

Pensions Committee

25 October 2021

Business Plan

Report by Director of Finance and Support Services

Summary

The Pensions Committee approved its Business Plan for 2021/22 in March 2021, setting out the aims and objectives of the fund over the coming year, its core work and how the objectives will be achieved. The following are noted as updates:

- Work continues implementing the investment strategy.
- 100% of deferred and 98% of active Annual Benefit Statements were published by the statutory deadline, reflecting continued improvements in service.
- Work on collecting data from employers to implement changes required because of the McCloud judgement continue - 186 of 212 completed service/break data sets have been received. Engagement with employers who have not provided returns continues.
- The Pension Fund's accounts were considered by the [Regulation and Audit Committee on 16 September 2021](#) at which EY advised that in their opinion the statements give a true and fair view of the fund's financial transactions, assets and liabilities as at 31 March 2021. The Pension Fund accounts will be signed once the County Council Accounts have been finalised.

In terms of risk:

- Two risks themes (contract management and knowledge and understanding) have increased from green to amber reflecting experience since the last meeting.
- One risk has increased from amber to red (cyber-crime) following the categorisation of the same risk within the County Council risk register and indicating the Fund's reliance on the County Council IT system.

Recommendations

- (1) To note the updates on Business Plan activities for 2021/22 and the risk matrix (Appendix A).
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1 Background

- 1.1 The Pensions Committee maintains a Business Plan which sets out its key priorities. The Pensions Committee's approach, historically, has been to review

its business plan in full annually at the start of the year and consider updates during the year. The 2021/22 Business Plan was agreed in March 2021. This sets out the aims and objectives of the fund over the coming year, how the objectives will be achieved, and the risks faced by the Fund.

- 1.2 This quarterly report provides an update on any emerging key business issues, any issue with the highest levels of risk identified, or any other matter the Director of Finance and Support Services wishes to bring to the attention of the Committee. The report is also shared with the Pension Advisory Board.

2 Update on Business Plan Items

- 2.1 An update has been provided below:

2021/22 Actions	30 September 2021 Update
<p>Investment Strategy Statement: Implement strategy and develop reporting and monitoring framework.</p>	<p>A detailed report has been provided to the Committee on the progress to implement its new investment arrangements and to provide additional information on the implementation of its approach to Environmental, Social and Governance matters. .</p>
<p>Changes required as a result of the McCloud judgement: Receive and validate data from employers in order to update the records of affected members whilst keeping key stakeholders informed and managing the risks inherent in a large project.</p> <p>Recalculations and possible restitution will form the next phase of the work.</p>	<p>186 of 212 completed service/break data sets from West Sussex employers have been received (representing 86% of the population who are likely to need remedy). All the initial data checks have been completed and queries sent to employers and the employers who have not yet returned their service/break data sets are being contacted on a weekly basis. A list of employers where the team have concerns about their ability to provide the data required will be provided for an escalation of the engagement.</p>
<p>2022 Valuation preparation: Work with advisers to integrate employer risk framework into the 2022 valuation and future monitoring arrangements.</p>	<p>A project planning meeting has been planned for December 2021 with all parties. It is anticipated that employer meetings will be held by March 2022.</p>
<p>Communications: Develop an approach to support the Communication Strategy which considers the communications documents published for stakeholders to support the understanding of the management of the Scheme and benefits provided.</p>	<p>Officers are working with Hampshire Pension Services to review employer communications, focusing on two areas, Pension Matters and the Employer section of the website. Proposed improvements will be worked on over the next six months.</p>

2021/22 Actions	30 September 2021 Update
<p>Data: Undertake further work to identify data improvement requirements ahead of the 2022 Actuarial Valuation and support wider service improvements such as self-service and the Data Dashboard.</p>	<p>The team have published 100% of deferred and 98% of active Annual Benefit Statements (compared to the previous year 100% deferred and 95% active statements). This reflects a significant reduction in the number of data queries raised with employers during the end of year process (2021: 1,210 / 2020: 3,881 / 2019: 7,254).</p> <p>The team continue to work through outstanding historic leaver cases. The anticipated completion date has been moved to 31 December 2021, previously 31 October 2021.</p> <p>Preparation for and the 2022 Valuation will be critical to provide assurance on the completeness of this work. Data improvement work will then be considered as a Business-as-Usual activity with projects scoped as appropriate.</p>
<p>Robust Accounting: Complete the Pension Fund's Statement of Accounts by the statutory deadline and work with the external auditors on their review.</p>	<p>The Draft Statement of Accounts were provided to the Fund's auditors, EY, on 18 June 2021. The audit is now complete. The accounts were considered by the Regulation and Audit Committee on 16 September 2021 at which EY advised that in their opinion the pension fund financial statements give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2021 and the amount and disposition of the fund's assets and liabilities as at 31 March 2021 and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21. The Pension Fund accounts will be signed once the County Council Accounts have been finalised.</p>
<p>Annual Report: The Report will be considered by the Pensions Committee at their meeting on 21 July 2021 and by the Pension Board on 26 July 2021.</p>	<p>The Annual Report was provided to the Committee for their comments and approval in July. It will be published once the Statement of Accounts have been signed off.</p>

