

# West Sussex Local Government Pension Scheme

## Annual Report

1 April 2019 to 31 March 2020

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## Forward by the Chairman of Pension Committee

I am pleased to provide an update on the Pension Fund's activities during 2019/20.

In May 2018, I took the decision to transfer the pension administration service with the intention of improving the customer service experience and strengthen resilience.

I am pleased to report that after a year with our new administration partners – Hampshire County Council – the team are meeting all their key performance indicators. Feedback from both employers and members has been positive and I would like to thank the administration team for their work over the year.

In respect of our £4.179bn investment portfolio, the West Sussex Pension Fund retains its approach as a long term, active investor with a high degree of commitment to managing the Pension Scheme in the best interests of its stakeholders. We have appointed managers to invest in a mix of assets based on market opportunities and their best ideas to deliver strong relative returns.

As a result of this active approach, the Fund has outperformed the market by 0.9% and 0.5% per annum, net of fees, over the last three and ten years respectively. This fulfils our objective of maximising the returns from investments within an appropriate risk framework.

Alongside providing strong returns to the Pension Fund, the appointed managers have been directed to actively engage with the companies held within its portfolio about good practice in terms of environmental, social and governance (ESG) issues. These issues are considered a key driver to a company's financial performance. This stewardship role is recognised actively through dialogue with companies and the exercising of voting rights on behalf of the Fund. During the last year, the Fund managers voted at 100% of domestic and 96% of foreign meetings, and had informed engagements with invested companies.

Although we have not yet transferred any money into the ACCESS Local Government Pension Scheme asset pool, we continue to be strongly involved with the pool. We are working to ensure that the Fund complies with the Government requirements regarding pooling, whilst maintaining local accountability and value for money for the West Sussex Fund stakeholders/members.

The above is all undertaken with the objective of maintaining a strong funding level. A key health check is the Pension Fund's valuation which is carried out by the Fund's actuary every three years. The latest valuation (at 31 March 2019) showed the Fund's solvency had improved to 112%.

The year ended amid market volatility affected by the impact of the Covid-19 pandemic and lockdowns. Stock markets declined amid considerable volatility but the benefit of the Committee's decision, to reduce the level of investment risk (equities) as the funding position improved, was demonstrated through the relatively stable funding level maintained during this period, with the Fund ending the year 102% funded.

The spread of Coronavirus has had a significant impact on markets and will continue to weigh heavily on global growth prospects for 2020 and beyond. We continue to monitor risks on an ongoing basis and will consider appropriate actions where necessary.

[Signature to be added]

Jeremy Hunt  
Chairman of the Pension Committee

## Forward by the Chairman of the Pension Advisory Board

The Pension Advisory Board was established on 1 April 2015, under the provisions of the LGPS Regulations 2013, to assist the Scheme Manager in; ensuring compliance with regulations, the application of guidance and legislation; implementing requirements imposed by the Pensions Regulator; and to help secure effective and efficient governance and administration. The Board meets four times during each financial year.

The Board is required to have a minimum of four members with equal representation of employers and scheme members, in April 2018 it was agreed to increase the number of members to six to assist with effective governance and increase resilience of the Board. Each member has demonstrated 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 the Board's discussions.

The Board has continued to operate well in developing circumstances, particularly as regards the new pooling arrangements and other changes taking place. The business for each meeting has been planned by reference to the work plan agreed in May 2019 and is based on the responsibilities of the Board and guidance issued about key issues to be covered. The work plan has been comprehensively addressed during the year and there have been no disputes in the decisions reached. Key items covered include administration performance, communications, policy statements, data quality, new regulations and guidance, the new pooling arrangements with ACCESS, and knowledge and skills requirements.

The Board uses the Local Government Pensions Committee (LGPC), the Scheme Advisory Board (SAB) and The Pensions Regulator (tPR) websites as a point of reference for the Scheme regulations and guidance, and to track any changes. In particular, the Board has been monitoring progress on the Hymans Robertson Good Governance Review commissioned by the SAB. Updated regulations and guidance are expected to be published during 2020/21. In addition, the Board has reviewed draft guidance issued by SAB on the statutory framework for responsible investing.

The Board has formulated its training plan, in conjunction with the Pensions Committee, to cover the individual requirements of each member based on guidance issued by CIPFA, using the suggested framework to ensure coverage of all items over a reasonable period. Training sessions are held as part of each Board meeting and additional induction training is provided to new members. Progress on training is monitored and discussed at each meeting and reviewed annually in the year-end performance reviews.

The Board is satisfied that the West Sussex Pension Fund is operated in compliance with statutory regulations and other legislation, and with guidance issued by Ministry of Housing, Communities and Local Government (MHCLG) and Chartered Institute of Public Finance and Accountancy (CIPFA). The requirements imposed by tPR are being met and the Board is monitoring the effectiveness and efficiency of the governance and administration arrangements, particularly in relation to pooling and following the transition to a new administration service provider.



Peter Scales  
Chairman of the Pension Advisory Board

## **Forward by the Chairman of the ACCESS Joint Committee**

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Mark Kemp-Gee  
Chairman of the ACCESS Joint Committee

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# The West Sussex Local Government Pension Scheme

## Scheme Benefits

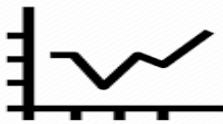
The Local Government Pension Scheme (LGPS) is a valuable part of the pay and reward package for employees. Benefits are set nationally with key benefits set out below:



The LGPS is a 'defined benefit' Scheme which means each year 1/49th of a members' pensionable pay (or 1/98th if a member elects to pay into the 50/50 section of the Scheme) is put into their pension account (and adjusted for cost of living at the end of the year).



A pension is usually payable from a member's normal pension age which is linked to their State Pension age (with a minimum of 65). A member could choose to retire and take a reduced pension early (between age 55 and 75) or - if a member is made redundant or retired in the interests of business efficiency (after age 55) - they could receive immediate payment of their benefits, with adjustments.<sup>1</sup>



The LGPS is funded, which means that contributions are received from both the member and employer and are then invested by the Fund. However, pension benefits are set in statute and are not dependent on the returns achieved by the Fund on its investments.



The Scheme includes a number of options for members including the ability to pay half normal contributions in return for half the normal pension amount (the 50/50 section), boosting a pension by paying more into the Fund and exchanging some pension for tax-free cash on retirement.

## Contributions

The rate of contributions a member will pay is set nationally and is based on their pay. The contribution table for 2019/20 and 2020/21 for the Main Scheme is below.<sup>2</sup> The contribution rates and / or pay bands are reviewed periodically and may change in the future. This is to maintain an average contribution from employees of 6.5% and to ensure the long term costs of the scheme are managed.

Pay Bands 2019/20 Actual pay for employment	Contribution Rate	Pay Bands 2020/21 Actual pay for employment
Up to £14,400	5.5%	Up to £14,600
£14,401-£22,500	5.8%	£14,601-£22,800
£22,501-£36,500	6.5%	£22,801-£37,100
£36,501-£46,200	6.8%	£37,101-£46,900
£46,201-£64,600	8.5%	£46,901-£65,600
£64,601-£91,500	9.9%	£65,601-£93,000
£91,501-£107,700	10.5%	£93,001-£109,500
£107,701-£161,500	11.4%	£109,501-£164,200
More than £161,501	12.5%	More than £164,200

<sup>1</sup> Provided the member has met the two years vesting period.

<sup>2</sup> The LGPS offers a member the flexibility to pay half their normal contribution rate and build up half their normal pension

## Scheme Management

West Sussex County Council (WSCC) is an Administering Authority for the Local Government Pension Scheme (LGPS) which means it has responsibility for managing and administering the LGPS for the local area.

Those responsible for the management of the Fund have a responsibility to act in the best interest of employers, taxpayers and scheme beneficiaries at all times, rather than to represent their own local, political or private interest. In this context:

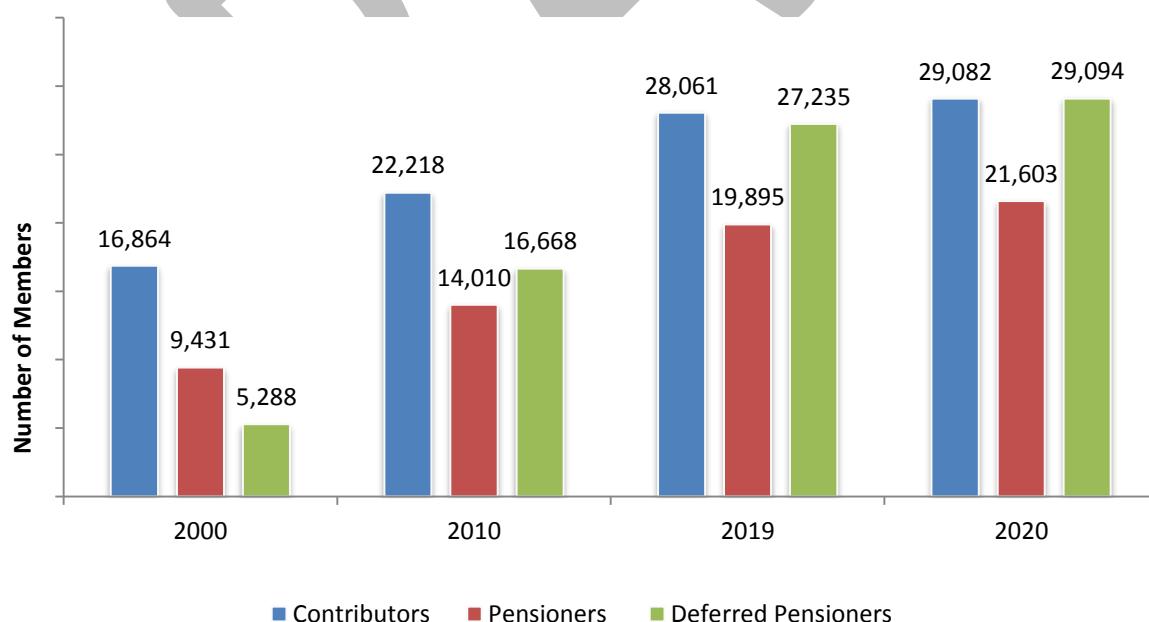
- The Scheme Manager (the Director of Finance and Support Services and the Director of Law and Assurance) has responsibility for managing and administering the Scheme.
- The Pension Committee has responsibility for the Pension Fund's investment policy and its performance, appointment of advisers and managers, key scheme governance, funding and administration matters and communication with stakeholders.
- The Pension Advisory Board assists the Scheme Manager in matters of governance and administration.

