

# West Sussex Pension Fund

## Annual report

1 April 2020 to 31 March 2021



## Foreword by the Chairman of the Pension Committee

As Chairman of the West Sussex Pension Committee, and on behalf of the Committee Members, I am pleased to provide an update on the Pension Fund's activities during 2020/21.

This year has seen unprecedented challenges to the way we live and work. However, in the face of such change the Fund has maintained its funding level at over 100% funded, ensured that the administration service has continued with 100% of key performance indicators being met and increased the value of the Fund by 27%. This reflects the effective policies and procedures the Committee had in place.

The West Sussex Pension Fund retains its approach as a long term, active investor with a high degree of commitment to managing the Pension Fund in the best interests of its stakeholders. This year the Committee agreed a revision to its investment strategy reflecting the need to protect the strong funding position and increase diversification and demonstrate its commitment to the principles of Environmental, Social and Governance factors through responsible investment, to deliver sustainable investment and funding outcomes. In implementing this new strategy the Committee have agreed commitments to two private debt funds and to an infrastructure fund to generate a reliable income and provide additional cash flows. This complements the mix of assets already held in the portfolio which are chosen by appointed fund managers based on market opportunities and the managers best ideas to deliver strong relative returns. Overall, the Fund ended the year with investment assets of £5.387bn reflecting consistent outperformance of the market as summarised below.



As members of the ACCESS (A Collaboration of Central, Eastern and Southern Shires) Pool the Committee are pleased to have made its first investment this year (valued at £2.9bn at 31 March 2021, equivalent to 54% of the Fund's investment assets). The Committee are now working to transition the remaining equity and bond portfolio into the ACCESS Pool in 2021/22.

Away from the investments, the Fund has successfully:

- Received an unqualified external audit opinion on its Annual Report and Accounts.
- Developed the administration service to stakeholders through data improvement work, full compliance with its performance timescales and improved online functionality.
- Completed a full review of its AVC provider providing members with lower fees, better services and an improved choice of individual funds.
- Responded appropriately to the developments linked to Government policy and guidance relating to the McCloud Judgement and member exit payments.

During 2021/22 the Committee will continue to improve the way that we communicate with stakeholders, implement further changes to the Fund's investment aligned with the Committee's approach to responsible investment and prepare for the triennial actuarial valuation in 2022, which will set contributions for employer from 1 April 2023 onwards.

Jeremy Hunt, Chairman of the Pension Committee

## Foreword 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 (tPR); 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 – six members are appointed currently. 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 during the past year despite the restrictions imposed by the COVID-19 pandemic. However, it was necessary to cancel the meeting planned for June while the technical arrangements for virtual meetings were established. This has also led to occasional problems with the technology. The business for each meeting has been planned by reference to the Business Plan agreed for 2020/21 and is based on the responsibilities of the Board and guidance issued about key issues to be covered. The 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 points 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, which is currently awaiting a Government response. Updated regulations and guidance are expected to be published during 2021/22.

The Board has formulated its Training Strategy, in conjunction with the Pensions Committee, to cover the individual requirements of each member based on guidance issued by the Chartered Institute of Public Finance and Accountancy (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 CIPFA. The requirements imposed by tPR are being met and the Board is monitoring the effectiveness and efficiency of the governance and administration arrangements.

Peter Scales, Chairman of the Pension Advisory Board

## The West Sussex Local Government Pension Scheme

### **The Scheme**

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 early and take a reduced pension (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.



The rate of contributions a member will pay is set nationally and range from 5.5% to 12.5%, dependent on a members pay the average contribution from employees is 6.5% nationally).

Employer contributions are set by the Fund Actuary every three years. The employer contribution rates range from 0.0% to 60.8% of pensionable pay for the financial year ending 31 March 2021.

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

## Scheme Management

West Sussex County Council (WSSCC) 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. 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.

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.

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

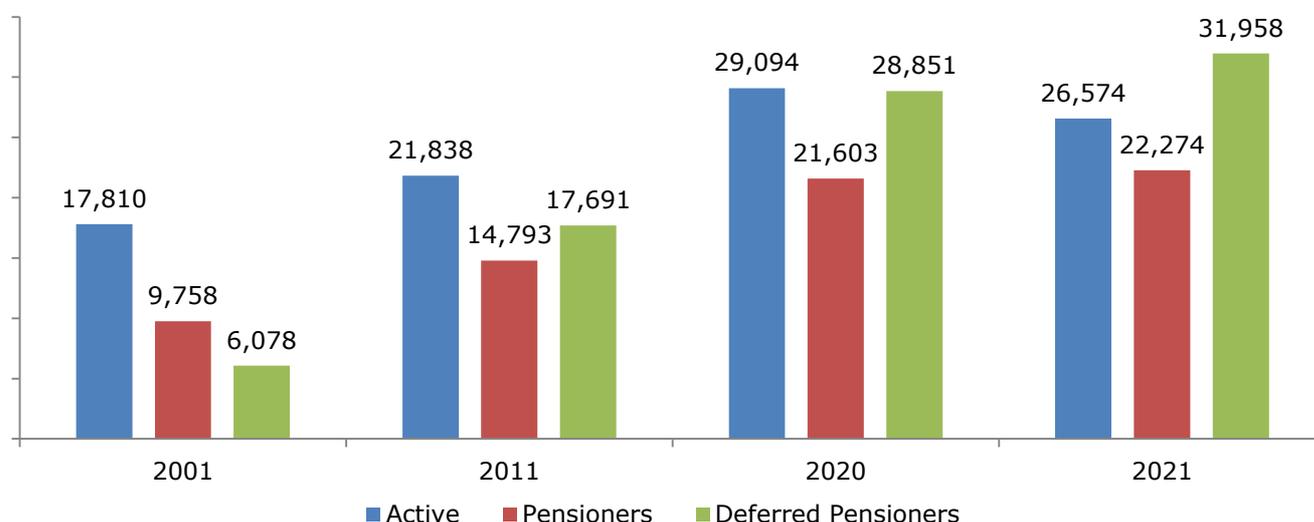
## Scheme Participation

There are 287 employers and 80,806 members within the West Sussex Scheme, analysed below.

### Employers

Type	Description	Active	Ceased	Total
Scheduled	This includes local councils, academies and the Police.	160	30	190
Admitted	This includes private sector bodies where a service has been outsourced or where there is a community of interest.	47	50	97
<b>Total</b>		<b>207</b>	<b>80</b>	<b>287</b>

### Membership



## The Pension Fund and its Performance

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.

The table below summarises the Pension Fund's accounts for 2019/20 and 2020/21.

<b>Net Assets</b>		<b>2019/20 £'000</b>	<b>2020/21 £'000</b>
<b>Net assets of the Scheme at the start of the year</b>		<b>4,374,121</b>	<b>4,301,419</b>
Income	Member contributions	29,142	31,134
	Employer contributions	108,941	111,955
	Transfers in	17,562	8,861
	Other	2	0
Investments	Investment income	72,276	49,135
	Net increase/decrease in investments	-153,114	1,139,207
Payments	Benefits paid	-114,575	-118,365
	Management expenses	-17,075	-38,138
	Payment to and on account of leavers	-15,861	-10,123
<b>Net assets of the Scheme at the end of the year</b>		<b>4,301,419</b>	<b>5,475,085</b>

NOTE: Figures subject to audit and consideration by the Regulation and Audit Committee on 16 September 2021.

Additional information about the Pension Fund's administration, management and transactions costs, overpayment recovery and contribution receipts can be found in Appendix 2B – Further financial Information

## **Investment Assets**

West Sussex County Council has responsibility for determining and implementing the investment strategy of the Fund to pay benefits and to manage the cost of the Scheme. The Fund has put in place a strategy which includes assets which:

- Provide returns in line with equity markets (growth assets)
- Provide an additional income stream (income assets)
- Store value and reduce volatility the of funding levels relative to variations in interest rates and inflation pricing (protection assets)

Integral to the Pension Fund's long-term approach to investment is the integration of Environmental, Social and Governance (ESG) issues in investment processes and ownership practices. This is achieved through investing responsibly, rather than divesting or restricting the investment opportunities, invested in the best performing companies that are financially and environmentally sustainable, adopt high standards of governance and provide financial benefit alongside maintaining a dialogue with companies on a variety of environmental, social and governance issues. Through engagement on strategy, performance, business ethics, corporate governance, climate change, human capital and supply chain management and by building relationships with management and board members, the Fund, through its managers, has the opportunity to understand and influence less tangible aspects of a company, such as corporate culture. The Fund also uses its voting rights actively, and has consistently voted at 100% of UK meetings, and over 90% of overseas meetings, of companies within its portfolio. Some examples of active engagement are shown below:

<b>Company</b>	<b>Comment</b>
Service Corp	Last year, our managers requested greater board refreshment and changes to executive remuneration. The company has made progress on both fronts. Average director tenure has fallen from 24 to 16 years and a balance is being struck between fresh challenge and industry expertise. There remains more to go for with the long term incentive plan and our managers have requested further recommendations to be put to the compensation committee
Equinor	The company is strongly committed to increase capacity and investments in renewables and Carbon Capture, Storage and Utilisation (CCSU). Our managers met with the new Chief Executive as part of a collaborative initiative with other investors (Climate Action 100). The company has recently accelerated its 2050 ambitions in carbon reduction but our fund managers would like to see more details on the roadmap to achieve them and more transparency on Scope 3 emissions coming from third party products.
Nestle	Our managers met with the Chief Executive to discuss the company's Net Zero Roadmap. Nestle committed to halve their greenhouse gas emissions by 2030 and achieve net zero by 2050. Our managers requested detailed information about the underlying components of achieving their goals and financing as they see Nestle's initiative as best practice and will encourage their peers to adopt similar commitments.

