsible investing reviewed</p> <p>Good Governance review monitored</p> <p>tPR 2019 survey completed</p> <p>SAB survey agreed in draft, but survey not issued</p> <p>PAB minutes reported to Panel other reports submitted</p> <p>Not necessary</p>	<p>Develop relationships with the Pensions Panel</p> <p>Chairman attended Panel meeting in July and will attend at least annually in future</p> <p>Chairman undertook performance review with Panel Chairman in February</p> <p>Review internal audit programme of work</p> <p>Special presentation made by internal audit to February meeting</p>

<p>Key risks</p> <ul style="list-style-type: none"> The decision-making process is not fully effective Key risks are not properly managed Failure to be aware of scheme-wide developments and changing requirements Failure to properly account for the Board's activities 	<p>All risks managed</p> <p>New risk identified: SAB and tPR misinterpret PAB position based on simplistic surveys</p>
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Administration procedures and performance		
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<p>Consider a report on the administration of the scheme at each meeting</p>	<p>Reports from the WS Pension Team and from Hampshire considered at each meeting</p>	<p>Review new administration service with Hampshire</p>
<p>Monitor key performance indicators and recovery action</p>	<p>KPIs reviewed at each meeting and are being developed</p>	<p>Officer from Hampshire attends each meeting</p>
<p>Review operation of key internal procedures and controls relating to third party contracts</p>		<p>Test internal controls for areas of weakness</p> <p>Part of February review with internal audit</p>

Core on-going tasks	Achievement of core tasks	Special activities and reviews
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<p>Administration procedures and performance (contd)</p> <p>Monitor notifiable events and the recording and reporting of breaches</p> <p>Monitor recording of compliments and complaints, and progress on IDRPs cases</p> <p>Monitor movements in membership numbers</p> <p>Monitor data quality and integrity, and progress on improvement plans</p> <p>Monitor timeliness of receipt of contribution payments and any recovery action required</p>	 <p>All these tasks are covered in the administration report submitted to each meeting and are reviewed with the officers</p>	
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<p>Key risks</p> <ul style="list-style-type: none"> • Failure in the efficient and effective administration of the scheme • Non-compliance with reporting requirements • Failure to detect potential problems, including fraud at an early stage 	<p>Impact of transition in delaying performance noted</p> <p>Uncertain position on ABSs noted</p>
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<p>Investment and funding</p> <p>Review the investment strategy statement to assess compliance with regulations and guidance issued by MHCLG and CIPFA</p> <p>Review the funding strategy statement to assess compliance with regulations and guidance</p> <p>Review the process of consultation with appropriate persons, particularly scheme employers</p>	<p>ISS reviewed but awaiting further guidance from MHCLG on pooling</p> <p>FSS reviewed in draft with employers' comments noted</p> <p>FSS further reviewed as updated</p> <p>Valuation reports reviewed with feedback from employer meetings</p> <p>Valuation process reviewed for compliance</p>	<p>Review of funding strategy statement</p> <p>Reviewed in conjunction with updates made during valuation process</p> <p>Review investment strategy statement in conjunction with revised guidance issued by MHCLG</p> <p>Revised guidance not issued at time of February meeting</p>
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Review the valuation process for compliance and good practice

Review developments on the pooling arrangements, particularly in relation to governance and investment management

Progress on pooling monitored but awaiting finalisation of governance arrangements

Core on-going tasks	Achievement of core tasks	Special activities and reviews
Investment and funding (contd)		
<p>Monitor arrangements for monitoring investment performance and costs</p> <p>Monitor developments in relation to responsible investing and ESG issues insofar as they relate to the Board's responsibilities</p>	<p>Monitoring transition to ACCESS and development of residual monitoring framework</p> <p>Reviewed SAB draft guidance on statutory background in February</p>	
<p>Key risks</p> <ul style="list-style-type: none"> • Non-compliance with investment regulations and Government guidance • Failure of proper governance arrangements in the pooling of Fund assets • Failure to comply with or respond to developments in good practice or regulatory compliance <p>Net asset values are insufficient to meet future liabilities</p>	<p>Risks being managed and monitored</p> <p>New risk identified: Role of PAB in relation to ACCESS and on responsible investment needs to be clarified</p>	

<p>Communications</p> <p>Monitor disclosure of information in line with statutory requirements, including annual benefit statements</p> <p>Review newsletters for content and clarity</p> <p>Review communications with employing authorities</p> <p>Monitor developments in the website and pensions portal</p> <p>Consider more effective links to scheme members</p>	<p>Disclosure monitored in relation to breaches</p> <p>Newsletters to pensioners reviewed in February</p> <p>Reviewed by Board members at the point of receipt</p> <p>Full review pending the transition to the new arrangements</p> <p>Portal take-up monitored</p>	<p>Review revised communications policy statement in the light of new Hampshire service</p> <p>Strategy and revised statement reviewed in November</p>
<p>Key risks</p> <ul style="list-style-type: none"> • Failure to keep employers and scheme members properly informed • Non-compliance with Administration Strategy <p>Scheme members fail to understand scheme benefits and opt-out</p>	<p>Risks being managed and monitored</p>	

Core on-going tasks	Achievement of core tasks	Special activities and reviews
Training Maintain training log and review activity regularly Monitor implementation of training strategy Identify opportunities for in-house training after each meeting and for external training courses or events	<p>Reported and monitored at each meeting</p> <p>Discussed as part of performance reviews and agreed need to develop a more structured approach</p>	<p>Review any revised training requirements or e-learning tools produced by tPR</p> <p>No new requirements pending outcome of Good Governance review by SAB</p>
Key risks <ul style="list-style-type: none"> Failure of Board members to maintain a suitable level of knowledge and understanding 	<p>Assessed regularly</p> <p>New risk identified: New regulations being developed may impose additional requirements on PAB in relation to compliance</p>	

Pension Advisory Board 2019/20	Peter Scales Chairman Independent	Becky Caney Member Rep	Richard Cohen Employer Rep	Miranda Kadwell Employer Rep	Kim Martin Employer Rep	Chris Scanes Member Rep	Tim Stretton Member Rep
	Meeting attendance	4/4	4/4	4/4	4/4	3/4	4/4
TPR toolkit *	ALL	ALL	ALL	ALL	ALL	ALL	ALL
Internal Training							
Employer Forum - Valuations				✓	✓		
Hampshire Pensions Admin	✓	✓	✓	✓	✓	✓	✓
Pension Fund accounts			✓		✓		
Pensions governance	✓	✓	✓	✓		✓	✓
Responsible ESG investment	✓	✓	✓	✓		✓	
Internal Audit	✓	✓	✓	✓	✓	✓	✓
External Training							
CIPFA LPB Annual Seminar	✓						✓
CIPFA LPB Autumn Seminar				✓			
CIPFA Annual Pensions Conf.	✓					✓	
Hymans governance roundtable	✓						
CIPFA LPB Spring Seminar	✓	✓		✓			

* Online training provided on the Pensions Regulator's public service website
 N.B. This table will also form part of the Pension Fund Annual Report