Information about the managers and advisers to the Fund and Pension Committee and Pension Advisory Board members can be found in Appendix 1.

## Scheme Participation

The West Sussex Scheme comprises:

- 198 employers (151 active and 47 who are no longer actively contributing) which, includes the County Council, local district and borough councils, academies, the Police and Crime Commissioner and Office of the Chief Constable and private sector bodies where a local authority has outsourced a service or a community interest company has been created (e.g. a staff mutual).
- 79,815 members split between active members (contributors), deferred members (former active members who have a right to be paid a pension at a point in the future) and pensioners (those currently receiving pension benefits). The membership mix is illustrated below:



# The Pension Fund

The LGPS is paid for by member and employer contributions and investment returns. Members are paid their benefits at the point of retirement based on their membership in the Scheme - it is not dependent on the returns achieved on the Fund's assets.

## Net Assets

The table below summarises the Pension Fund's accounts for 2018/19 and 2019/20.

		Year ending 31/03/2019	Year ending 31/03/2020
		£'000	£'000
<b>Net assets of the Scheme at the start of the year</b>		<b>4,104,276</b>	<b>4,374,121</b>
Income	Member Contributions	27,454	29,142
	Employer Contributions	102,858	108,941
	Transfers in	4,317	17,562
	Other	5	2
Investments	Investment Income	60,164	72,276
	Net increase/decrease in investments	218,068	-153,532
Payments	Benefits Paid	-113,811	-114,575
	Management Expenses	-17,835	-14,363
	Payment to and on account of leavers	-11,375	-15,861
<b>Net assets of the Scheme at the end of the year</b>		<b>4,374,121</b>	<b>4,303,713</b>

Additional information about the Pension Fund's expenditure against budget, administration, management and transactions costs, overpayment recovery and contribution receipts can be found in Appendix 2.

A Code of Transparency covering investment management fees and costs was developed and approved by the national Scheme Advisory Board (SAB) and launched in May 2017. Fund managers to the LGPS are being encouraged to sign up to this Code. Each of the West Sussex Pension Fund managers are signatories to the Code and completed and submitted the template for the relevant mandates for the year ending 31 March 2020. This information is being considered by officers. Further information about the Code can be found on the SAB's website.

## Investment Assets

Whilst member contributions, benefit payments and transfer terms are set nationally, West Sussex County Council has responsibility for determining and implementing the investment strategy of the Fund and for setting employer contribution rates (with the Actuary). Investment strategy and employer contributions are linked. Assets, determined by the investment policy, are held to pay benefits and to reduce the cost of the Scheme. Therefore it is important to have a policy which maximises the returns from investments, diversifies to keep risk within acceptable levels and has the right mix of investments (such as bonds and property) to provide stability. The table on the following page summarises the Pension Fund's investments at 31 March.<sup>3</sup>

<sup>3</sup> The total does not include cash internally managed by WSCC on behalf of the Pension Fund of £119.1m (31 March 2019: £53.6m).

	<b>31/03/2019</b>	<b>31/03/2019</b>	<b>31/03/2020</b>	<b>31/03/2020</b>	<b>Strategy</b>
	£m	%	£'m	%	
Listed equities	2,164.7	50%	1,984.5	47%	40%
Private equity	110.7	3%	90.7	2%	0%
Property	377.0	9%	366.1	9%	10%
Other Income <sup>4</sup>	-	0%	-	0%	10%
Bonds	1,556.9	36%	1,656.1	40%	40%
Cash	99.3	2%	87.4	2%	0%
Net investment assets/liabilities	4.9	-	-5.9	-	-
<b>Total</b>	<b>4,313.3</b>	<b>100%</b>	<b>4,178.8</b>	<b>100%</b>	<b>100%</b>

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<sup>4</sup> The Pensions Committee has made a strategic decision to invest in asset classes which will provide income and diversification to reduce volatility and to improve cash-flow. The asset classes allocated to in order to implement this decision are to be determined.

# Investment Performance

## Market Context and Fund Returns

The last 12 months has been a volatile period for investment markets, which has been reflected in the performance of the Fund over this period. Asset performance was generally positive for the period from April 2019 to early 2020 despite the impact of Brexit uncertainty and trade tensions between the US and China – with a key expectation to this being negative returns in UK bond towards the end of the calendar year (due to a brief period of rising yields). However, world events and the resulting market impact have since been dominated by the impact of Covid-19. Given the global spread of Coronavirus, and the impact of containment measures, latest consensus forecasts suggest the global economy will contract by over 2% in 2020. GDP in the major advanced economies is expected to fall more than during the global financial crisis of 2008.

Falling domestic demand globally and steep oil price declines, due to collapsing demand and over supply, are disinflationary. Inflation, which was already below target in the major advanced economies, is forecast to slow in 2020, with some Eurozone countries and Japan expected to enter deflation.

The US Federal Reserve (Fed) and the Bank of England (BoE) have cut rates to record lows. The Bank of Japan and the European Central Bank have joined the Fed and BoE in restarting and expanding their quantitative easing programs. The Fed's now unlimited purchase program will, for the first time, include corporate debt. At the same time, governments are making available unprecedented levels of fiscal support with the aim of limiting bankruptcies and unemployment.

Sterling initially drifted lower in 2019 before entering a period of strength that continued into 2020. However, Sterling fell precipitously in March and ended the period 2.1% lower versus overseas currencies with much larger falls recorded against the perceived havens of the dollar and yen.

### Bonds

The Fund has allocated 40% of its portfolio to bonds, to reduce year on year volatility and reduce the chances of poorer funding outcomes over the medium / long term to provide stability. The Committee increased the allocation to bonds as the funding position improved. The de-risking strategy started in 2017 and has now been fully applied. At 31 March 2020 the Fund held 40% of its portfolio in bonds.

The yields on government bonds fell in 2019 reflecting a weaker economic outlook, before plunging to record lows in March 2020. In the UK, 10-year nominal gilt yields fell from 1.0% p.a. to 0.36% p.a. Implied inflation fell as index-linked gilts fell less than fixed interest gilts due to lower inflation expectations.

The additional spreads on corporate bonds versus government bonds had initially reduced going into 2020, following a relatively benign period, until anticipation of economic disruption and a higher likelihood of defaults saw credit spreads widen significantly in March - finishing the period 1.1% p.a. higher. The sell-off in the US was more marked with spreads 1.8% p.a. higher. Falling underlying yields, reflecting rising prices of government bonds, cushioned the absolute fall in the value of corporate bonds.

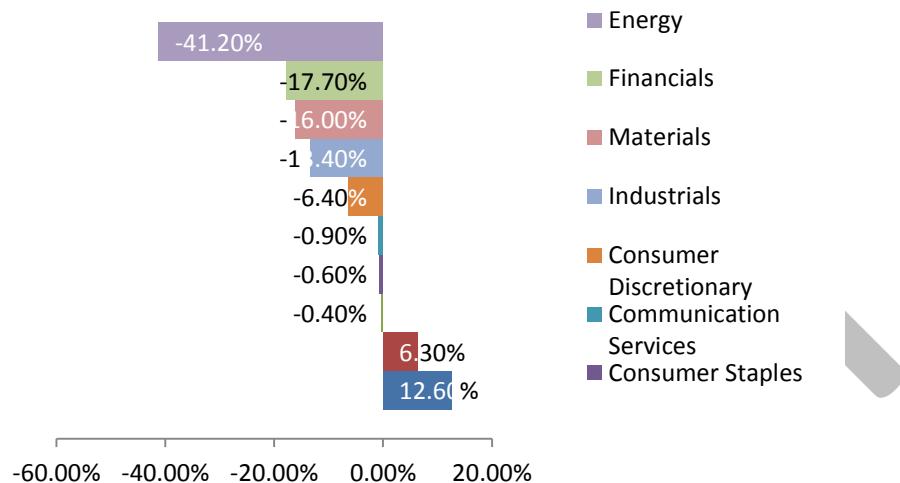
Unsurprisingly, sub investment grade credit spreads underperformed their investment grade counterparts with US and European high yield spreads rising 4.8% p.a. and 3.7% p.a., respectively. US markets underperformed European counterparts due to larger exposure to the oil and gas sector.

Overall the bond market provided a positive return over the full 12 month period. Whilst traditionally bonds provide a lower return to equities, the Fund's holdings provided protection during the recent market volatility and dampened the funding level impact of the market dislocation. The Fund's portfolio underperformed the market with a return of 1.9% (against a benchmark of 3.3%) and 4.6% (against a benchmark of 5.9%). This reflects the portfolios overweight positions in energy, the relative allocation to bonds with a lower credit rating and the relative underweight position to government bonds (which returned 10% over the year compared to sterling investment grade corporate bonds which generated a return of 1.7%).

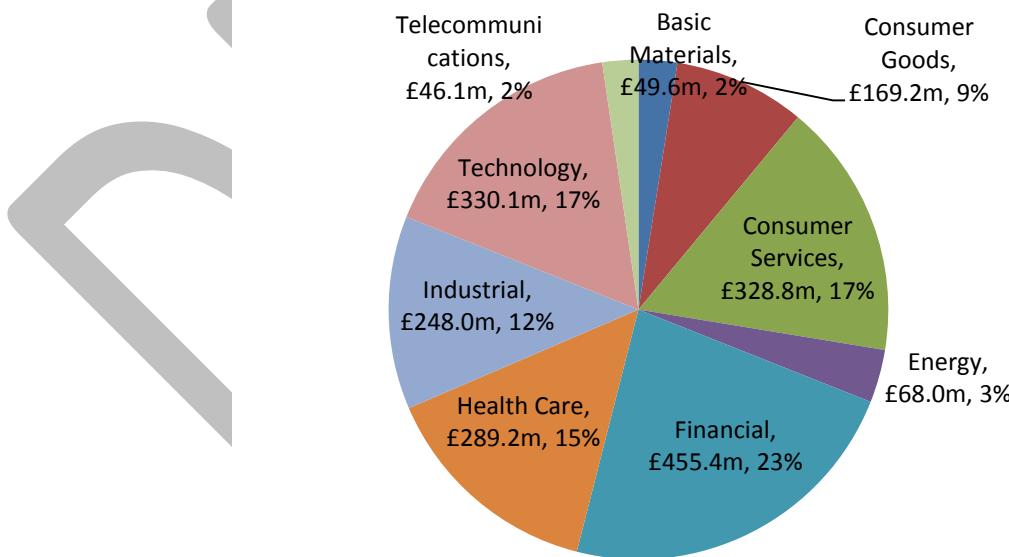
## Equities

The Fund has allocated 40% of its portfolio to equities, to provide portfolio growth and reduce the contribution required from employers. The Committee reduced the allocation to equities as the funding position improved and it sought to reduce its exposure to more volatile asset classes. At 31 March 2020 the Fund held 47% of its portfolio in equities.