The table below summarises the Pension Fund's assets at 31 March 2021 compared to the prior year.<sup>2</sup>

		31/03/2020	31/03/2020	31/03/2021	31/03/2021	Strategy
		£m	%	£'m	%	%
	Listed equities <sup>3</sup>	1,984.5	47	2,896.4	54	45
	Private equity	91.1	2	77.9	1	5
	Property	366.1	9	380.5	7	10
	Private Debt			60.2	1	5
	Infrastructure			0	0	5
	Bonds	1,656.1	40	1,886.0	35	30
	Cash	87.4	2	81.8	2	0
	Net investment assets/liabilities <sup>4</sup>	-5.9	-	6.1	-	-
	<b>Total</b>	<b>4,179.3</b>	<b>100</b>	<b>5,388.9</b>	<b>100</b>	<b>100</b>

NOTE: Figures subject to audit and consideration by the Regulation and Audit Committee on 16 September 2021.

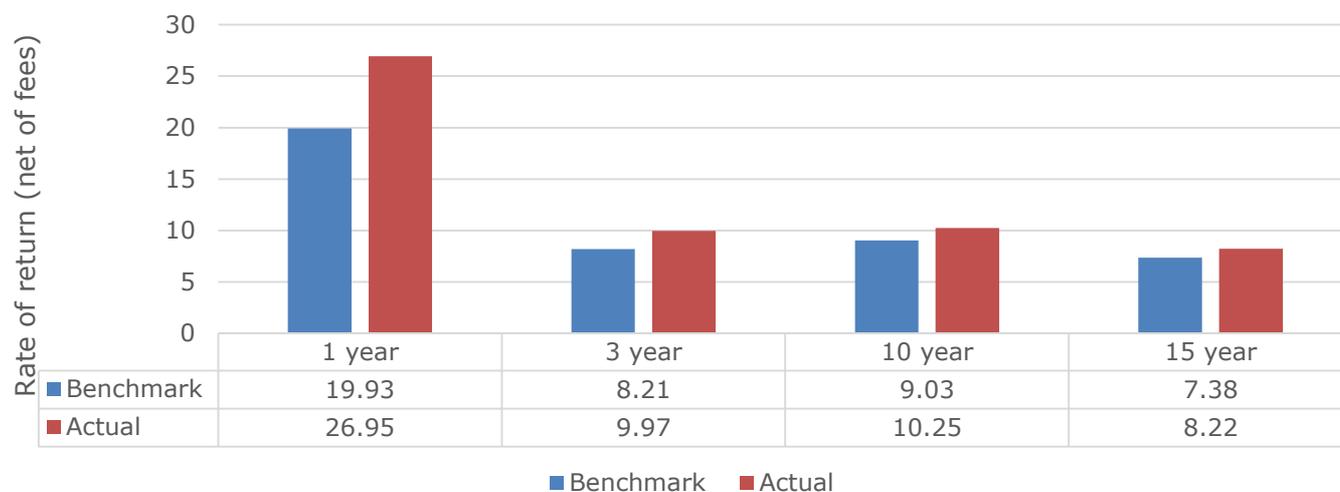
The Fund's assets have grown by £1,159.6m over the year. This is primarily driven by the return on the Fund's investments, as illustrated on the next page:

<sup>2</sup> The total does not include cash internally managed by WSCC on behalf of the Pension Fund of £102.3m (31 March 2020: £119.1m).

<sup>3</sup> To maximise the returns it can achieve on its investments, the Pension Fund has implemented a stock lending programme. This relates to the equity portfolio. Stock lending is a market practice where securities are temporarily transferred by one party (in this case the Pension Fund) to another (the borrower). Over the year £0.252m 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 – Stock Lending

<sup>4</sup> This relates to sales, purchases and income not received at year end

## Overall Fund Performance



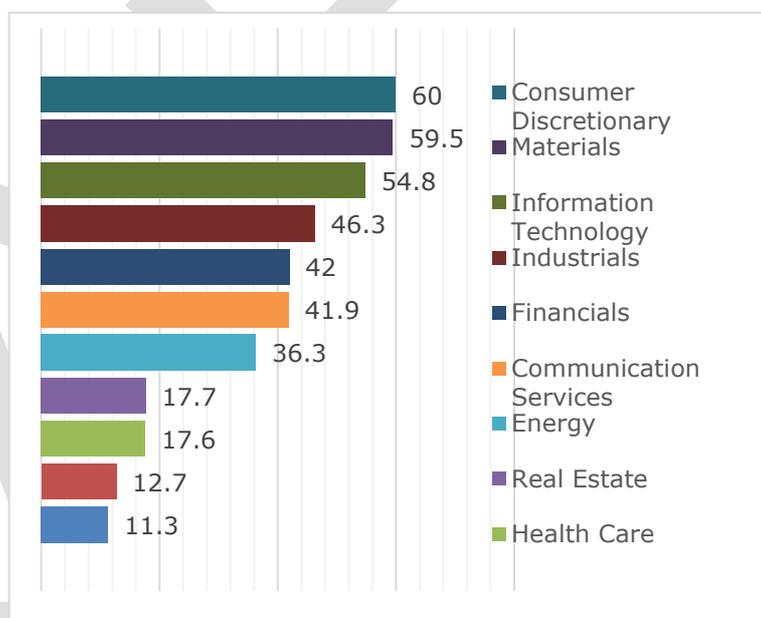
Further detail about performance by individual manager can be found in [Appendix 5 – Investment Performance](#), and in the following pages.

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## Growth assets

The Fund has allocated 45% of its portfolio to listed equities and 5% to private equity to provide portfolio growth and reduce the contribution required from employers.

The last 12 months have seen a remarkable recovery across global equity markets, following the initial coronavirus-related sell-off which began in February 2020. This recovery has been led by companies which saw their growth rates accelerate because of the pandemic. Technology-enabled businesses operating in areas such as ecommerce, gaming, entertainment, food delivery and online education (which were already delivering extremely attractive rates of growth prior to the pandemic) enjoyed 'demand binges' from locked down consumers. In many cases competitive positions are likely to have been enhanced as less nimble competitors struggled, and trends which may have been expected to play out over the next five to ten years have been condensed to less than a year. The chart below shows the market return by sector over the year, whilst the table shows the Fund's exposure to different industries. By choosing stocks in sectors which performed well, such as consumer discretionary, financials and communications, the Fund's portfolio provided a strong return.



Sector	Weighting
Financials	18%
Consumer Discretionary	17%
Information Technology	15%
Health Care	13%
Communication Services	10%
Industrials	9%
Materials	7%
Consumer Staples	5%
Energy	4%
Property	1%

Markets ended the year on a high note. The better-than-expected vaccine rollouts and US fiscal stimulus drove expectations of a faster economic recovery and further gains in equity markets.

End of year returns on our investment portfolios are summarised below. Given the strong equity market, being overweight relative to its strategic allocation (54% v 45%) provided the Fund with additional return relative to its overall benchmark over the period.

