

## **West Sussex Pension Advisory Board**

### **Business Plan 2020/21 performance report**

#### **Board establishment**

The revised Board structure agreed in 2018 which increased membership by two and added a fourth meeting has continued to prove effective in increasing the capacity to deliver the Board's business during 2020/21, notwithstanding the difficult circumstances which prevented physical meetings.

Kim Martin (employer representative) was re-appointed in November for a further four-year term which helped maintain continuity. The Board now has a stable group of members with a wide range of individual skills and broad representation.

The appointments cycle is staggered to provide continuity as shown below:

|                        | <b>Representing</b> | <b>First appointed</b> | <b>Next review due</b> | <b>Service time limit</b> |
|------------------------|---------------------|------------------------|------------------------|---------------------------|
| <b>Peter Scales</b>    | Independent         | April 2015             | 2024                   | N/A                       |
| <b>Richard Cohen</b>   | Employers           | April 2015             | 2023                   | 2027                      |
| <b>Miranda Kadwell</b> | Employers           | Nov 2018               | 2022                   | 2030                      |
| <b>Kim Martin</b>      | Employers           | Nov 2016               | 2024                   | 2028                      |
| <b>Becky Caney</b>     | Active              | Nov 2018               | 2022                   | 2030                      |
| <b>Chris Scanes</b>    | Pensioners          | April 2015             | 2023                   | 2027                      |
| <b>Tim Stretton</b>    | Deferred            | Nov 2017               | 2021                   | 2029                      |

#### **Board meetings**

Due to the national restrictions introduced in March 2020 in response to the COVID-19 pandemic, it was necessary for the County Council to review its arrangements for public meetings in line with the emergency legislation.

In order not to place undue pressure on working arrangements, the Board's meeting scheduled in June was cancelled and replaced with the circulation of key documents to provide members with assurances about the maintenance of the pensions administration service and an update on key tasks and activities. The Board held three meetings during the remainder of the year in a virtual format with good attendance.

The business for each meeting has been in line with the core work plan agreed 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. 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 Board is scheduled to meet three to four weeks after a meeting of the Pensions Committee and receives certain reports as submitted to and considered by the Committee on the business plan updates, including risks, administration, ACCESS and other issues in order to avoid duplication by officers. This has worked well in the year in keeping the Board well informed of the Committee's decision-making process.

In addition, with the introduction of virtual meetings, members can listen in to Committee proceedings as can a member of the public. The chairman has done this for all meetings so far and reports back to the next meeting of the Board with a summary of the main items discussed in a governance and compliance context.

The Board has 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. This is a key element in helping the Board members to keep up to date and maintain a suitable level of knowledge and understanding.

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.

It is important to note that the pandemic has not only disrupted normal working arrangements for the administration but has also severely disrupted progress on national initiatives driven by MHCLG, SAB and tPR. This has meant that governance and regulatory changes that the Board were expecting did not happen, and recovery of progress remains slow.

### **Annual performance reviews**

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

The current year 2020/21 - There was a general acceptance that the pandemic had been a major distraction to the Board's normal operations but that the administration processes had adapted well. Virtual meetings had been a little slow to evolve and were not liked by most members in that they felt some detachment and disengagement. Nevertheless, the Board has continued to operate effectively, despite the lack of progress on national initiatives.

The year ahead 2021/22 - There was a general consensus that the Board needed to 'get back on track' with Scheme developments and in particular the Good Governance Review by SAB. A number of areas were identified for attention and these are listed below.

Knowledge and understanding – The Board has a good standard of underlying knowledge and understanding and needs to maintain the process of regular updates and refreshers. The ability to draw on external web-based resources (e.g. LGPC, SAB, tPR) was welcomed as a source of reference. All preferred training to be bespoke to the West Sussex Fund and with 'short bite' sessions after each meeting. External seminars (e.g. CIPFA/BW, LGA) were considered helpful though less focussed and more time consuming, the latter being helped by on-line seminars. Feedback from external training through a process of shared learning is being developed.

Personal contributions – All were satisfied with their role on the Board and considered there was a valuable spread of experience of different aspects of the administration.

Pensions Committee – There is a good relationship with the Committee which is enhanced by the timing of meetings (i.e. timely sight of Committee reports) and the exchange of minutes. The ability to listen in to webcasts was a useful feature of the current arrangements. Joint training sessions are also helpful as with the accounts training.

Scheme manager interaction – There was a consensus that the working arrangements were good and effective currently. The officers were proactive, supportive, and responded well to questions. The involvement of Hampshire in Board meetings has been effective and gives the assurance of good service, although independent audit assurance was still required.