Global equity markets fell 9.6% in local currency terms and 6.2% in sterling terms, as sterling weakness benefited unhedged investors. Global stock markets put in a good performance for most of the reporting period. This ended in late February. The UK equity market was the worst performer over the year and saw the largest falls in the quarter to 31 March given its exposure to the oil and gas sector while the US market outperformed. Traditional defensive sectors such as telecoms, healthcare, utilities and consumer goods performed better than the broader market – with technology stocks being the standout performers. The index returns by sector over the year is shown below:



The Fund has a portfolio comprising the companies that are expected to provide the best long term returns. The chart below show the diversified industry exposure within the directly held equity portfolio. This represents £1,984 m.



Overall the global equity market lost value over the year (-6.2%). The Fund's overall performance was impacted by its relative overweight position in UK equities relative to global, whilst the global equities portfolios provided a mixed return (one underperforming the market with a return of -10.1% and the other outperforming with a return of -1.2%), reflecting the underlying stock selection within the portfolios. Holdings in a number of healthcare-related companies in the portfolio (such as Teladoc (telemedicine) and Olympus (medical equipment)) and those within the technology sector (such as Alibaba) performed well, whilst online retailer Amazon was one of the few companies which benefited directly from COVID-19, as online demand saw a boost. Amongst the detractors were several of the banking stocks held, including Banco Bradesco and Bank of Ireland, energy companies such as Apache (or those businesses which are to some degree reliant on the energy sector), and the travel sector.

## Property

The Fund has allocated 10% of its portfolio to property, to provide it with a steady income source and to assist with its cashflow requirements. At 31 March 2020 the Fund held 9% of its portfolio in property.

UK commercial property market returns continued to slow, returning 0.1% in the 12 months to 31 March 2020, with income return insufficient to offset declining capital values. A number of UK property funds have suspended dealing as property valuers have been unable to accurately value the underlying assets with any certainty, inserting material uncertainty clauses into their valuations.

Over the year the portfolio outperformed the market with a return of 0.6% (benchmark return -0.2%) this demonstrate the lower volatility, income driven, characteristics of the asset class and reflective of the quality of assets held within the portfolio.

#### Private Equity

The Fund is winding down its investments in private equity, and therefore currently has a 0% allocation. At 31 March 2020 the Fund held 2% of its portfolio in private equity.

Private equity returns were flat over the year reflecting the volatility in the equity market and their lag. However it is important to consider illiquid asset classes, such as private equity over longer term time horizons.

#### **Responsible Investment**

The Pension Fund is a long term investor and therefore seeks to deliver financial sustainable returns to meet the future pension benefits of our members. As a result the Fund feels that it is important that Environmental, Social and Governance (ESG) issues are integrated into its investment processes and ownership practices - in the belief that this can positively impact financial performance. As long term investors, the Fund requires the portfolio managers to perform their stewardship role actively to support the investment process that is looking to identify and generate long term sustainable corporate growth. This is achieved through:

- Investing responsibly rather than divesting or restricting the investment opportunities. All investments are managed on behalf of the Pension Fund by external fund managers who make investment decisions. However the fund managers are required to demonstrate that they have invested in the best performing companies that are financially and environmentally sustainable, adopt high standards of governance and provide financial benefit. In turn, the fund managers invest considerable resources to support their research driven investment decision making, long term stewardship and engagement with companies on the future direction and the risks associated with their business, including climate change.
- Having a dialogue with companies on a variety of environmental, social and governance issues such as strategy, performance, business ethics, corporate governance, climate change, human capital and supply chain management and building relationships with management and board members helps fund managers to understand and influence less tangible aspects of a company, such as corporate culture. Corporate engagement can deepen the knowledge of and confidence in those companies invested in, build relationships and collaboration with company management and allows our managers to, where necessary, drive corporate conduct on issues that affect the companies' long-term value - such as climate change. Some examples of active engagement are below:

Company	Comment
Facebook	Our managers met with Facebook's Chief Financial Officer and Head of Global Policy Management. The cultural shift from 'move fast and break things' to 'move slower and balance responsibilities' has been led from the top in recognition of the need for a more inclusive approach given that the platform has almost ubiquitous reach. Working with regulators and government, the company is also making progress on setting and enforcing the rules on what content can be shared on the platform.
CRH	Our managers met the new chairman of the international building materials and products business, focusing on long-term strategy, board composition, remuneration and the company's approach to carbon. The company has worked to

	reduce emissions at every stage of production and is now looking at carbon capture technology to help improve efficiencies and reduce carbon emissions further. This represents a proactive approach which is evidenced through industry leading transparent reporting.
BGCO Corporation	Our managers have been invited by the company to provide feedback on their ESG performance and disclosure. In addition to recommending that the company look at the Task Force on Climate-related Financial Disclosures (TCFD) and CDP disclosure frameworks to enhance future reporting, our managers encouraged the company to review and address board independence, alignment of executive pay with company performance, disclosure on emissions, toxic releases and setting up of reduction targets, and employee engagement. They also commended the company for its Research and Development investments in new farming solutions.
Blanco Animal Health	Our managers engaged with the company to provide guidance on investor expectations with regard to their ESG key performance indicators and issuance of their first Corporate Social Responsibility (CSR) report in 2021. In addition, our managers discussed the company's remuneration plan and encouraged the company to make enhancements by linking at least 50% of the awards in the long term incentive plan to specific and disclosed performance conditions.

- Actively using shareholders votes to promote and support good corporate governance and the investment managers will exercise voting rights on behalf of the Fund. The table below illustrates the active voting record for the Fund's portfolio for each financial year since 2015/2016. It is normal for there to be a lower number of votes cast in overseas markets for a variety of reasons including share blocking, powers or attorney, or a requirement for wet signatures or physical attendance at the meeting.

Year	UK	Overseas
2015/2016	100%	94%
2016/2017	100%	95%
2017/2018	100%	94%
2018/2019	100%	95%
2019/2020	100%	96%

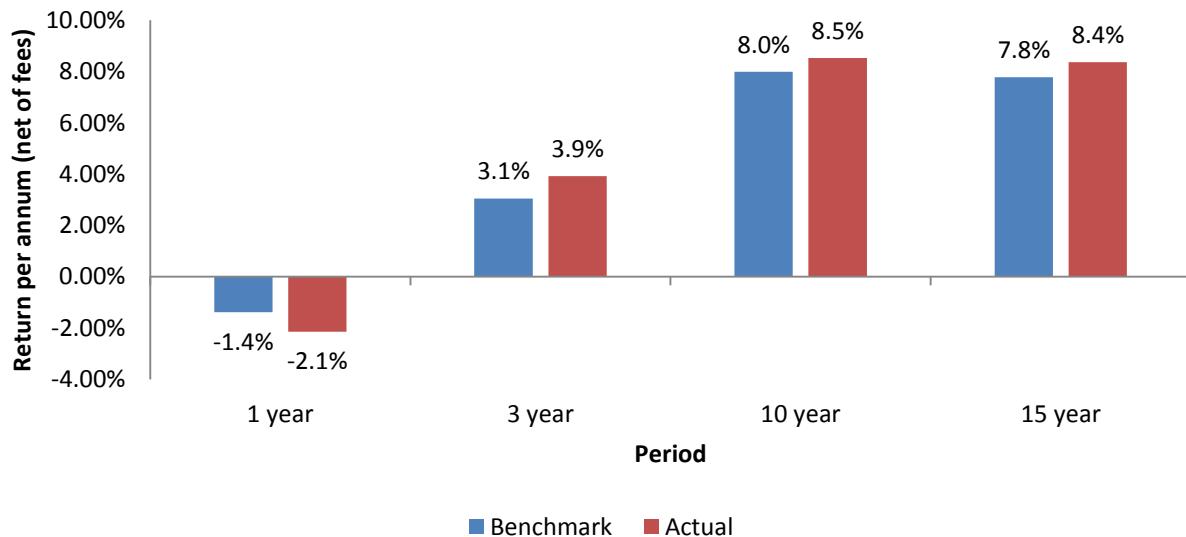
## Stock Lending

To maximise the returns it can achieve on its investments, the Pension Fund has implemented a stock lending programme. Stock lending is a market practice where securities are temporarily transferred by one party (in this case the Pension Fund) to another (the borrower).<sup>5</sup> Over the year £0.282m income, net of fees, was generated from the Funds stock lending programme. Further information about the performance of this programme has been set out in Appendix 4.

<sup>5</sup> Borrowers for the Pension Fund are limited to UK authorised persons and EEA regulated entities.

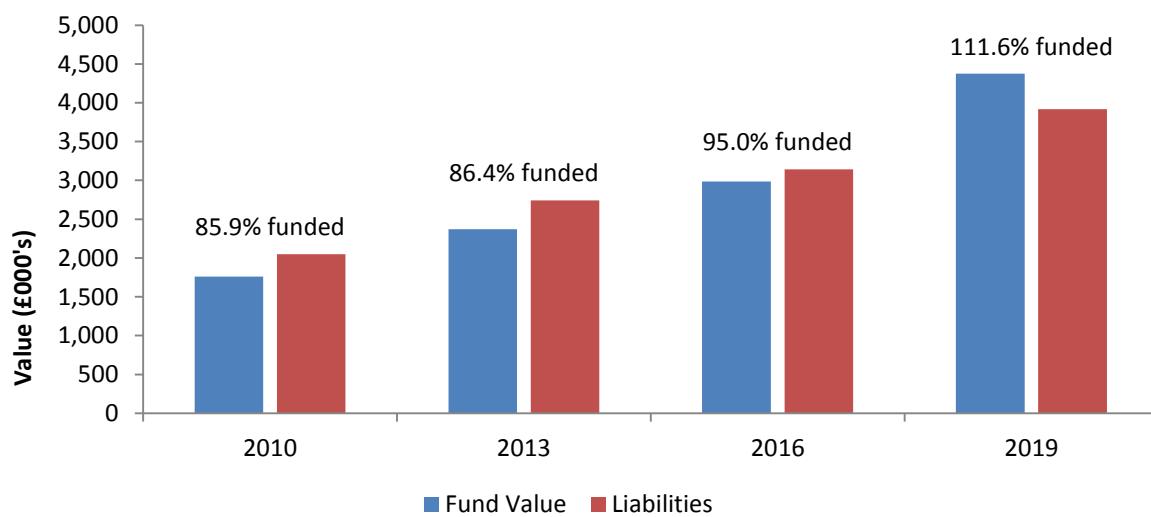
# Pension Fund Performance

The Fund's overall investment performance can be summarised below.