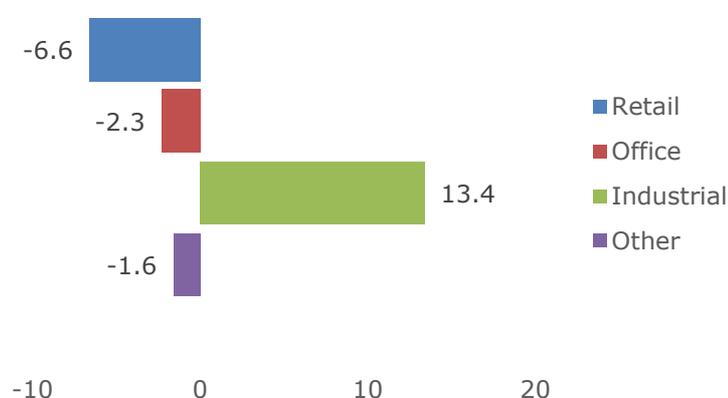
Portfolio	1 year	3 years	5 years	10 years
<b>UK Equities</b>	<b>35.0%</b>	<b>-1.0%</b>	<b>6.0%</b>	<b>6.5%</b>
FTSE AllShare	26.7%	3.2%	6.3%	6.0%
<b>Global Equities</b>	<b>51.4%</b>	<b>14.1%</b>	<b>16.0%</b>	<b>10.8%</b>
<b>Global Equities</b>	<b>56.3%</b>	<b>19.3%</b>	<b>21.3%</b>	<b>16.0%</b>
<b>Private Equity</b>	<b>22.8%</b>	<b>18.6%</b>	<b>15.4%</b>	
MSCI ACW	39.6%	13.3%	14.7%	11.3%



## Income assets

The Fund has allocated 10% of its portfolio to property, a 5% allocation to private debt and a 5% to infrastructure investments. These are all expected to provide a steady income source and to assist with fund cashflow requirements.

Within the property market, the outbreak of Covid-19 saw a reduction in transactional activity and liquidity because of travel and operational restrictions. As the lockdown continued, so did the pressure on tenants to meet rental payments as revenues are down in the service and retail sectors. The chart below shows the market return by sector over the year, whilst the table shows the Fund's exposure to different industries.



Sector	Weighting
Retail	28
Office	14
Industrial	34
Other	24

Whilst factors associated with a few individual assets drove the underperformance over the year, the portfolio more generally has benefited from its holdings in properties with long secure income, lower void rate to market comparators and the active management initiatives of the fund managers to reduce high street retail weightings, where uncertainty surrounding Covid 19 restrictions has affected the occupational demand, towards investments in the industrial sector - which should perform better in the current crisis.

Within the private debt market, there were attractive opportunities to deploy in terms of risk and return profiles, and good opportunities in sectors such as healthcare, pharmaceuticals, technology, business services and more defensive areas of consumer services such as education and childcare. Managers were able to take advantage of the market dislocation caused by Covid 19 to achieve some very attractive returns alongside strong risk profiles (in terms of the size of borrower, and ability to secure good covenant packages).

End of year returns on our investment portfolios are summarised below. It is too early to provide performance on the private debt portfolios. The infrastructure allocation is not yet invested.

Portfolio	1 year	3 years	5 years
<b>Property</b>	<b>1.4%</b>	<b>2.3%</b>	<b>4.9%</b>
IPD Benchmark	2.2%	2.3%	4.2%

## Protection

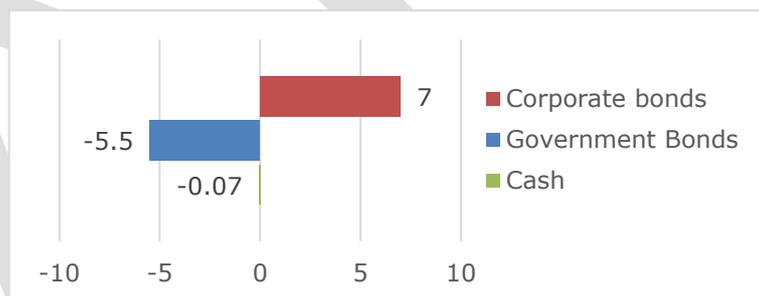
The Fund has allocated 30% of its portfolio to bonds, to reduce year on year volatility and reduce the chances of poorer funding outcomes over the medium / long term.

Governments around the world responded to the pandemic by providing fiscal support for companies and employees. Central banks also acted to reverse the tightening in financial conditions associated with the pandemic, with the Bank of England lowering interest rates and boosting its bond purchase programme.

Government bond yields collapsed and the additional yield spread offered by corporate bonds started to fall, having risen sharply in March 2020.

The spread on corporate bonds initially fell over the period, boosted by a recovery in economic activity alongside support from central bank quantitative easing programmes.

Towards the end of the period, government bond yields quickly moved higher again. As the vaccine rollout accelerated and the easing of restrictions approached, forward-looking economic indicators became increasingly upbeat and markets believed that the previous monetary policy was coming to an end. This rise in yields caused bond prices to fall, offsetting positive returns earlier in period. The chart below shows the market return by sector over the year, whilst the table shows the Fund's exposure to different industries.



Sector	Weighting
Corporate Bonds	64%
Government Bonds	34%
Cash	2%

Over 12 months the overweight position in corporate bonds has been the largest contributor to performance with the Fund delivering healthy outperformance over the period since the height of the crisis.

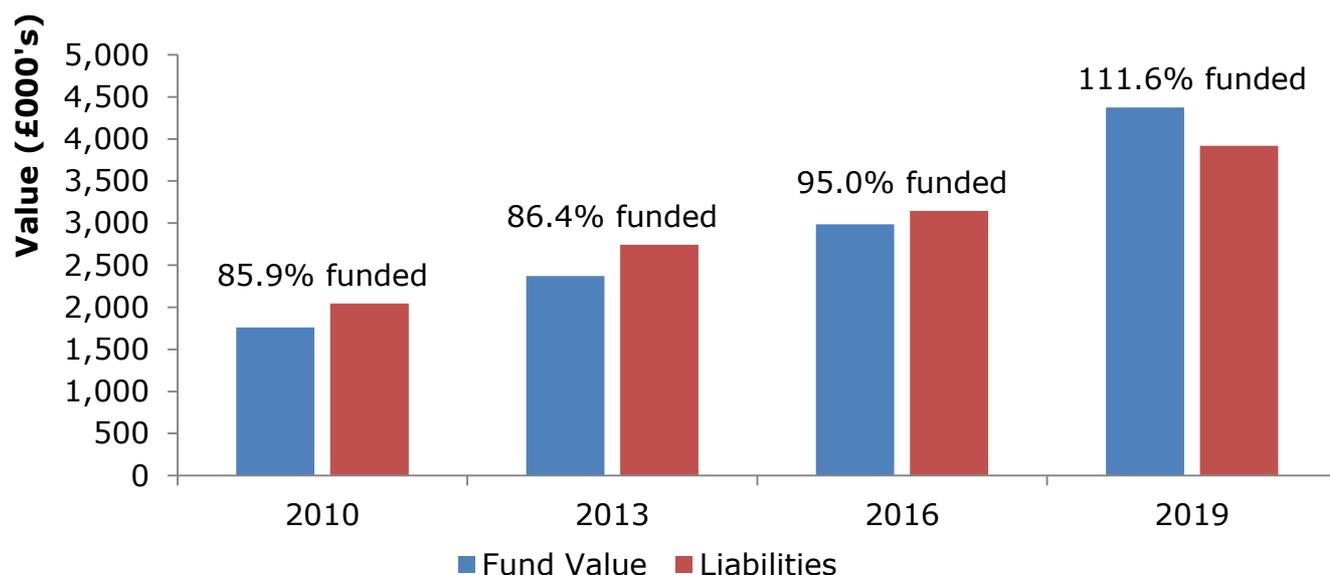
End of year returns on our investment portfolios are summarised below:

Portfolio	1 year	3 years	5 years	10 years
<b>Fixed Interest</b>	<b>9.1%</b>	<b>4.9%</b>	<b>5.3%</b>	<b>6.2%</b>
Composite <sup>5</sup>	4.1%	3.7%	4.0%	5.2%
<b>Fixed Interest</b>	<b>3.6%</b>	<b>3.9%</b>	<b>4.4%</b>	<b>5.9%</b>
Composite	1.2%	3.4%	3.8%	4.8%

<sup>5</sup> FTSE Actuaries Gov't Securities All-Stocks Gilts (22%) plus iBoxx Sterling Non-Gilt (78%)

## **Funding Position**

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 2021 the Fund was estimated to be 123% funded.

## **Administration Performance**

The Fund has a key objective to deliver a good 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.

Hampshire County Council has provided the Pension Administration service for the Fund since 4 March 2019. 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 2020/21 was 774 and the ratio of staff to fund members is 1 to 3,376.<sup>6</sup> It is considered that the Fund demonstrates Value for Money through its performance over the year, particularly.