### **Areas for attention**

These are the areas where progress has not been as good as was expected, albeit mainly due to the pandemic, and where further work is needed:

- Internal controls and audit assurances (scheduled for April meeting)
- Governance compliance changes (awaiting outcome of SAB review)
- The Pensions Regulator's proposals for change
- Potential pensions/cyber scams – controls and warnings to members
- Pooling governance arrangements (scheduled for February meeting)
- Impact of Scheme changes on administration performance and employers
- Strategic investment issues, compliance and knowledge building
- Comparisons to other local pension boards and their operations
- Unit costs and service levels, national comparisons
- Auto-enrolment and growing membership

**Chairman's comments**

The Board has continued to work well through difficult circumstances. I am grateful for the input from each member and reassured in the ability of the Board to tackle new challenges in the coming year.

## Pension Advisory Board - Business Plan 2020/21

### Achievement of key tasks and activities

| Core on-going work   | Achievement of core tasks   | Special activities and reviews   |
|--|---|--|
| <b>Business Planning and Performance</b>   |   |  |
| <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 one-to-one interviews in January/February</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 7 September meeting. Updates provided to each meeting.</p> <p>Interviews held in January for Board members, and Committee chairman and S151 officer in February</p> <p>Performance reported to February meeting and annual report to be reported in April</p> | <p>Help maintain workflows in the light of new COVID19 secure working arrangements</p> <p>Work programme adapted to allow for officer time and delays on national developments</p> |
| <p><b>Key Risks</b></p> <ul style="list-style-type: none"> <li>• Failure to manage work efficiently and effectively</li> <li>• Failure to account for activities and performance</li> </ul>  |   |  |

| <b>Compliance checks</b>   |  |   |
|--|--|---|
| Review the County Council's policy on conflicts of interest annually, ensure interests declared at each meeting and maintain a register of interests for the Board on the website. | Register maintained and interests checked at each meeting  | Review of conflicts policy in line with West Sussex authority-wide arrangements.<br><br>In progress |
| Review the Pension Fund Annual Report and Accounts for content and compliance.   | Reviewed at September meeting with CIPFA guidance          |   |
| Review statutory policy statements on a regular basis and on a three-year rolling basis  | FSS, ISS, communications, and Treasury Management reviewed |   |
| Monitor and review changes to regulations and guidance at each meeting   | Reviewed at each meeting                                   | Presentation on Scheme changes in November  |

**Key risks**

- Failure to manage conflicts properly
- Non-compliance with regulations and guidance

Changes implemented at short notice due to delays caused by pandemic

| <b>Core on-going work</b>  | <b>Achievement of core tasks</b>                               | <b>Special activities and reviews</b>  |
|--|--|--|
| <b>Governance arrangements</b>   |  |  |
| Review decisions of the Pensions Committee   | Agenda, minutes and relevant papers are shared with the Board. | Chairman attended each meeting webcast and provided summary report to Board at each meeting            |
| Review management and monitoring of the pension fund risk register                           | Reviewed in business plan update for Committee                 | Define role in risk management process<br>Board reports and Plan updates reference risk considerations |
| Monitor audit reports and assurances on internal controls                                    | Delayed by pandemic and due for report in April 2021           | Review internal audit programme of work  |
| Monitor work planned by the Pensions Regulator (tPR)   | Website monitored but tPR action deferred                      |  |
| Monitor reports and initiatives from the Scheme Advisory Board (SAB)                         | Reviewed at each meeting                                       | Review SAB proposals on future governance arrangements when made available - <b>awaited</b>            |
| Respond to surveys and requests for information from the tPR and the SAB                     | SAB survey deferred  | tPR 2019 survey results and 2020 submission reviewed in February                                       |
| Report to the Pensions Committee and Governance Committee on a regular basis and as required | Board minutes are reviewed at each Committee meeting           |  |
| Report to tPR, MHCLG and SAB in exceptional circumstances                                    | None have arisen   |  |

**Key risks**

- The decision-making process is not fully effective

- Key risks are not managed properly
- Failure to be aware of scheme-wide developments and changing requirements
- Failure to properly account for the Board's activities