Further detail about performance by individual manager can be found in Appendix 5.

A key health check of the Pension Fund's performance is the Pension Fund's valuation which is carried out by the Fund's actuary every three years. The latest valuation (at 31 March 2019) showed the Fund's funding level had improved to 112% (31 March 2016: 95%). This has allowed the Pension Fund to reduce contribution rates for its major employers where appropriate.



At 31 March 2020 the Fund was estimated to be 102% funded.

The funding level is only a short term measure. The LGPS remains an open scheme, with a strong covenant and therefore should be able to take a long term outlook when considering the general funding implications of such external events. Therefore it is not proposed that the long term funding and investment plans or employer contribution rates are amended at this time. The Fund will continue to monitor risks on an ongoing basis and consider appropriate actions where necessary.

# Administration Performance

The Fund has a key objective to deliver a high quality administration service to all stakeholders with processes and procedures to ensure the quality of the information held, that it receives all income due and makes payments to the right people at the right time.

The Pension Administration team are focused on delivering a high-quality, customer-focused service to members. Hampshire County Council has provided the Pension Administration service for the Fund since 4 March 2019.

## Value for Money Statement

Value for Money is demonstrated in our administration service through:

- A reduced number of complaints in 2019/20, 54 compared to the 76 received in 2018/19 (nine months to 31 December 2018).
- In May 2019 Hampshire Pension Services improved their accreditation of Customer Service Excellence (CSE) which confirmed the continued compliance with the 57 required CSE areas and were recognised for the very high standards of performance against seven areas.
- 100% compliance in the performance indicators as listed in the case type table above.

Going forward in 2020/2021 the following projects are being undertaken;

- Implementation of the data improvement plan to advance the data quality.
- The rolling out of an Employer Hub to provide employers with immediate access to their employee records, submit joiner and leaver forms online and run their own retirement quotes
- Introducing an online retirement quote function to the member portal

## Performance against Administration Strategy

The table below shows performance against the Administration Strategy dealt with by the team and their performance for the 12 months to 31 March 2020.

Case Type	No. Cases	Target working days	% on Target
<b>Additional Voluntary Contributions</b>	114	10	100%
<b>Change in Member Details</b>	1,447	15	99%
<b>Death Benefits – acknowledgement in writing of notification</b>	510	5	91%
<b>Death Benefits – notification to beneficiaries</b>	489	15	98%
<b>Divorce Estimates</b>	206	15	70%
<b>Leaver Forms – notification of benefits and rights to deferred member</b>	2,707	30	81%
<b>Leavers – repay contribution with less than two years membership</b>	638	20	97%
<b>Leavers – payment of individual transfers out</b>	68	15	73%
<b>Leavers – bulk transfers out</b>	0	Individual case basis	n/a
<b>New Starters – set up member record</b>	2,083	20	99%
<b>New Starters – notification to member of transfer in of pension payment</b>	128	15	99%
<b>New Starters – bulk transfers in</b>	0	Individual case basis	n/a
<b>Payment of Retirement Benefits</b>	1,089 <sup>6</sup>	15	99%
<b>Retirement Estimates</b>	1,486	15	89%

<sup>6</sup> The figures shown is the number of cases processed during the year. However there were 922 actual retirements between 1 April 2019 and 31 March 2020. Of these 22 were ill health early retirements, 52 were as a result of redundancy and 848 were voluntary retirements (ie. a member reaching normal retirement age).

Performance over the full year reflects issues associated with the transfer of the service to the new provider. However, during the latter part of the year the team achieved 100% compliance with the performance indicators listed above.

Members and employers of the Fund are able to provide feedback about their experiences of dealing with the Fund, to help with improving the service. The Pension Fund has a compliments and complaints process which is available on its [website](#). During 2019/20, 54 complaints were received. There were no trends in the complaints and they were not considered to identify a consistent failure or poor service. As part of the complaint resolution process, actions to prevent recurrence are considered and put in place if necessary.

## Staff & Casework

The equivalent of 24 full time members of staff are assigned to the administration of the Fund. The average number of cases per staff in 2019/20 was 809 and the ratio of staff to fund members is 1 to 3,325.<sup>7</sup>

## Data Quality

Key to the administration of the Scheme is good quality member data to ensure we keep track of each employer's position, collect the right contributions, invest appropriately and pay benefits to members as and when they fall due. The Pension Regulator requires that the Fund carries out checks against the presence of "common data" which is necessary for basic pension administration (e.g. surname, National Insurance number, date of birth) and "conditional data" which is specific for the administration of the LGPS (e.g. employment records and history). The results for the Fund are shown below:

	Target	Actual
<b>Common Data</b>	100%	95%
<b>Conditional Data</b>	N/A	89%

A data improvement plan has been developed by the Pension Fund in consultation with the administration team and the Fund Actuary. It is anticipated that this will be delivered over a period to March 2021.

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<sup>7</sup> Analysis based on 19,404 cases. This includes all cases listed in the Administration Strategy analysis plus changes of address, bank details and death grant nominations, refund quotes, general record maintenance and all Payroll related work but excludes bulk processing (such as applying pensions increase, processing annual returns, producing annual benefit statements) and the handling of phone calls and emails.

# Risk and Control

## Risk Register

The Pension Fund maintains a risk register to identify key risks, consider and assess the significance, likelihood of occurrence and potential impact of the risk. Key areas of risk are highlighted below:

Poor quality data resulting in error and misstatement.	Poor decision making and disengagement on key issues as a result of officer, Committee and Board lack of knowledge and understanding.	Insufficient funds to meet liabilities resulting in increased contributions required from employers or changing to a higher risk investment strategy	Insufficient resources to comply with the Administering Authority's Regulatory responsibilities.
The introduction of asset pooling impacting on the Fund's ability to implement its investment strategy successfully	Failure to secure value for money through managing contracts with third parties	Political environment (locally or nationally) impact on investment markets and legislative requirements.	Conflict of interest for members and employers
Increase in variety and number of employers participating in the Scheme resulting in risk of non-compliance with obligations.		Cyber crime resulting in personal data for members being accessed fraudulently	

A full risk register can be found in Appendix 6.

## Audit

The internal audit team are responsible for evaluating the effectiveness of the risk management, control and governance processes to support the risk framework. During the year three audits were undertaken which covered the National Fraud Initiative, externally managed investments and governance and strategy. Further information about the audit conclusions can be found in Appendix 7.

Southern Investment Audit Partnership (SIAP) also provide an annual report on all audits undertaken to the Regulations, Audit and Accounts Committee every July. This report can be found on the County Council's [website](#).

This internal audit work is in addition to the external audit which is carried out by Ernst & Young LLP and takes place annually. The external audit focuses on the Pension Funds Financial Statements and ensuring that they are prepared in line with CIPFA's Code of Practice.

## Appendix 1A – Committee and Board Membership and Attendance

### Pension Committee

		Member of Committee Since	Meetings Attended	Internal Training Sessions Attended	External Training Sessions Attended
Jeremy Hunt <i>Chairman County Councillor</i>		2016	4/4	2	2
David Bradford <i>County Councillor</i>		2017	4/4	2	2
Joy Dennis <i>County Councillor</i>		2017	3/4	2	4
Brian Donnelly <i>District Councillor</i>		2015	4/4	2	1
Roger Elkins <i>County Councillor</i>		2018	4/4	2	0
Nigel Jupp <i>County Councillor</i>		2017	4/4	2	3
Judith Taylor <i>Member Rep</i>		2016	3/4	0	3
Deborah Urquhart <i>County Councillor</i>		2013	4/4	1	1
James Walsh <i>County Councillor</i>		2012	4/4	2	1

Internal training sessions offered to the Committee covered financial statements, ESG training and an ACCESS Investor Day.

External training sessions attended included events hosted by CIPFA, the PLSA, the LGA, Baillie Gifford and Aberdeen Asset Management.

## Pension Advisory Board

		Member of the Board Since	Meetings Attended	tPR Toolkit	Internal Training	External Training
Peter Scales <i>Chairman Independent</i>		2015	4/4	Complete	3	3
Becky Caney <i>Member Representative</i>		2018	4/4	Complete	3	0
Richard Cohen <i>Employer Representative</i>		2015	3/4	Complete	4	0
Miranda Kadwell <i>Employer Representative</i>		2018	3/4	Complete	4	2
Kim Martin <i>Employer Representative</i>		2016	3/4	Complete	4	0
Christopher Scanes <i>Member Representative</i>		2015	4/4	Complete	3	1
Tim Stretton <i>Member Representative</i>		2017	3/4	Complete	2	2

Internal training sessions offered to the Pension Advisory Board in 2019/20 covered financial statements, ESG, Fund Governance, Hampshire Pension Services Administration and the valuation.

External events were hosted by CIPFA.

## Appendix 1B – Officers and Advisers

### Officers of the Fund

Scheme Manager (and s151 officer) - Katharine Eberhart

Fund Accountant - Nadine Muschamp



### Pension Administration

Responsibility for administration of the Scheme was transferred to Hampshire County Council with effect from 4 March 2019.



### Investment Managers

The Pension Fund invests money not required immediately to pay benefits into a portfolio of equities, bonds, property and private equity via external managers.

Cash is also managed by WSCC's Treasury Management Team in accordance with the Treasury Management Strategy, which can be found on the council [website](#).