- **The substantial reduction in number of complaints:** 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 2020/21, eight complaints were received, compared to 54 in 2019/20. 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.
- **CSE Accreditation:** The administration team continue to meet the required Customer Service Excellence (CSE) standard and continue to meet the required CSE standards across the 57 areas assessed. Key Strengths highlighted were the development of accessible and user-friendly online services and the work completed with West Sussex colleagues to improve the data quality of West Sussex member records.
- **Use of Technology:** The Fund believe that the effective use of technology and self-service will improve the administration service to members and employers. An increase in registrations for the Member Portal, the total number of registrations since March 2019 is 21,892, this is 27% of total membership and an increase of 8,658 since 31 March 2020.
- **Performance against Administration Strategy:** The administration team have achieved 100% compliance in the performance indicators as listed in the case type table on the next page

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<sup>6</sup> Analysis based on 18,574 cases, compared to 19,404 cases in 2019/20. 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. The reduction of cases compared to last years is due to members using the online services to update their own details and complete forms. Also the reduction in processing historic casework.

Case Type	No. Cases	Target working days	% on Target
Additional Voluntary Contributions <sup>7</sup> - to notify the AVC provider when a new AVC application is received.	83	10	100%
Change in Member Details -updating the member records to reflect informed change of details.	761	15	100%
Death Benefits -- to acknowledge in writing that we have been notified of the death of a member and include claim forms.	740	5	100%
Death Benefits – notification to beneficiaries and advise of their entitlements including method of calculation.	555	15	100%
Divorce Estimates – to provide estimates/actuals for pension sharing.	153	15	100%
Leaver Forms – notification of benefits and rights to deferred member upon receipt of all necessary information.	2947	30	100%
Leavers – repay contribution with less than two years membership upon receipt of all necessary information.	515	20	100%
Leavers – payment of individual transfers out upon receipt of all necessary information.	40	15	100%
Leavers – bulk transfers out will be agreed between the Administering Authority, its Actuary the Administrator and the Receiving Scheme.	0	Individual case basis	n/a
New Starters – set up member record once new starter form received.	4296	20	100%
New Starters – notification to member of transfer in of pension payment and update the members pension record.	78	10	100%
New Starters – bulk transfers the performance level will be agreed between the Administering Authority, its Actuary the Administrator and the Predecessor Scheme.	0	Individual case basis	n/a
Payment of Retirement Benefits once receipt of all necessary paperwork has been received.	1100 <sup>8</sup>	10	100%
Retirement Estimates once accurate pensionable pay detail have been received from an Employer.	895	15	100%

## **Employer Performance**

To ensure the Administering Authority can ensure compliance of the statutory regulations, timely and accurate information is necessary from Scheme Employers, this includes a timely Annual return being needed by Employers. As part of the efforts to drive data improvements, the administration team now review Employer Performance for timeliness, financial control and

<sup>7</sup> These figures are from April 2020 to February 2021, From February 2021 and going forward, AVC's being set up within 10 working days as the transfer to Legal & General has meant a change in process, whereby the employer will now be responsible for ensuring the AVC contract is set up for members so this indicator will no longer be reported on.

<sup>8</sup> The figures shown are the number of cases processed during the year. However there were 1,035 actual retirements between 1 April 2020 and 31 March 2021. Of these 38 were ill health early retirements, 47 were as a result of redundancy and 950 were voluntary retirements (i.e. a member reaching normal retirement age).

data quality as part of the Annual Return process. As a result of their activities, Hampshire Administration Team have seen improvements in both the quality and timeliness of data provided by their employers.

The definition of the performance categories are shown below along with the number of employers in each section for the 2019/20 exercise:

	<b>Timeliness</b>	<b>Financial control</b>	<b>Data quality</b>
<b>No issue</b>	The team received <b>162 (82%)</b> of returns before the deadline of 30 April	<b>161 (81%)</b> returns had no reconciliation issues	There were no or very minor data quality issues (below 2% of active membership) for <b>99 (50%)</b> of employer returns
<b>Minor concern</b>	The team received a further <b>32 (16%)</b> of returns between 1 May and 31 May	<b>32 (16%)</b> of returns had minor reconciliation issues and quickly resolved	There were some data quality issues (between 2 and 5% of active membership) for <b>34 (17%)</b> of employer returns
<b>Significant Concern</b>	The remaining <b>4 (2%)</b> of returns were received more than a month late	The remaining <b>5 (3%)</b> had major reconciliation issues and/or slow/failed to respond	The remaining <b>65 (33%)</b> of employers had major data quality issues (more than 5 queries or 5% of membership, whichever is higher) and/or slow/failed to respond

The following points are highlighted:

- The total amount of data queries (across all employers) was 2,381 (against a total active membership of 29,002). This is 8% of total membership. This compares with 7,254 in 2018/19 (26% of total membership).
- No employer was red across all criteria and 67 employers were green across all criteria (33%).
- 69 employers are rated as red in one or more areas.

## **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 2020/21 for the Fund are shown below:

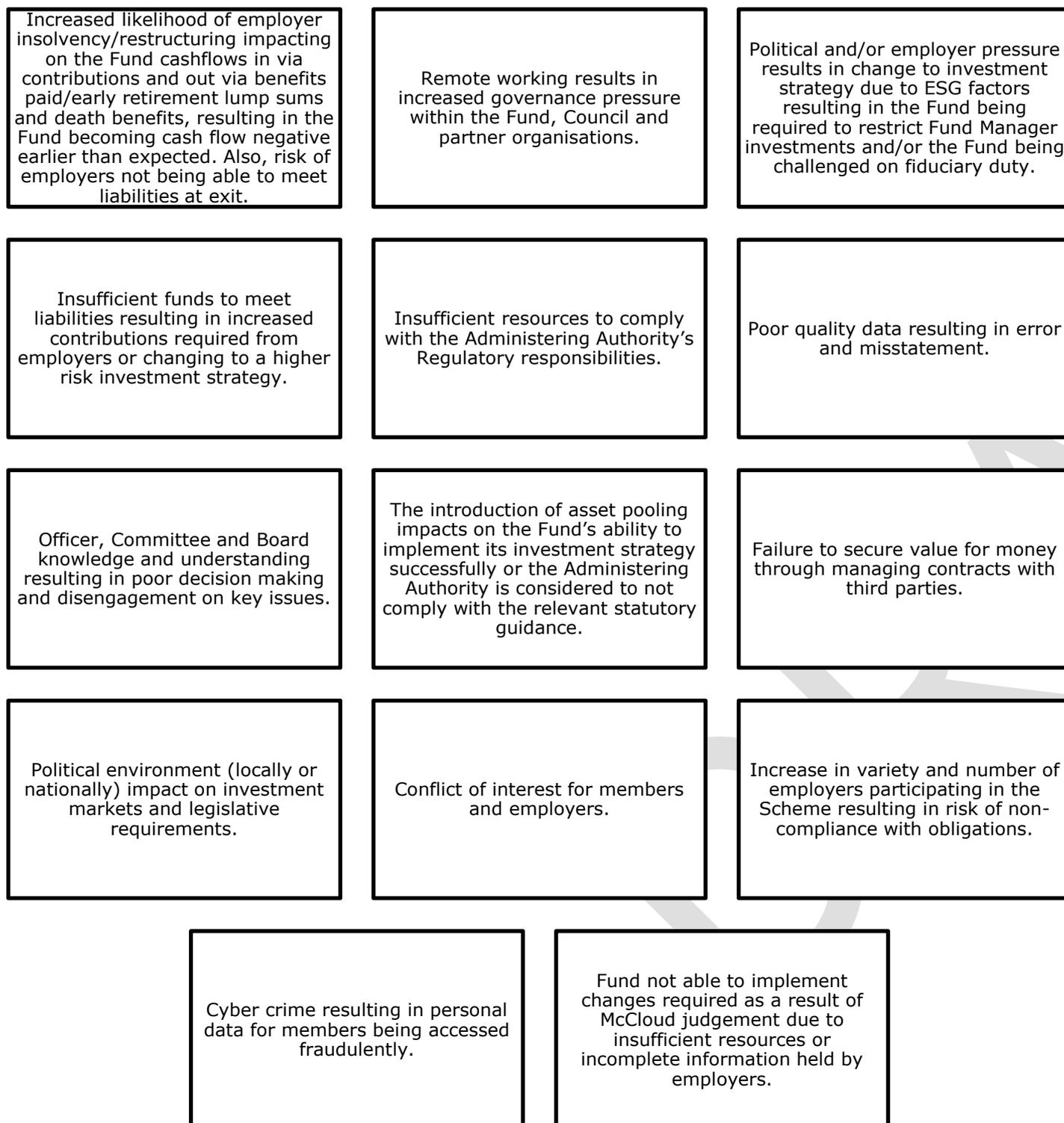
	<b>Target</b>	<b>2019/20</b>	<b>2020/21</b>
<b>Common Data</b>	100%	95%	95%
<b>Conditional Data</b>	N/A	89%	90%

By March 2021 the Fund had substantially completed its initial Data Improvement Plan. This has been reflected in the compliance with the publication of Annual Benefit Statements for members compared to prior years (99.9% of deferred statements and 95.1% of active statements had been published by the statutory deadline).