Misinterpretation of data given in response to SAB and tPR surveys

| <b>Core on-going work</b>   | <b>Achievement of core tasks</b>   | <b>Special activities and reviews</b>  |
|---|--|--|
| <b>Administration procedures and performance</b>  |  |  |
| Consider a report on the administration of the scheme at each meeting   |  | Reviewed impact of COVID-19 in Sept  |
| Monitor notifiable events and the recording and reporting of breaches   |  | Review management of breaches register<br>Reviewed   |
| Monitor key performance indicators and recovery action  |  |  |
| Monitor recording of compliments and complaints, and progress on IDRP cases   | Report received at each meeting with Hampshire in attendance   |  |
| Monitor movements in membership numbers   |  |  |
| Monitor data quality and integrity, and progress on improvement plans   |  | Review progress on Data Improvement Plan - Monitored   |
| Monitor timeliness of receipt of contribution payments and any recovery action required   |  |  |
| Review operation of key internal procedures and controls relating to third party contracts  | Monitored Committee review of AVC arrangements in Sept/Nov, and transition to new provider in February | Review internal controls for areas of weakness particularly in relation to COVID19 pandemic<br>Deferred to April meeting 2021 after Committee review |
| <b>Key risks</b> <ul style="list-style-type: none"> <li>• Failure in the efficient and effective administration of the scheme</li> <li>• Non-compliance with reporting requirements</li> <li>• Failure to detect potential problems, including fraud at an early stage</li> <li>• Impact of COVID19 pandemic</li> </ul> |  |  |

| <b>Core on-going work</b>  | <b>Achievement of core tasks</b>   | <b>Special activities and reviews</b>  |
|--|--|--|
| <b>Investment and funding</b>  |  |  |
| Review the investment strategy statement to assess compliance with regulations and guidance issued by MHCLG and CIPFA  | Reviewed in November but revised guidance from MHCLG is still awaited                    |  |
| Review the funding strategy statement to assess compliance with regulations and guidance   | Reviewed in Sept and Nov to pick up changes in regulations                               |  |
| Review the process of consultation with appropriate persons, particularly scheme employers   | Noted consultation on ISS and on FSS changes   | Review outcomes from valuation process, particularly in relation to consultation with employers - Done |
| Review the valuation process for compliance and good practice  | Deferred pending outcome of Government review of valuation cycle                         |  |
| Review developments on the pooling arrangements, particularly in relation to governance and investment management  | Progress reports on implementation received at each meeting                              |  |
| Monitor arrangements for monitoring investment performance and costs   | Part of presentation on ACCESS governance in February                                    |  |
| Monitor developments in relation to responsible investing and ESG issues insofar as they relate to the Board's responsibilities  | SAB withdrew earlier draft guidance and are working on an 'A-Z' of responsible investing | Review revised SAB guidance when issued - in progress  |
| <b>Key risks</b> <ul style="list-style-type: none"> <li>• Non-compliance with investment regulations and Government guidance</li> <li>• Failure of proper governance arrangements in the pooling of Fund assets</li> <li>• Failure to comply with or respond to developments in good practice or regulatory compliance</li> <li>• Net asset values are insufficient to meet future liabilities</li> <li>• Lack of clarity on role of PAB in relation to ACCESS and on responsible investing</li> </ul> |  |  |

| <b>Core on-going work</b>  | <b>Achievement of core tasks</b>                                 | <b>Special activities and reviews</b>                          |
|--|--|--|
| <b>Communications</b>  |  |  |
| Monitor disclosure of information in line with statutory requirements, including annual benefit statements   | ABSs template reviewed in September<br>AVCs reviewed in Sept/Nov | Review effectiveness of communications in ABSs and AVCs - Done |
| Review newsletters for content and clarity   | Reviewed pensioner newsletter in January                         |  |
| Review communications with employing authorities   | Reviewed by employer representatives                             |  |
| Monitor developments in the website and pensions portal  | Part of regular review of administration                         |  |
| Consider more effective links to scheme members  | Reviewed Communications policy in November                       |  |
| <b>Key risks</b>   |  |  |
| <ul style="list-style-type: none"> <li>• Failure to keep employers and scheme members properly informed</li> <li>• Non-compliance with Administration Strategy</li> <li>• Scheme members fail to understand scheme benefits and opt-out</li> </ul> |  |  |

| <b>Training</b>  |                                      |  |
|--|--------------------------------------|--|
| Maintain training log and review activity regularly  | Reviewed at each meeting             |  |
| Monitor implementation of training strategy  | Reviewed at each meeting             | Develop a more effective and structured approach to Board training - done          |
| Identify opportunities for in-house training after each meeting and for external training courses or events  | Board strategy reviewed in September | Establish collaborative approach to sharing learning experiences - being developed |
| <b>Key risks</b>   |                                      |  |
| <ul style="list-style-type: none"> <li>• Failure of Board members to maintain a suitable level of knowledge and understanding</li> <li>• New training requirements imposed on PAB in relation to compliance testing</li> </ul> |                                      |  |