### LGPS Asset Pool

As part of the summer Budget in 2015, the Chancellor announced that administering authorities were required to pool LGPS investments, to deliver significantly reduced costs while maintaining overall investment performance. In response WSCC joined with ten other authorities to create the ACCESS LGPS Asset Pool.

Link have been appointed as Operator to the ACCESS Pool - providing the sub-funds available for authorities to invest.



### Fund Actuary

Member contribution rates are fixed by Central Government. However the Actuary is required to set employer contribution rates to ensure benefits under the Scheme are properly funded. The County Council has appointed Hymans Robertson as Fund Actuary.



### Independent Adviser

Caroline Burton has been appointed to support the Pensions Committee through reviewing investment activity, giving advice on general investment matters, assisting in the selection of new managers and offering a practical approach to address and control risk. Caroline was an executive director at Investment Guardian Royal Exchange for a number of years and is currently a non-executive director at three investment related companies.



### Internal Auditor

Southern Internal Audit Partnership (SIAP) provides our internal audit service to assist WSCC in ensuring it has appropriate risk management processes, control systems,



accounting records and governance arrangements in place.

#### **External Auditor**

Ernst & Young have been appointed as external auditors for WSCC to give a view of the financial transactions of the Pension Fund and the amounts and presentation of the fund's assets and liabilities.



#### **Custodian**

A global custodian arranges for the safekeeping of the Fund's assets (excluding property, private equity, pooled investments and some cash), settlement of transactions effected by fund managers, timely collection of income and other administrative actions. Northern Trust were appointed by the County Council to provide global custody services, stock lending facilities and performance measurement service from July 2019.



#### **Legal Adviser**

West Sussex County Council's legal services team provide advice for advice covering conveyancing, investment and employer issues.

#### **AVC Provider**

All LGPS's have an Additional Voluntary Contribution (AVC) arrangement in which employees can invest money deducted directly from pay. This is arranged through an AVC provider, often an insurance company or building society. These schemes provide members with a flexible and tax-efficient way of topping up their retirement benefits. The current provider is Standard Life, although some members retain paid up plans with Utmost Life and Pensions, the previous provider.



## Appendix 2A – Net Asset Statement

[To follow]

DRAFT

## Appendix 2B – Further financial Information

### Cashflow Estimate v Actual

The table below compares estimated and actual income and expenditure during the year. The Pension Fund maintains an account for each employer participating in the Scheme showing its contributions received, the benefits paid to its members and its share of investment income, administration and investment costs and investment assets.

	2018/19		2019/20	
	Actual		Estimate	Actual
	£m	£m	£m	£m
Contributions (members and employers) <sup>8</sup>	127.5		133.7	136.8
Income on pension fund investments	60.2		60.8	69.0
Pensions paid	-113.8		-116.2	-114.6
Net Transfers in /(out)	-4.3		7.3	-1.8
Administration and Governance Costs	-2.3		-2.1	-2.5
Investment Management Costs	-15.5		-15.8	-11.9

### Transaction Costs

It is considered good practice that the Committee has a full understanding of the transaction related costs they incur and since 2003 the Fund has commissioned a trading cost analysis which shows commissions, fees and market impact costs incurred by the Fund over the year against an institutional average.<sup>9</sup> In sterling terms, the Fund has made a cost ‘saving’ of £18.3m against the institutional average over the fifteen years that the Elkins/McSherry report has been produced in full through efficient trading. This has been summarised in the table below.

	Fund £	Fund BP	Universe BP
<b>Commission</b> Paid by managers to brokers at the time of the stock trade. Managers are required to report commissions between trade execution and research, rather than reporting a single commission charge.	400,691	3.5	13.6
<b>Fees</b> Mandatory costs such as stamp duty and local taxes.	668,200	5.8	3.8
<b>Market Impact</b> The difference between the trade execution price and the Volume Weighted Average Price (VWAP) of the stock on trade date.	427,720	3.7	2.4
<b>Trading Cost 2019/20</b> Commission plus market impact and fees.	1,496,611	13.0	19.8
2018/19	1,447,255	14.4	17.4

<sup>8</sup> Figure includes a £2.4m payment relating to an exit credit due to an exiting employer for 2018/19 £0.4m payment relating to an exit credit due to an exiting employer in 2019/20. The figure for 2019/20 also includes £0.9m refunds in contributions paid back to members.

<sup>9</sup> The Elkins/McSherry Universe is a compilation of actual trade data from hundreds of institutions. They provide trading efficiency analyses that determine the relative cost to trade on various stock exchanges globally and the effectiveness of trades and brokers. This trading data is used to create an institutional average universe of commissions, fees and market impact costs. During the year to 31 March 2020, Elkins McSherry monitored £1.16bn in global equities transactions across 2486 trades (2018/19: £999.83m / 2159 trades).

## Recovery of Overpayments

Overpayments mainly occur when pension payments have continued after a pensioner has died but could also relate to divorce cases or childrens' pension payments. The invoices raised to cover this are analysed below:

	2018/19	2019/20
	£'000	£'000
<b>Brought Forward</b>	<b>88</b>	<b>97</b>
Overpayment	73	44
Recovered	-49	-47
Raised in error	0	-7
Written Off	-15	-5
<b>Carry Forward</b>	<b>97</b>	<b>82</b>

## Administration and Management Costs

Each Administering Authority is required to provide the Ministry of Housing, Communities and Local Government (MHCLG) with information about its administration and fund management for inclusion in the National Accounts (the SF3 Return) and this information can be used as a benchmark.

This SF3 benchmark comparator is available a year in arrears. Therefore the table below compares the Pension Fund's costs for 2018/19 against other Local Authorities SF3 Return alongside comparative information for WSCC only for 2018/19.<sup>10</sup>

	2018/19	2018/19	2019/20
	Total SF3	WSCC	WSCC
	£	£	£
Administrative, oversight, governance and investment management	222.27	237.20	180.03
Administrative, oversight and governance costs only (excluding investment management)	32.68	31.13	30.84

<sup>10</sup> The 2018/19 information can be found on the [Gov.uk website](#).

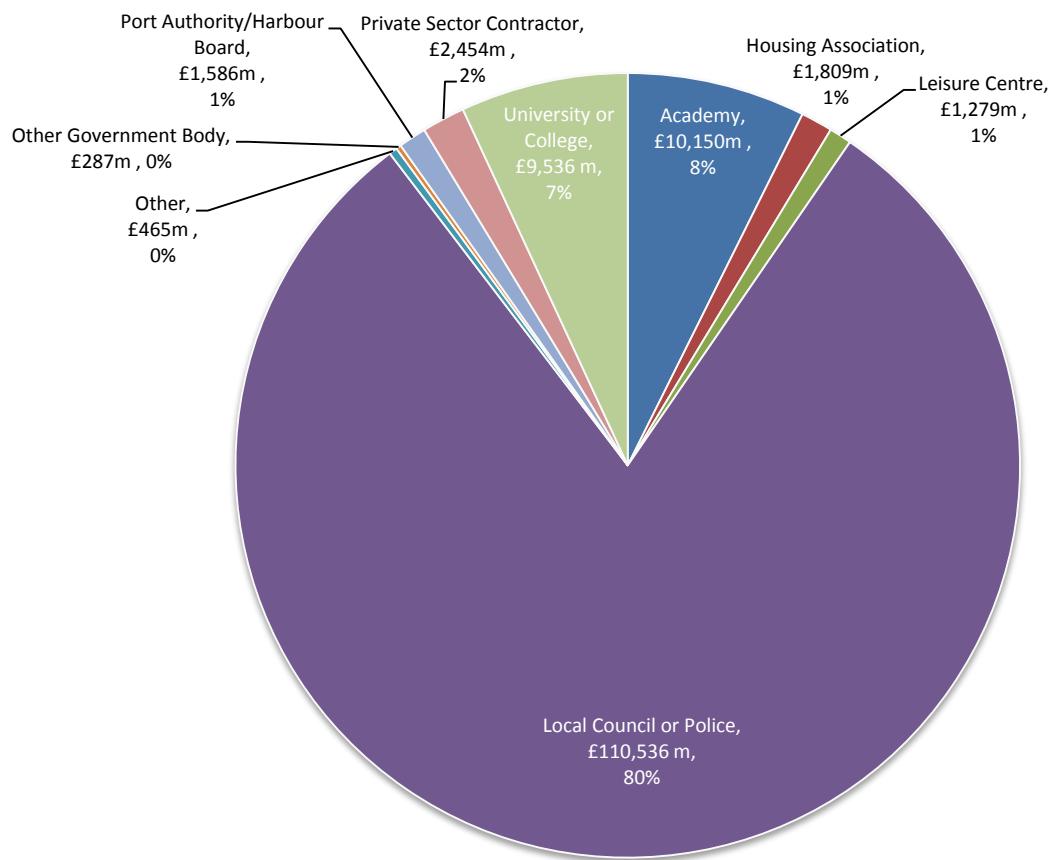
## Appendix 3 – Contributions by Employer

### Contribution Receipts

The table below shows some key statistics for contribution receipts for 2019/20. Contributions must be received by the Fund by the 22<sup>nd</sup> of the month following the deduction from pay.

	2018/19	2019/20
No. Contribution Payments Received	2,271	2,308
Payments received on time	99.7%	99.96%
Interest Charged	£0	£0

The Fund received a total of £138.1m in contributions during the year (£108.9m from employers and £29.2, from employees). This is analysed by employer type below:



Of the Fund's total 151 active employers, the Fund received contributions from 16 employers in excess of £1m during the year – this equates to 87% of the total contributions received. The employers paying in excess of £1m per annum in contributions are listed below.