## 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:



A full risk register can be found in Appendix 6 – Risk Register

## **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 – Audit Assurance

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.

Title	Comments
<ul style="list-style-type: none"> <li>○ National Fraud Initiative Update to October 2020</li> </ul>	<p>The Cabinet Office's National Fraud Initiative ran in October 2020. This project provides potential inappropriate payment as a result of a member being deceased. Of the 199 cases identified from this exercise the pensions administration team had suspended the pensions payments and so no overpayments had occurred.</p>
<ul style="list-style-type: none"> <li>○ Employer Contributions/ Relationships 2019/20</li> </ul>	<p>The scope was to ensure all pension contributions were fully &amp; promptly received and correctly recorded. Also Employing bodies joining/leaving the Fund were administered correctly and pensioner payments were correctly recorded.</p> <p>Reasonable assurance was given. Generally, a sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.</p>
<ul style="list-style-type: none"> <li>○ Pension Payroll and benefit calculations, Deaths, Accounting for pension receipts</li> </ul>	<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>
<ul style="list-style-type: none"> <li>○ Pension Refunds</li> </ul>	<p>The scope of this audit was to ensure that members requesting a refund of contributions from pension schemes were refunded accurately, in a timely manner and in line with current legislative requirements.</p> <p>A substantial assurance opinion was given. This means a sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied.</p>

## Appendices

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

#### Pension Committee

		<b>Member of Committee Since</b>	<b>Meetings Attended</b>	<b>Internal Training Sessions Attended</b>	<b>External Training Sessions Attended</b>
Jeremy Hunt <i>Chairman</i> <i>County Councillor</i>		2016	<b>6/6</b>	2/2	9
David Bradford <i>County Councillor</i>		2017	<b>6/6</b>	0/2	2
Joy Dennis <i>County Councillor</i>		2017	<b>6/6</b>	2/2	4
Brian Donnelly <i>District Councillor</i>		2015	<b>3/6</b>	2/2	0
Roger Elkins <i>County Councillor</i>		2018	<b>5/6</b>	1/2	0
Nigel Jupp <i>County Councillor</i>		2017	<b>6/6</b>	2/2	0
Judith Taylor <i>Member Rep</i>		2016	<b>6/6</b>	1/2	0
Deborah Urquhart <i>County Councillor</i>		2013	<b>6/6</b>	0/2	4
James Walsh <i>County Councillor</i>		2012	<b>6/6</b>	2/2	0

Internal training sessions offered to the Committee covered financial statements and pooling. External training sessions attended included events hosted by Aberdeen Standard Investments, Baillie Gifford, CIPFA, Hymans, Local Government Association and SPS Conferences.

**Pension Advisory Board**

		<b>Member of the Board Since</b>	<b>Meetings Attended<sup>9</sup></b>	<b>tPR Toolkit</b>	<b>Internal Training</b>	<b>External Training</b>
Peter Scales <i>Chairman</i> <i>Independent</i>		2015	3/3	Complete	2/2	4
Becky Caney <i>Member</i> <i>Representative</i>		2018	3/3	Complete	2/2	6
Richard Cohen <i>Employer</i> <i>Representative</i>		2015	3/3	Complete	2/2	3
Miranda Kadwell <i>Employer</i> <i>Representative</i>		2018	3/3	Complete	2/2	7
Kim Martin <i>Employer</i> <i>Representative</i>		2016	3/3	Complete	2/2	1
Christopher Scanes <i>Member</i> <i>Representative</i>		2015	1/3	Complete	0/2	1
Tim Stretton <i>Member</i> <i>Representative</i>		2017	2/3	Complete	2/2	0

Internal training sessions offered to the Pension Advisory Board in 2020/21 covered AVC s and pooling.

External events were hosted by AON, CIPFA and Hymans.

<sup>9</sup> Due to the pandemic, one meeting was cancelled

## **Appendix 1B – Officers and Advisers**

### **Officers of the Fund**

Scheme Manager (and s151 officer) - Katharine Eberhart

Scheme Manager - Tony Kershaw



### **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.

The Annual Report for ACCESS can be found on its [website](#).

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-Investments at Guardian Royal Exchange plc for a number of years and is currently a non-executive director at an investment related company.



### 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 Councils legal services team provide advice for advice covering conveyancing, investment and employer issues.



### AVC Provider

All LGPS Funds 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 Legal and General. The previous provider was Standard Life, although some members retain paid up plans with Utmost Life and Pensions.



## **Appendix 2A – Net Asset Statement**

The Pension Fund Accounts can be found here - <https://www.westsussex.gov.uk/about-the-council/pensions/local-government-pension-scheme-lgps/pension-fund/>

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## **Appendix 2B – Further financial Information**

NOTE: Figures subject to audit and consideration by the Regulation and Audit Committee on 16 September 2021.

### **Ongoing Investment Management Costs**

The table below shows the analysis of the Investment management costs by type and also between Pooled Assets and Non- asset Pools

Category	Asset Pool			Non Pooled Assets			Fund Total
	Direct	Indirect	Total	Direct	Indirect	Total	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Investment Management Fee	2,018		2,018	7,387	3	7,389	9,407
Performance Fees	-	-	-	24,347	-	24,347	24,347
Operator Fees	127	-	127	-	-	-	127
Transaction Costs	-	-	-	1,875	-	1,875	1,875
Custody	71	-	71	121	17	138	209
<b>Total £000</b>	<b>2,216</b>	<b>-</b>	<b>2,216</b>	<b>33,729</b>	<b>20</b>	<b>33,749</b>	<b>35,965</b>

Management fees include £24m relating to the performance fee payable to Baillie Gifford (0.8% for the achieved outperformance). In monetary terms Baillie Gifford has added £360m above benchmark over the nine-month period from 31 March 2020 until the assets transferred into the ACCESS pool on 14 December 2020. For the period of their management of the fund from 31 December 2002 to 14 December 2020, the added value was £888m after fees.

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. Further information about the Code can be found on the SAB's website.

### **Recovery of Overpayments**

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

	2019/20 £'000	2020/21 £'000
<b>Brought Forward</b>	<b>97</b>	<b>82</b>
Overpayment	44	66
Recovered*	-47	-40
Adjustments	-7	-2
Written Off**	-5	-32
<b>Carry Forward</b>	<b>82</b>	<b>74</b>

\* £11,000 of these recoveries are on a repayment plan.

\*\*The majority of write offs, £30,000, were for invoices raised between 2015 and 2018.

### **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 for the prior year. Therefore the table below compares the Pension Fund's costs per member for 2019/20 against other Local Authorities SF3 Return alongside comparative information for WSCC only for 2019/20.<sup>10</sup>

<b>Type of cost</b>	<b>2018/19 SF3 £</b>	<b>2018/19 WSCC £</b>	<b>2019/20 SF3 £</b>	<b>2019/20 WSCC £</b>
Administrative, oversight, governance and investment management	222.27	237.20	245.41	216.15
Administrative, oversight and governance costs only (excluding investment management)	32.68	31.13	35.70	31.15

### **Member Contribution Rates**

The rate of contributions a member will pay is set nationally and is based on their pay. The contribution table for 2020/21 and 2021/22 for the Main Scheme is below.<sup>11</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% nationally and to ensure the long term costs of the LGPS are managed.

<b>Pay Bands 2020/21 Actual pay for employment</b>	<b>Contribution Rate</b>	<b>Pay Bands 2021/22 Actual pay for employment</b>
Up to £14,600	5.5%	Up to £14,600
£14,601 - £22,800	5.8%	£14,601 to £22,900
£22,801 - £37,100	6.5%	£22,901 to £37,200
£37,101 - £46,900	6.8%	£37,201 to £47,100
£46,901 - £65,600	8.5%	£47,101 to £65,900
£65,601 - £93,000	9.9%	£65,901 to £93,400
£93,001 - £109,500	10.5%	£93,401 to £110,000
£109,501 - £164,200	11.4%	£110,001 to £165,000
More than £164,200	12.5%	£165,001 or more

<sup>10</sup> The 2019/20 information can be found on the [website](#)

<sup>11</sup> The LGPS offers a member the flexibility to pay half their normal contribution rate and build up half their normal pension

## Appendix 3 – Contributions by Employer

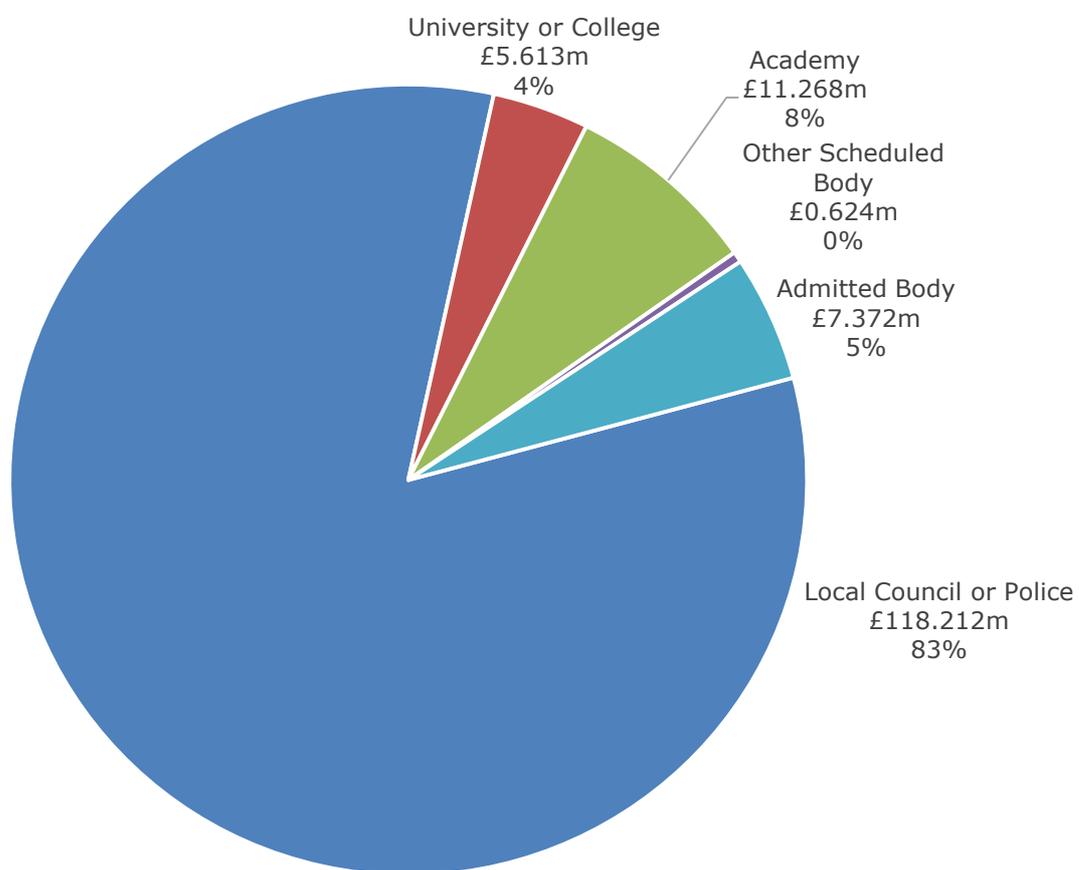
### Contribution Receipts

The table below shows some key statistics for contribution receipts for 2020/21. Contributions must be received by the Fund by the 22<sup>nd</sup> of the month following the deduction from pay.

	2019/20	2020/21
Number of Contribution Payments Received	2,308	2,427
Payments received on time	99.96%	98.33%
Interest Charged	£0	£0

The Fund received a total of £143.1m in contributions during the year (£112m from employers and £31.1m, from employees). This is analysed by employer type below:

Contributions by category and percentage of total contributions



Of the Fund's total 207 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.

<b>Employer</b>	<b>Employer and Employee Contributions £'000</b>	<b>% of Total Contributions to the Pension Fund</b>
West Sussex County Council	61,934	43.3
Sussex Police & Crime Commissioner	22,203	15.5
Adur/Worthing Joint Committee	4,832	3.4
Crawley Borough Council	4,557	3.2
Arun District Council	3,967	2.8
Chichester District Council	3,844	2.7
Chichester College	3,790	2.6
Mid-Sussex District Council	3,412	2.4
Horsham District Council	3,330	2.3
Greater Brighton Metropolitan College	2,723	1.9
University of Chichester	2,455	1.7
Worthing Borough Council	1,806	1.3
Saxon Weald Homes	1,628	1.1
Adur District Council	1,564	1.1
South Downs National Park	1,257	0.9
Shoreham Port Authority	1,220	0.9
All other active employers	18,565	13.0
<b>Total</b>	<b>143,089</b>	

The total employer contribution receipts are shown below split by Scheduled Bodies (including the County Council, local district and borough councils, academies, the Police and Crime Commissioner and Office of the Chief Constable) and Admitted Bodies (including private sector bodies where a local authority has outsourced a service or a community interest company has been created):

<b>Scheduled Body</b>	<b>Employee Contributions £</b>	<b>Employer Contributions £</b>	<b>Total £</b>
Adur District Council	120,114	1,444,075	1,564,189
Adur/Worthing Joint Committee	1,232,351	3,599,706	4,832,057
Aldingbourne Parish Council	1,908	6,811	8,719
Angmering Parish Council	8,610	28,236	36,846
Ansty/Staplefield Parish Council	1,099	3,921	5,020
Ardingly Parish Council	1,242	4,507	5,749
Arun District Council	698,634	3,268,099	3,966,733
Ashington Parish Council	925	3,302	4,227
Ashurst Wood Village Council	1,598	5,826	7,424
Balcombe Parish Council	933	3,330	4,263
Baldwins Hill Primary School	9,809	40,152	49,961
Barnham & Eastergate Parish Council	2,291	8,571	10,862
Barnham Primary School	16,858	66,820	83,678
Bersted Parish Council	3,959	12,668	16,627
Bewbush Primary Academy	39,098	152,504	191,602
Billingshurst Parish Council	10,023	34,654	44,677
Bishop Luffa School	62,079	224,413	286,492
Blackthorns Primary School	11,731	52,175	63,906
Blackwell Primary School	10,120	41,860	51,980
Bognor Regis Town Council	22,048	70,237	92,285
Bohunt School Horsham	7,217	27,790	35,007
Bohunt School Worthing	26,772	97,554	124,326
Bolney Parish Council	619	2,331	2,950
Broadbridge Heath Parish Council	1,524	5,673	7,197
Broadfield Primary Academy	32,593	130,966	163,559
Burgess Hill Academy	39,627	169,035	208,662
Burgess Hill Town Council	33,402	87,691	121,093
Central C of E Junior School	7,816	29,989	37,805
Chichester City Council	21,134	61,554	82,688
Chichester College	968,161	2,822,329	3,790,490
Chichester District Council	948,209	2,895,472	3,843,681
Chichester Free School	53,447	195,113	248,560
Chichester Harbour Conservancy	47,048	144,386	191,434
Chichester High School	54,854	197,966	252,820
Churchill Bishop Tufnell	1,817	9,351	11,168

<b>Scheduled Body</b>	<b>Employee Contributions £</b>	<b>Employer Contributions £</b>	<b>Total £</b>
Churchill Lancastrian Infant School	171	882	1,053
Clapham & Patching C of E Primary School	1,519	6,438	7,957
Colgate Parish Council	470	1,771	2,241
Collyers College	93,273	341,196	434,469
Crawley Borough Council	1,107,637	3,449,612	4,557,249
Cuckfield Parish Council	6,577	22,311	28,888
Desmond Anderson Primary Academy	32,934	140,989	173,923
Donnington Parish Council	377	1,419	1,796
Downsbrook Primary School	10,652	44,028	54,680
Downview Primary School	24,925	93,111	118,036
Durrington High School	81,787	325,901	407,688
Earnley Parish Council	368	1,399	1,767
Easebourne Parish Council	630	2,369	2,999
East Grinstead Town Council	33,286	98,206	131,492
East Preston Junior School	9,982	41,165	51,147
East Preston Parish Council	3,947	12,952	16,899
East Wittering & Bracklesham Parish Council	2,095	6,995	9,090
Eastbrook Primary	24,306	95,376	119,682
Edward Bryan Primary	28,849	120,366	149,215
Fernhurst Primary School	10,333	42,456	52,789
Ferring Parish Council	1,553	4,945	6,498
Fire Service Charity	1,722	6,014	7,736
Fishbourne Parish Council	702	2,640	3,342
Fittleworth Parish Council	1,947	2,812	4,759
Forge Wood Academy	14,542	61,697	76,239
Gossops Green Community Primary School	28,985	106,699	135,684
Greater Brighton Metropolitan College	511,066	2,212,310	2,723,376
Greenway Academy	14,911	54,764	69,675
Halsford Park Primary School	25,718	97,160	122,878
Harlands Education Trust	14,737	57,810	72,547
Hassocks Parish Council	6,641	22,176	28,817
Haywards Heath Town Council	14,122	46,819	60,941
Hazelwick Academy	85,530	297,454	382,984
Henfield Parish Council	1,853	6,625	8,478
Hilltop Academy	28,795	109,642	138,437
Holmbush Primary School	14,122	61,352	75,474
Horsham District Council	873,662	2,456,631	3,330,293
Hunston Parish Council	818	2,957	3,775
Hurstpierpoint Parish Council	5,970	19,733	25,703