Employer	Total Contributions	% of Total Contributions to the Pension Fund
WEST SUSSEX COUNTY COUNCIL	59,943	43.4%
SUSSEX POLICE & CRIME COMMISSIONER	20,132	14.6%
ADUR/WORTHING JOINT COMMITTEE	4,767	3.5%
CRAWLEY BOROUGH COUNCIL	4,587	3.3%
ARUN DISTRICT COUNCIL	4,074	3.0%
CHICHESTER COLLEGE	3,912	2.8%
CHICHESTER DISTRICT COUNCIL	3,875	2.8%
MID-SUSSEX DISTRICT COUCNIL	3,372	2.4%
HORSHAM DISTRICT COUNCIL	3,313	2.4%
GREATER BRIGHTON METROPOLITAN COLLEGE	2,693	2.0%
UNIVERSITY OF CHICHESTER	2,503	1.8%
WORTHING BOROUGH COUNCIL	2,031	1.5%
ADUR DISTRICT COUNCIL	1,588	1.2%
SHOREHAM PORT AUTHORITY	1,339	1.0%
SAXON WEALD HOMES	1,302	0.9%
SOUTH DOWNS NATIONAL PARK	1,200	0.9%
All other active employers	17,452	12.6%
	138,083	

The total employer contribution receipts are shown below:

Employer	Employer Contributions £'000	Employee Contributions £'000	Total £'000
ADUR DISTRICT COUNCIL	1,473.37	114.15	1,587.52
ADUR/WORTHING JOINT COMMITTEE	3,598.06	1,169.43	4,767.49
ANGMERING PARISH COUNCIL	28.22	8.14	36.36
ANSTY/STAPLEFIELD PARISH COUNCIL	4.01	1.07	5.08
ARDINGLY PARISH COUNCIL	3.57	0.94	4.52
ARUN DISTRICT COUNCIL	3,372.85	701.57	4,074.42
ASHINGTON PARISH COUNCIL	4.08	1.09	5.17
ASHURSTWOOD PARISH COUNCIL	5.21	1.34	6.55
ASPIRE SUSSEX LTD	116.84	28.48	145.32
BALCOMBE PARISH COUNCIL	3.35	0.86	4.21
BALDWINS HILL SCHOOL	39.90	9.29	49.20
BALFOUR BEATTY LTD	138.86	34.48	173.34
BAM UK LTD	3.57	4.07	7.63
BARNHAM & EASTERGATE PARISH COUNCIL	7.56	2.02	9.59
BARNHAM PRIMARY ACADEMY	67.96	16.47	84.43
BERSTED PARISH COUNCIL	12.54	3.74	16.28
BEWBUSH ACADEMY	140.06	34.81	174.87
BILLINGSHURST PARISH COUNCIL	34.34	9.46	43.80
BISHOP LUCCA SCHOOL	220.90	58.75	279.65
BLACKTHORNS PRIMARY ACADEMY	50.39	11.36	61.74
BOGNOR REGIS TOWN COUNCIL	71.02	21.20	92.22

Employer	Employer Contributions £'000	Employee Contributions £'000	Total £'000
BOHUNT SCHOOL HORSHAM	11.14	3.09	14.23
BOHUNT SCHOOL WORTHING	90.10	25.66	115.76
BOLNEY PARISH COUNCIL	2.40	0.61	3.01
BROADBRIDGE HEATH PARISH COUNCIL	5.31	1.39	6.71
BROADFIELD PRIMARY ACADEMY	137.18	32.50	169.68
BURGESS HILL ACADEMY	178.50	41.84	220.34
BURGESS HILL TOWN COUNCIL	93.40	33.34	126.74
CAPITA	431.61	141.19	572.80
CAPITA (SSO)	715.11	179.36	894.47
CARE QUALITY COMMISSION	0.00	2.93	2.93
CARERS SUPPORT 2017	6.20	1.66	7.86
CATERLINK BOURNE COMMUNITY COLLEGE	18.00	4.15	22.15
CATERLINK SHOREHAM ACADEMY	3.82	0.93	4.76
CENTRAL C of E ACADEMY	29.92	8.24	38.16
CHANGE GROW LIVE	19.85	4.43	24.28
CHICHESTER CITY COUNCIL	51.12	17.93	69.05
CHICHESTER COLLEGE	2,975.10	936.65	3,911.75
CHICHESTER DISTRICT COUNCIL	2,950.39	924.90	3,875.30
CHICHESTER FREE SCHOOL	154.10	46.93	201.02
CHICHESTER HARBOUR CONSERVANCY	149.85	46.32	196.17
CHICHESTER HIGH SCHOOL	196.61	51.66	248.27
CHIEF CONSTABLE SUSSEX POLICE	240.48	84.66	325.15
CHURCHILL BISHOP TUFNELL	4.00	0.89	4.89
CHURCHILL BERSTED	4.86	1.08	5.94
CHURCHILL BOGNOR NURSERY SHCOOL	1.70	0.38	2.08
CHURCHILL COASTAL	0.90	0.23	1.13
CHURCHILL NORTHOLMES	1.07	0.24	1.30
CHURCHILL NYEWOOD JUNIOR SCHOOL	1.13	0.23	1.36
CHURCHILL THE FOREST	3.67	1.23	4.90
CHURCHILL WEST CHILTINGTON	1.31	0.33	1.64
COLGATE PARISH COUNCIL	1.55	0.39	1.94
COLLYERS COLLEGE	338.44	89.38	427.82
CRAWLEY BOROUGH COUNCIL	3,510.59	1,076.59	4,587.18
CUCKFIELD PARISH COUNCIL	21.65	5.93	27.58
DESMOND ANDERSON PRIMARY ACADEMY	143.76	32.90	176.67
DONNINGTON PARISH COUNCIL	1.39	0.35	1.75
DOWNSBROOK PRIMARY SCHOOL	48.05	11.64	59.70
DOWNVIEW PRIMARY SCHOOL	83.76	20.95	104.71
DURRINGTON HIGH SCHOOL	304.08	75.72	379.80
EARNLEY PARISH COUNCIL	1.57	0.43	2.00
EASEBOURNE PARISH COUNCIL	2.37	0.60	2.96
EAST GRINSTEAD TOWN COUNCIL	99.54	35.00	134.54
EAST PRESTON JUNIOR SCHOOL	41.43	10.10	51.53
EAST PRESTON PARISH COUNCIL	12.15	3.57	15.72

Employer	Employer Contributions £'000	Employee Contributions £'000	Total £'000
EAST WITTERING & BRACKLESHAM PARISH COUNCIL	6.81	2.04	8.85
EASTBROOK PRIMARY ACADEMY	101.63	24.85	126.48
EDWARD BRYANT	113.56	27.53	141.09
ESSEX CARES LTD 2017	122.44	18.07	140.51
FERNHURST PRIMARY	42.92	10.18	53.10
FERRING PARISH COUNCIL	12.25	3.35	15.60
FIREFIGHTERS CHARITY	21.01	1.72	22.74
FISHBOURNE PARISH COUNCIL	2.53	0.64	3.18
FITTELWORTH PARISH COUNCIL	2.26	1.57	3.83
FORGE WOOD PRIMARY SCHOOL	32.55	10.30	42.85
FREEDOM LEISURE 6 VILLAGES	0.94	0.26	1.19
FREEDOM LEISURE ARUN	112.23	24.79	137.02
GOSSOPS GREEN COMMUNITY PRIMARY SCHOOL	95.38	27.15	122.53
GRACE EYRE NORTHERN	18.30	4.91	23.21
GRACE EYRE WESTERN	18.35	4.97	23.32
GREENWAY ACADEMY	45.19	12.94	58.14
GREATER BRIGHTON METROPOLITAN COLLEGE	2,192.95	500.49	2,693.44
HALSFORD PARK SCHOOL	93.22	23.18	116.40
HARLANDS PRIMARY SCHOOL	59.24	13.59	72.82
HASSOCKS PARISH COUNCIL	21.55	6.29	27.84
HAYWARDS HEATH TOWN COUNCIL	46.53	13.32	59.85
HAZELWICK ACADEMY	263.81	75.65	339.46
HOMES AND COMMUNITIES AGENCYCA	240.45	43.79	284.24
HENFIELD PARISH COUNCIL	7.80	2.34	10.14
HILLTOP PRIMARY SCHOOL	113.39	30.59	143.97
HOLMBUSH PRIMARY ACADEMY	56.36	12.97	69.34
HORSHAM DISTRICT COUNCIL	2,484.75	827.94	3,312.68
HUNSTON PARISH COUNCIL	3.04	0.81	3.85
HURSTPIERPOINT PARISH COUNCIL	19.12	5.34	24.46
IMPACT INITIATIVES	1.46	0.39	1.85
IMPULSE LEISURE	49.60	19.26	68.86
INNOVATE SERVICES	17.87	3.71	21.58
KINGSHAM PRIMARY SCHOOL	74.74	17.38	92.12
LANCING PARISH COUNCIL	31.11	9.25	40.36
LAURELS PRIMARY SCHOOL	39.33	8.83	48.16
LINDFIELD PARISH COUNCIL	11.52	3.23	14.76
LINDFIELD PRIMARY ACADEMY	87.76	19.74	107.51
LINDFIELD RURAL PARISH COUNCIL	3.50	0.94	4.44
LITTLEHAMPTON ACADEMY	248.94	73.20	322.13
LITTLEGREEN ACADEMY	78.47	18.21	96.68
LITTLEHAMPTON HARBOUR	36.82	13.38	50.20
LITTLEHAMPTON TOWN COUNCIL	91.73	26.97	118.69
MARTLET HOMES	389.80	117.31	507.11
MEARS LTD	26.68	7.64	34.32