<b>Scheduled Body</b>	<b>Employee Contributions £</b>	<b>Employer Contributions £</b>	<b>Total £</b>
Kilnwood Vale Primary School	10,602	45,765	56,367
Kingsham Primary School	20,129	83,600	103,729
Lancastrian Infant School	1,810	9,163	10,973
Lancing Parish Council	9,531	29,603	39,134
Lindfield Parish Council	3,288	11,159	14,447
Lindfield Primary School	21,167	94,249	115,416
Lindfield Rural Parish Council	1,278	4,560	5,838
Littlegreen School	18,574	80,889	99,463
Littlehampton Academy	94,303	319,379	413,682
Littlehampton Town Council	29,837	99,736	129,573
Medmerry Academy	10,465	43,926	54,391
Midhurst Town Council	3,859	13,301	17,160
Midhurst Rother College	52,061	175,896	227,957
Mid-Sussex District Council	650,713	2,761,597	3,412,310
Milton Mount Primary School	13,427	58,456	71,883
Muntham House School	102,740	330,081	432,821
National Southdowns Park	334,201	923,108	1,257,309
New Horizons Multi Academy Trust	984	4,019	5,003
North Horsham Parish Council	13,367	40,536	53,903
North Mundham Parish Council	670	2,327	2,997
Northlands Wood Primary School	21,019	75,311	96,330
Chief Constable Sussex Police	4,985,628	17,217,599	22,203,227
Orchards Junior School	25,301	95,197	120,498
Ormiston Six Villages Academy	33,976	124,736	158,712
Pagham Parish Council	914	3,263	4,177
Plaistow & Ifold Parish Council	1,885	6,004	7,889
Sussex Police & Crime Commissioner	97,837	274,718	372,555
Portfield Academy	18,097	73,292	91,389
Pound Hill Infant School	15,207	65,963	81,170
Pulborough Parish Council	4,780	16,541	21,321
Pyecombe Parish Council	207	778	985
River Beach Primary	43,147	177,049	220,196
Rose Green Junior School	16,737	68,517	85,254
Rudgwick Parish Council	2,279	8,446	10,725
Rumboldswyke C of E Infant School	2,591	9,713	12,304
Rustington Academy	24,625	101,514	126,139
Rustington Parish Council	8,634	27,222	35,856
Schoolworks Academy Trust	28,099	80,584	108,683
Seal Primary Academy	19,616	79,990	99,606
Seaside Primary School	26,283	110,828	137,111

<b>Scheduled Body</b>	<b>Employee Contributions £</b>	<b>Employer Contributions £</b>	<b>Total £</b>
Selsey Academy	17,124	70,895	88,019
Selsey Town Council	10,550	35,776	46,326
Seymour Academy	23,430	87,630	111,060
Shermanbury Parish Council	485	1,825	2,310
Shipley Parish Council	615	2,316	2,931
Shoreham Academy	90,191	302,922	393,113
Singleton & Charlton Parish Council	498	1,873	2,371
Sir Robert Woodard Academy	60,832	205,344	266,176
Slaugham Parish Council	2,330	7,420	9,750
Slinfold Parish Council	1,096	3,489	4,585
Sodexo Chichester High School	697	-	697
Southgate Primary School	18,941	77,504	96,445
Southwater Infants	16,516	64,570	81,086
Southwater Juniors	17,433	65,891	83,324
Southwater Parish Council	8,557	29,115	37,672
Southway Academy	31,556	115,871	147,427
St Josephs Catholic Primary School	13,137	57,415	70,552
St Lawrence Primary	28,703	111,836	140,539
St Mary's Catholic Primary School	15,407	66,932	82,339
St Philip Howard Catholic High School	52,584	219,557	272,141
Steyning Grammar School	46,860	189,642	236,502
Steyning Parish Council	5,081	15,665	20,746
Storrington and Sullington Parish Council	4,326	14,595	18,921
Tangmere Parish Council	1,723	6,297	8,020
Tangmere Primary	11,962	46,947	58,909
The Gatwick School	37,657	130,629	168,286
The Globe Academy	28,823	114,849	143,672
The Laurels Primary School	8,120	30,846	38,966
The March C of E Primary School	7,161	30,648	37,809
The Mill Primary School	25,634	93,314	118,948
The Oaks Academy	23,286	99,933	123,219
The Regis Academy	133,788	463,505	597,293
Thomas Bennett Community College	51,634	186,595	238,229
Turners Hill Parish Council	1,734	6,583	8,317
Twineham Parish Council	207	778	985
University of Chichester	632,122	1,822,694	2,454,816
Upper Beeding Parish Council	2,533	8,441	10,974
Warden Park Academy	90,685	303,287	393,972
Warden Park Primary Academy	27,994	101,389	129,383
Waterfield Primary School	17,930	72,748	90,678

<b>Scheduled Body</b>	<b>Employee Contributions £</b>	<b>Employer Contributions £</b>	<b>Total £</b>
West Chiltington Parish Council	1,708	5,440	7,148
West Grinstead Parish Council	1,785	5,685	7,470
West Hoathly Parish Council	1,218	4,616	5,834
West Itchenor Parish Council	474	1,870	2,344
West Sussex Council Council	13,466,194	48,467,626	61,933,820
Westbourne Parish Council	1,098	4,331	5,429
White Meadows School	44,175	167,927	212,102
Woodard Academies Trust	19,396	40,251	59,647
Worthing Borough Council	22,140	1,783,737	1,805,877
Worthing High School	63,197	208,507	271,704
<b>Total</b>	<b>29,582,379</b>	<b>106,134,420</b>	<b>135,716,799</b>

<b>Admitted Body</b>	<b>Employee Contributions £</b>	<b>Employer Contributions £</b>	<b>Total £</b>
Aspire Sussex Ltd	27,619	132,211	159,830
Balfour Beatty 2020	28,923	105,931	134,854
BAM UK Ltd	4,162	1,025	5,187
Caterlink Bourne Community College	2,103	2,927	5,030
Capita	154,312	468,277	622,589
Capita (SSO)	164,212	665,694	829,906
Carers Support 2017	1,624	6,054	7,678
Churchill Bognor Regis Nursery School	381	1,960	2,341
Churchill Central C of E Academy	227	721	948
Churchill Coastal Enterprises	242	1,246	1,488
Churchill Northolmes Junior School	219	1,125	1,344
Churchill Steyning Grammar School	8,370	40,920	49,290
Churchill Bersted Green Primary School	1,080	5,558	6,638
Churchill The Forest	1,019	5,245	6,264
Care Quality Commission	2,997	-	2,997
Crime Reduction Initiatives/Change, Grow, Live	4,493	20,097	24,590
Energy Kidz Ltd (Chichester Free School)	-	533	533
Essex Cares Ltd 2017	17,209	78,798	96,007
Freedom Leisure - Arun DC Leisure Facilities	19,472	152,463	171,935
Freedom Leisure 6V	131	473	604
Grace Eyre Northern	4,694	18,239	22,933
Grace Eyre Western	5,069	27,396	32,465
Homes & Communités Agency	40,081	187,491	227,572