Employer	Employer Contributions £'000	Employee Contributions £'000	Total £'000
MEDIASORT	3.64	0.99	4.62
MEDMERRY PRIMARY SCHOOL	43.56	10.47	54.03
MIDHURST ROTHER COLLEGE	179.74	51.25	230.99
MIDHURST TOWN COUNCIL	12.21	3.20	15.42
MID-SUSSEX DISTRICT COUNCIL	2,756.32	615.54	3,371.86
THE MILL PRIMARY ACADEMY	83.57	23.77	107.35
MITIE LTD	32.02	9.10	41.12
MUNTHAM HOUSE SCHOOL	329.62	102.14	431.76
NEW HORIZONS ACADEMY	4.42	1.04	5.45
NORTH HORSHAM PARISH COUNCIL	45.66	14.28	59.95
NORTH MUNDHAM PARISH COUNCIL	2.51	0.69	3.20
NORTHLANDS WOOD PRIMARY SCHOOL	75.41	17.94	93.35
NSL LTD 2018	8.58	3.13	11.71
OAKS PRIMARY SCHOOL	104.09	22.95	127.03
ORCHARDS JUNIOR SCHOOL	91.01	23.88	114.88
ORMISTON SIX VILLAGES ACADEMY	110.97	33.19	144.15
PAGHAM PARISH COUNCIL	3.17	0.83	4.00
PETWORTH PARISH COUNCIL	0.81	0.24	1.05
PFP LEISURE	165.85	40.20	206.05
PLAISTOW & IFOLD PARISH COUNCIL	4.67	1.18	5.86
PORTFIELD PRIMARY ACADEMY	75.90	17.49	93.39
POUND HILL INFANTS ACADEMY	57.16	12.94	70.10
PPP TAKING CARE	99.40	28.71	128.12
PULBOROUGH PARISH COUNCIL	15.03	4.48	19.51
PYECOMBE PARISH COUNCIL	0.77	0.20	0.97
RCC – LITTLEHAMPTON ACADEMY	6.53	1.00	7.54
RCC - SIR ROBERT WOODARD	4.76	0.73	5.49
RELIANCE SECURE TASK MANAGEMENT	0.00	1.56	1.56
RIVER BEACH PRIMARY SCHOOL	165.01	40.85	205.86
ROSE GREEN JUNIOR SCHOOL	64.84	15.95	80.79
RSPB	7.02	1.83	8.85
RUDGWICK PARISH COUNCIL	6.77	1.81	8.58
RUSTINGTON COMMUNITY PRIMARY	85.05	20.69	105.74
RUSTINGTON PARISH COUNCIL	29.83	9.15	38.98
SAXON WEALD HOMES	970.42	331.70	1,302.11
SCHOOLPLUS LTD	5.31	1.20	6.52
SCHOOLWORK MULTI ACADEMY TRUST	76.04	26.50	102.54
SEAL PRIMARY ACADEMY	80.16	18.55	98.72
SEASIDE PRIMARY SCHOOL	107.98	24.87	132.85
SELSEY TOWN COUNCIL	41.86	11.83	53.69
SEYMOUR PRIMARY SCHOOL	88.03	22.91	110.94
SHAW HEALTHCARE LTD	128.52	29.41	157.92
SHERMANBURY PARISH COUNCIL	1.70	0.43	2.13
SHIPLEY PARISH COUNCIL	2.37	0.60	2.97

<b>Employer</b>	<b>Employer Contributions</b> £'000	<b>Employee Contributions</b> £'000	<b>Total</b> £'000
SHOREHAM ACADEMY	290.24	83.14	373.39
SHOREHAM PORT AUTHORITY	1,044.10	295.27	1,339.37
SINGLETON & CHARLTON PARISH COUNCIL	1.83	0.46	2.29
SIR ROBERT WOODARD ACADEMY	189.54	58.87	248.40
SLAUGHAM PARISH COUNCIL	8.08	2.42	10.50
SLINFOLD PARISH COUNCIL	3.56	1.07	4.63
SLM COMMUNITY LEISURE	128.67	31.53	160.20
SLM FITNESS & HEALTH	33.59	7.51	41.10
SLM FOOD & BEVERAGE	12.94	3.20	16.14
SODEXO LTD	3.83	0.65	4.48
SOUTH DOWNS LEISURE	409.72	93.14	502.87
SOUTH DOWNS NATIONAL PARK	881.05	319.29	1,200.34
SOUTHGATE PRIMARY SCHOOL	75.53	17.61	93.14
SOUTHWATER INFANTS SCHOOL	61.12	15.58	76.69
SOUTHWATER JUNIOR ACADEMY	61.59	18.43	80.03
SOUTHWATER PARISH COUNCIL	39.36	10.96	50.32
SOUTHWAY PRIMARY SCHOOL	122.54	31.97	154.51
ST LAWRENCE PRIMARY SCHOOL	103.25	27.46	130.71
ST MARY'S COMMUNITY PRIMARY SCHOOL	62.09	14.51	76.60
ST PHILIP HOWARD SCHOOL	198.96	48.52	247.48
STEYNING PARISH COUNCIL	16.99	5.25	22.24
STORRINGTON & SULLINGTON PARISH COUNCIL	12.72	3.81	16.52
SUSSEX POLICE & CRIME COMMISSIONER	15,768.41	4,364.04	20,132.45
TANGMERE PARISH COUNCIL	5.61	1.47	7.08
TANGMERE PRIMARY ACADEMY	49.93	11.94	61.87
THE ACADEMY SELSEY	75.23	17.66	92.89
The GATWICK SCHOOL	122.55	34.65	157.20
THE GLOBE PRIMARY ACADEMY	122.00	27.93	149.93
THE MARCH CE PRIMARY SCHOOL	34.94	7.84	42.78
THE WEST SUSSEX MUSIC TRUST	45.58	16.80	62.38
THE REGIS ACADEMY	470.53	131.20	601.73
THOMAS BENNETT COMMUNITY COLLEGE	181.36	47.18	228.54
TIVOLI GROUP LIMITED	22.14	7.17	29.30
TURNERS HILL PARISH COUNCIL	5.55	1.47	7.02
TWINEHAM PARISH COUNCIL	0.77	0.20	0.97
UNIVERSITY OF CHICHESTER	1,860.58	642.75	2,503.33
UPPER BEEDING PARISH COUNCIL	8.97	2.56	11.53
VIRIDOR WASTE MANAGEMENT	0.00	0.12	0.12
WARDEN PARK ACADEMY	325.15	86.00	411.15
WARDEN PARK PRIMARY ACADEMY	100.54	24.12	124.66
WATERFIELD PRIMARY SCHOOL	85.90	20.13	106.04
WEST CHILTINGTON PARISH COUNCIL	5.69	1.70	7.39
WEST GRINSTEAD PARISH COUNCIL	6.20	1.64	7.84
WEST HOATHLY PARISH COUNCIL	3.92	1.02	4.94

<b>Employer</b>	<b>Employer Contributions</b> £'000	<b>Employee Contributions</b> £'000	<b>Total</b> £'000
WEST ITCHENOR PARISH COUNCIL	1.80	0.46	2.26
WEST SUSSEX COUNTY COUNCIL	47,359.95	12,582.59	59,942.54
WESTBOURNE PARISH COUNCIL	4.08	1.03	5.11
WHITE MEADOW SCHOOL	141.67	38.64	180.31
WORTHING BOROUGH COUNCIL	1,972.08	58.61	2,030.70
WORTHING HIGH SCHOOL	194.77	56.22	250.99
<b>Total</b>	<b>108,941.19</b>	<b>29,141.47</b>	<b>138,082.65</b>

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## Appendix 4 – Stock Lending

The Pension Fund has a stock lending programme. During the period a stock is on loan the Pension Fund retains rights to corporate actions that would have arisen had the stock not been lent, and the borrower is obliged to pay the Pension Fund all cash benefits, such as dividends, arising during the period of the loan. The borrower is required to return the securities to the lender either on demand or at the end of the agreed term. The Pension Fund does not retain voting rights when lending a stock. In return, a rate of commission is agreed between the lender and the borrower to run for the full length of the loan. The amount of stock on loan and the rate of commission will vary depend on market requirements, the length of the loan, the security required by the Fund and the maturity of the programme.

The table below analyses the Fund's stock lending programme against a benchmark comparator (where available).

	2018/19	2019/20	Benchmark for 12 months to 31 March 2020
Stock available to market at year end	£3,668m	£1,961m	
<b>Stock on loan</b>			
Average amount on loan	£258m	£91m <sup>11</sup>	
Amount on loan as at 31 March	£303m	£203m	
Percentage on loan as at 31 March	8.5%	10.37%	
Utilisation	9.2%	6.10% <sup>12</sup>	9.3%
<b>Income</b>			
Gross	£0.736m	£0.339m	
Net	£0.589m	£0.282m	
Net Return in Basis Points	20.5	1.4 <sup>13</sup>	22.0

For the period of the loan collateral is held against the borrower defaulting. The Fund requires that the collateral held exceeds the amount borrowed. The amount on loan as at 31<sup>st</sup> March 2020 was £203.4m and the collateral held was £263.6m which equates to nearly 130% of the amount on loan. The amount of collateral held can vary throughout the duration of the loan. The custodian will liaise with the borrower to ensure that sufficient collateral is always held. The high amount of collateral is reflective of the market volatility at year end due to the COVID 19 pandemic. The table below shows the type of collateral held as at 31<sup>st</sup> March 2020.

	£m
Obligations issued or guaranteed by the United States and United Kingdom	40.9
Obligations issued by other OECD member states or their local government agencies, instrumentalities or authorities provided they have a long term rating of AA- or higher	138.3
Equity from major indices	84.4
Total	263.6

<sup>11</sup> Figure calculated from 1<sup>st</sup> July 2019 to 31 March 2020 as the 1<sup>st</sup> July was the date of transition to new custodian Northern Trust

<sup>12</sup> As above

<sup>13</sup> As above

## Appendix 5 – Investment Performance

The table below shows the long term performance of the Pension Fund and its underlying managers. All figures are to 31 March 2020.

	12 months	3 years Pa	10 years Pa	15 years pa
Fund	-2.14 %	3.92 %	8.53 %	8.37%
Benchmark	-1.38 %	3.05 %	7.99 %	7.78%
<i>Difference</i>	-0.76 %	0.87%	0.54%	0.59%
<i>By fund manager</i>				
UBS	-8.30 %	0.24 %	6.95 %	6.85 %
UBS Benchmark	-3.27 %	1.98 %	7.46 %	7.60 %
<i>Difference</i>	-5.03 %	-1.74 %	-0.52%	-0.75%
Baillie Gifford	1.65 %	5.84 %	10.66 %	10.07 %
Baillie Gifford Benchmark	0.74 %	3.63 %	8.29 %	8.14 %
<i>Difference</i>	0.94 %	2.21 %	2.37 %	1.93 %
Aberdeen Standard	0.62 %	5.47 %	-	-
Aberdeen Standard Benchmark	-0.22 %	5.11 %	-	-
<i>Difference</i>	0.84 %	0.37 %	-	-
Private Equity	0.00 %	12.75 %	-	-
Private Equity Benchmark	-6.00 %	2.31 %	-	-
<i>Difference</i>	6.00 %	10.44 %	-	-

## Custodian Performance

MJ Hudson, an independent custodian monitoring firm, review the service provided by the Fund's custodian. The benchmark figures shown represent the average experience of other Pension Funds using a range of different custodians. The trend is based on how the fund compares to its peers (green indicates results sit within the top third of comparison results, amber indicates results are in the middle third of comparison results and red indicates results are within the bottom third of comparison results) and direction of travel over the year.