<b>Admitted Body</b>	<b>Employee Contributions £</b>	<b>Employer Contributions £</b>	<b>Total £</b>
Impact Initiatives (Henfield CP)	80	528	608
Impluse Leisure	4,550	11,207	15,757
Innovate Services Ltd	1,472	7,377	8,849
Littlehampton Harbour	12,656	33,978	46,634
Martlet Homes	108,016	359,476	467,492
Mears Ltd	6,375	20,693	27,068
Medisort	1,004	4,812	5,816
Mitie Ltd	1,500	4,869	6,369
NSL Ltd 2018	3,203	15,228	18,431
Places for People	36,260	284,818	321,078
PPP Taking Care	19,848	67,779	87,627
Ridge Crest Cleaning Ltd Littlehampton Academy	1,086	6,436	7,522
Ridge Crest Cleaning Ltd Sir Robert Woodard	1,270	8,465	9,735
Ridge Crest Manor Field Primary School	628	2,716	3,344
RSPB	1,889	7,790	9,679
Saxon Weald Homes	325,687	1,302,081	1,627,768
Schoolsplus	507	3,149	3,656
Shaw Homes	26,357	109,665	136,022
Caterlink Shoreham Academy	660	2,496	3,156
Shoreham Port Authority	315,974	904,414	1,220,388
SLM Community Leisure	27,251	114,553	141,804
SLM Food & Beverage	1,851	10,256	12,107
SLM Health & Fitness	5,857	28,492	34,349
Southdowns Leisure	58,259	245,626	303,885
The Music Trust	11,956	35,166	47,122
Tivoli Group Limited	2,585	8,050	10,635
Worthing Theatres & Museums	85,711	296,606	382,317
<b>Total</b>	<b>1,551,131</b>	<b>5,821,110</b>	<b>7,372,241</b>

## **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).

	<b>2019/20</b>	<b>2020/21</b>	<b>Benchmark for 12 months to 31 March 2021</b>
Stock available to market at year end	£1,961m	£1,180m	
<b>Stock on loan</b>			
Average amount on loan	£121.9m <sup>12</sup>	£152.1m	
Amount on loan as at 31 March	£201.7m <sup>13</sup>	£87.2m	
Percentage on loan as at 31 March	10.29%	7.39%	
Utilisation	6.1%	7.8%	11.7%
<b>Income</b>			
Gross	£0.339m	£0.297m	
Net	£0.282m	£0.252m	
Net Return in Basis Points	1.4	16.7	25.2

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 2021 was £87.2m and the collateral held was £91.6m which equates to 105% 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 table below shows the type of collateral held as at 31<sup>st</sup> March 2021.

	£m
Obligations issued or guaranteed by the United States and United Kingdom	45.3
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	13.3
Equity from major indices	33.0
Total	91.6

<sup>12</sup> This figure was shown as £91m in last year's report and has since been revised to £121.9m following revisions previously reported from Custodian.

<sup>13</sup> This figure was reported as £203m in last year's report and has since been revised to £201.9m

## **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 2021.

	12 months	3 years pa	10 years pa	15 years pa
Fund	26.95 %	9.97 %	10.25 %	8.22 %
Benchmark	19.93 %	8.21 %	9.03 %	7.38 %
<i>Difference</i>	7.02 %	1.76 %	1.22 %	0.84 %
<i>By fund manager</i>				
UBS	30.51 %	8.20 %	9.19 %	7.24 %
UBS Benchmark	21.20 %	7.97 %	8.71 %	7.27 %
<i>Difference</i>	9.31 %	0.23 %	0.48 %	-0.03 %
Link (Baillie Gifford) <sup>14</sup>	30.66 %	12.37 %	12.35 %	10.07 %
Link Benchmark	20.43 %	9.00 %	9.35 %	7.69 %
<i>Difference</i>	10.45 %	1.20 %	3.00 %	2.38 %
Aberdeen Standard	1.47 %	2.50 %	5.12 %	-
Aberdeen Standard Benchmark	2.18 %	2.34 %	4.21 %	-
<i>Difference</i>	-0.71 %	0.16 %	0.91 %	-
Private Equity	22.83 %	18.57 %	15.44 %	-
Private Equity Benchmark	39.93 %	13.48 %	14.77 %	-
<i>Difference</i>	-17.10 %	5.09 %	0.67%	-

<sup>14</sup> Performance reflects Baillie Gifford performance since 2002 (directly held and within the ACCESS Pool).

## Custodian Performance

MJ Hudson's Custodian Bank Benchmarking team, 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.

		2020	2021	2021	Trend
		Fund	Fund	B'Mark	
The average monthly activity was 236 trades with a value of £176m (2019/20: 219 trades £117m). The analysis is based on late settlement as a % of average monthly income.	Value of all late settlement	5.62%	2.78%	3.96%	↑
	Value of outstanding settlement	0.38%	0.71%	0.22%	
Over the year, the fund received 489 income receipts with a total value of £76.9 million (2019/20: 604 income receipts totalling £64.6m). The analysis is based on late receipt as a % of average monthly income.	Value of all late income	2.34%	0.06%	4.51%	↔
	Value of outstanding income	0.00%	0.00%	0.00%	
The number of tax reclaims as a percentage of total average monthly tax reflects the restrictions and time periods in local jurisdictions.	Value of tax outstanding	1,388%	2,816%	2,409%	↓
	Number of tax reclaims outstanding	1,251%	2,071%	1,731%	
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>15</sup>	0	-3	8	
The average credit balance during the year was £31.9m 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	0.54%	0.05%	-0.00%	↓
	EUR	-0.71%	-0.80%	-0.75%	
	USD	0.41%	0.00%	0.00%	

<sup>15</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 2020/21 key risks and actions taken to mitigate these have been set out below:

<b>Risk Theme</b>	<b>Action</b>	<b>Status</b>
<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. Monitor and review the cash flow of the Fund.	Green
<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. Implement appropriate remote working to ensure business continuity and review third party business continuity plans.	Amber
<b>Poor quality data resulting in error and misstatement.</b>	Implement and monitor the Data Improvement Plan to completion. Work proactively with administration team and employers as part of the end of year process. Maintain robust accounting records. Data improvement plan largely completed.	Amber
<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. Work with external organisations to understand how training is going to be delivered in current circumstances and communicate with Committee and Board members. Training strategy under review to ensure fit for purpose. Training plan for the year to be included in 21/22 Business Plan. Induction training for potential new committee members has confirmed. Successful joint (Committee & Board) training session on ACCESS Governance held.	Green
<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. Working closely with the Access Support Unit and Operator in respect of future requirements.	Amber

Risk Theme	Action	Status
<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.	Green
<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. Implement and monitor the Training Strategy.	Amber
<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. Specific Pension Fund Conflict of Interest Policy will be required following implementation of SAB Good Governance project.	Green
<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. Development of employer risk framework to monitor and take steps to mitigate risk presented to the Fund in respect of participating employer liabilities.	Amber
<b>Cybercrime resulting in personal data for members being accessed fraudulently.</b>	Strong IT environment for administration system and web-based Portals. Officers are taking appropriate advice in considering how risk can be managed/mitigated.	Amber
<b>Increased likelihood of employer insolvency/restructuring impacting on the Fund cashflows in via contributions and out via benefits paid/early retirement lump sums and death benefits, resulting in the Fund becoming cash flow negative earlier than expected. Also, risk of employers not being able to meet liabilities at exit.</b>	Communication with employers to ensure they are aware of Deferral of Employer Contributions policy and to invite early discussion with regards to any workforce changes. Implement cashflow monitor and projections and review on a monthly basis. Review employer covenant and take appropriate action. Liaising with Legal team to understand actions following insolvency.	Amber
<b>Remote working results in increased governance pressure within the Fund, Council and partner organisations.</b>	Discuss governance arrangements with partner organisations to ensure they meet expectations and requirements. Scheme of delegation under review to ensure fit for purpose in current climate. Impact of restrictions on end of year processes and staff availability being assessed and reviewed.	Amber

Risk Theme	Action	Status
<p><b>Political pressure results in change to investment strategy due to ESG factors resulting in the Fund being required to restrict Fund Manager investments and/or the Fund being challenged on fiduciary duty.</b></p>	<p>Ensure active engagement by Fund Managers with companies in all areas.            Regular dialogue with Fund Managers regarding reasoning behind the stock being held.            Keep up to date with Scheme Advisory Board and Government guidance.            Engagement with employers to inform them of the Fund approach to ESG and RI and to enable them to respond to any queries.            Updated ISS to reflect RI strategy.            Consultation with members and employers to get feedback on ISS.</p>	Amber
<p><b>Fund not able to implement changes required as a result of McCloud judgement due to insufficient resources or incomplete information held by employers</b></p>	<p>The Fund has contacted all employers to update them on the information required and timescales for the McCloud data capture and is engaged with the administration software providers on the changes required to support the project.</p> <p>A project plan and project manager has been put in place by the administration team and recruitment is underway to ensure that the team are sufficiently resourced.</p> <p>The team continue to engage with the LGA and SAB to keep up to date with developments and best practice guidance.</p>	Amber

## **Appendix 7 – Audit Assurance**

External Audit Certificate to follow



## **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.

[West Sussex County Council Code of Conduct](#) - details the responsibilities of members and staff, which should be complied with by Pension Committee members, Pension Advisory Board members and Officers.

## **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 employer and employee contributions from employers
- 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/> 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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