		2019 Fund	2020 Fund	2020 B'Mark	Trend
The average monthly activity was 219 trades with a value of £117m (2018/19: 216 trades £103m). The analysis is based on late settlement as a % of average monthly income.	Value of all late settlement Value of outstanding settlement	10.18% 0.00%	5.62% 0.38%	3.97% 0.42%	↑

Over the year, the fund received 604 income receipts with a total value of £64.6 million (2018/19: 594 income receipts totalling £42.2m). The analysis is based on late receipt as a % of average monthly income.	Value of all late income Value of outstanding income	12.89% 0.00%	2.34% 0.00%	4.27% 0.57%	
The number of tax reclams as a percentage of total average monthly tax reflects the restrictions and time periods in local jurisdictions.	Value of tax outstanding Number of tax reclams outstanding	3,788% 3,349%	1,388% 1,251%	2,346% 2,029%	
The analysis is based on small FX deals such as dividend payments which are less than \$200,000 are measured.	FX cost in basis points <sup>14</sup>	8	0	11	
The average credit balance during the year was £71.2m which is swept to a liquidity fund. The custodian also holds fractional balances in foreign currency on behalf of the Fund for short periods. Analysis is on credit interest by currency.	GDP EUR USD	0.42% -0.61% 0.76%	0.54% -0.71% 0.41%	0.20% -0.66% 0.74%	

<sup>14</sup> Basis points are used to measure movement of less than 1%. One hundred basis points equal 1%, or put another way, one basis point equals one hundredth of a percent.

## Appendix 6 – Risk Register

The Pension Fund maintains a risk register to identify key risks, consider and assess the significance, likelihood of occurrence and potential impact of the risk. The 2019/20 key risks and actions taken to mitigate these have been set out below:

Risk Theme	Action
<b>Insufficient funds to meet liabilities resulting in increased contributions required from employers or changing to a higher risk investment strategy</b>	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.
<b>Insufficient resources to comply with the Administering Authority's Regulatory responsibilities.</b>	Develop and monitor Business Plan on a regular basis. Ensure service contracts are clearly specified and obligations met.
<b>Poor quality data resulting in error and misstatement.</b>	Develop and implement a Data Improvement Plan. Maintain robust accounting records.
<b>Officer, Committee and Board knowledge and understanding resulting in poor decision making and disengagement on key issues.</b>	Develop, implement and monitor a Training Strategy.
<b>Performance of the Fund's assets creates volatility and pressure on employer contribution rates.</b>	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.
<b>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.</b>	Continued strong involvement in the work of the ACCESS Group at officer and at Fund Chairman level.
<b>Change to payroll and pension admin provider resulting in incomplete or inaccurate data being transferred and stakeholders not adopting new requirements.</b>	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.
<b>Failure to secure value for money through managing contracts with third parties</b>	Strong contract management Compliance with procurement requirement and standing orders for provision of services to the Fund.
<b>Political environment (locally or nationally) impact on investment markets and legislative requirements.</b>	Work closely with investment managers, other suppliers and advisers to understand potential impacts and responses. Develop, implement and monitor a Training Strategy.
<b>Conflict of interest for members and employers</b>	Clearly defined roles and responsibilities for those working for the Pension Fund. Maintenance of Conflict of Interest policy and register by the County Council.
<b>Increase in variety and number of employers participating in the Scheme resulting in risk of non-compliance with obligations.</b>	Clear Admission Agreements in place. Guidance published and reviewed relating to the Scheme requirements. Proactive engagement with employers.
<b>Cyber crime resulting in personal data for members being accessed fraudulently.</b>	Strong IT environment for administration system and web-based Portals.

## Appendix 7 – Audit Assurance

### Internal

Title	Comments
National Fraud Initiative Update to January 2019	<p>This is update to the biennial Cabinet's Office's Nation Fraud Initiative. This project provides potential inappropriate payment as a result of a member being deceased. The data is provided by the internal audit team and compared against national databases.</p> <p>Of the 139 potentially deceased members that were identified from the 2018/19 results, 92 have been confirmed as deceased and pension has now ceased. The remaining 47 members are being investigated by our administration services. So far there are 11 cases where an overpayment has been identified.</p>
Externally Managed Investments	<p>The overall business objective of Pensions – Externally Managed Investments is to ensure that WSCC scheme funds not immediately required to pay pension benefits are suitably invested and that proper advice is taken in the execution of this function.</p> <p>The objectives of the audit will assess the effectiveness of controls in place focusing on the Fund Manager's current independent service auditors' reports.</p>
Governance and Strategy	<p>The overall objective of this audit is to ensure that appropriate governance of the Pension Fund is in place which is in accordance with the Local Governance Pension scheme (LGPS) regulations and associated legislation.</p> <p>The audit reviewed the effectiveness of the controls in place focusing on those designed to mitigate the risk in achieving the following key objectives:</p> <ul style="list-style-type: none"> <li>• The processes of performance management and reporting are adequate</li> <li>• Risk Management processes are kept up to date</li> <li>• There is adequate reporting and communication with admitted and scheduled bodies</li> <li>• There is regular actuarial review and outcomes are reported</li> <li>• Appropriate policies have been established in accordance with LGPS</li> </ul> <p>Audit's overall opinion was Substantial – A sound framework of internal controls in place and is operating effectively. No risks to the achievement of system objectives have been identified</p>
Internal Investments	<p>Whilst an audit was not undertaken, internal audit confirmed that they received Sufficient assurance from the Treasury management audit</p>
Scheduled, Admitted and Employing bodies	<p>This is currently being scoped and will be reported on in 2021. The areas that will be included in this are Employer contributions in relations to scheduled and admitted bodies and the employer relationships (those joining and leaving the fund).</p>
Pension Payroll and benefit calculations, Deaths, Accounting for pension receipts	<p>These areas have been audited at Hampshire Pension Services by SIAP and have all received Substantial ratings This means that a sound framework is in place and operating effectively, With no risks to the achievement of the system objectives identified.</p>

External

[Certificate to follow]

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## Appendix 8 – Pension Fund Documents

[Administration Strategy](#) - a statement outlining the policies and performance standards aimed at providing high quality pensions and administration service. The Strategy is effective from 4 March 2019.

[Actuarial Valuation](#) - produced by the Fund Actuary and sets out employer contribution rates for a 3 years period and calculates the funding position.

[Administering Authority Discretions](#) - sets out how the Pension Fund applies provisions of the Scheme that are discretionary. Employers will maintain their own Discretions policy which relate to decisions they can make under the Scheme. Please note The Local Government Pension Scheme (LGPS) is a statutory scheme. The rules and regulations governing the scheme are laid down under Act of Parliament.

[Breaches Policy](#) - specifies the Fund's procedures for the identification and reporting of breaches of statutory requirements to the Pensions Regulator.

[Business Plan](#) - this annual plan considers performance against the Fund's objectives during the year and sets out the future priorities.

[Communications Strategy Statement](#) - states how the Fund will communicate with members, representatives of members, prospective members and employing authorities.

[Funding Strategy Statement](#) - identifies how employers' pension liabilities are best met going forward (whilst maintaining as near as possible constant employer contribution rates) and sets out how the Fund will take a prudent long term view of funding those liabilities.

[Governance Policy and Governance Compliance Statement](#) - two Statements which detail the Fund's governance and stewardship arrangements and report the extent of compliance against a set of best practice governance principles.

[Internal Dispute Resolution Procedure \(IDRP\)](#) - provides members with a formal complaint procedure if they are not satisfied with any decision affecting their pension benefits held within the scheme.

[Investment Strategy Statement](#) - outlines how investment decisions are made, the types of investment held, risk and corporate governance.

## **Appendix 9 – Contact and Services**

**Key services provided to Pensioners, members and employing bodies:**

- Paying out Benefits to Pensioners and beneficiaries
- Paying Death grants to beneficiaries
- Collecting contributions from Employers, this is both Employee and employer contributions
- Maintain members accurate accounts
- Providing Information when requested to Members
- Providing Annual Benefit Statements
- Investing assets of the Pension Fund

### **Self-service portal**

This is a secure portal for members. To sign in or register for the online Pension services please use this website address <https://upmliveportal.hants.gov.uk/>

Members will be able to look at their Annual Benefit statement and also notify the Fund of change in circumstances such as address. Any notifications online can be dealt with by the Administration team in a rapid and efficient manner.

### **Key information sources for members**

The link below will lead to Hampshire County Council website which has details of information that is relevant to West Sussex County Council Pension Fund members.

<https://www.hants.gov.uk/hampshire-services/pensions/local-government>

Here is the [link to the Fund compliments and complaints procedure](#)

### **Contacting us**

Email : [pensions@hants.gov.uk](mailto:pensions@hants.gov.uk)

Phone: [01962 845588](tel:01962 845588)

Or by writing to: Hampshire Pensions Services

The Castle  
Winchester  
Hampshire  
SO23 8UB

### **Ensuring accuracy and confidentiality**

The website address below will lead to the Fund Privacy notice

<https://www.westsussex.gov.uk/about-the-council/information-and-data/data-protection/privacy-notices/lgps-privacy-notice/>

### **LGPS Member and Employer site**

<https://www.lgpsmember.org/> is the national website for members of the LGPS in England and Wales. It provides information on how to join the LGPS and gives details about the scheme.

<https://www.lgpsregs.org/> this is the website for LGPS employers and pension funds in England and Wales. It provides information on the Scheme Regulations and other guides and resources on LGPS administration.

### **The Pensions Advisory Service & Pensions Ombudsman**

The Pensions Advisory Service (TPAS) is now part of the Money Pensions Services with is an arm's length body of the Department for Work and Pensions (DWP). They can help with all kinds of pension questions.

Website address: <https://www.pensionsadvisoryservice.org.uk/>

Phone: 0800 011 3797  
Address: Money and Pensions Service  
120 Holborn  
London  
EC1N 2TD

The Pensions Ombudsman is an independent organisation set up by law to investigate complaints about Pension Administration.

Website address: <https://www.pensions-ombudsman.org.uk/>  
Email: [enquiries@pensions-ombudsman.org.uk](mailto:enquiries@pensions-ombudsman.org.uk)  
Phone: 0800 917 4487  
Address: 10 South Colonnade  
Canary Wharf  
E14 4PU

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