2021/22 Actions	30 September 2021 Update
Accounting System: Officers will continue to work with the project team to ensure the accounting system is implemented.	Officers continue to engage on the implementation project.

3 Update on Training

- 3.1 A Training Strategy has been established to aid the Pension Committee and Pension Advisory Board members in performing and developing personally in their individual roles and to equip them with the necessary skills and knowledge to act effectively in line with their responsibilities. The Constitution sets out that members of the Pensions Committee are required to acquire and maintain an appropriate level of expertise, knowledge and skills as set out by CIPFA in order to remain members of the Committee.
- 3.2 The Fund has purchased access to the Hymans LGPS Online Learning Academy (LOLA) for all Members of the Pension Committee, members of the Pension Advisory Board and officers. All members of the Committee and Board have been asked to complete the LOLA training before the October Committee meeting or November Advisory Board meeting as a baseline and reference to appropriate training has been included within the main agenda papers. The below shows modules completed up to 11 October 2021:

Module	Intro (1)	Govern. (2)	Admin (3)	Funding (4)	Invest. (5)	Current Issues (6)
Cllr Condie	Complete	Complete	Complete	Complete	Complete	Complete
Cllr Dennis						
Cllr Donnelly	In Progress					
Cllr Elkins	Complete	In Progress	In Progress	In Progress	In Progress	In Progress
Cllr Hunt	Complete	In Progress				
Cllr Jupp						
Mr. Kipling	Complete	Complete	Complete	Complete	Complete	Complete
Ms. Taylor						In Progress

Module	Intro (1)	Govern. (2)	Admin (3)	Funding (4)	Invest. (5)	Current Issues (6)
Cllr Turley						
Cllr Urquhart	Complete	Complete	Complete	Complete	Complete	In Progress

Note: Complete indicates that each subject within the module has been accessed and the assessment has been completed. In progress indicates that some or all the materials within the module have been accessed but the assessment is not yet complete. No entry indicates that the materials within the module have not yet been accessed.

- 3.3 Four members of the Committee have completed three of the LGA Fundamentals courses.
- 3.4 Five members of the Committee have attended at least one external webinar or conference this year.
- 3.5 Pension Advisory Board members completed all Pension Regulator's Toolkit modules. Although this is a requirement for Board members, it is desirable that Committee members also complete the Toolkit to maintain parity with the level of training of the Board.
- 3.6 Key additional training for the Committee have been summarised below.

Internal

- October 2021 – Completion of LOLA modules
- November/December 2021 – The Actuarial Valuation process
- January 2022 – Employer Risk / Employer Management

External

- 12th October 2021 – LGA Fundamentals I (London or Virtual)
- 9th November 2021 – LGA Fundamentals II (London or Virtual)
- 2nd December 2021 – LGA Fundamentals III (London or Virtual)
- 18th November 2021 – SPS Local Authority Pension Funds Sustainable Investment Strategies (London)

4 Update on Risks faced by the Fund

- 4.1 A full risk register was provided to the Pensions Committee in March 2021. The update on risks by theme are attached (Appendix A). The following are highlighted:
- a) Risk Theme 9 (Failure to secure value for money through managing contracts with third parties) has increased from green to amber due to the increasing reliance on one contract with regards to investment management and there is limited provision to influence active management of this contract. Officers are actively working to put appropriate procedures in place to improve the situation.
 - b) Risk Theme 5 (Insufficient resources to comply with the Administering Authority's Regulatory responsibilities and ability to deliver the Business Plan) has been moved from an amber risk to green due to the temporary resource put in place to manage an internal vacancy and the adjustments to processes to ensure that vacancies within the wider finance team do not adversely impact reporting to the Actuary or Custodian or the reconciliation of contributions.
 - c) Risk Theme 12 (Cybercrime resulting in personal data for members being accessed fraudulently) has increased from amber to red to reflect the assessment of the risk on the County Council risk register and indicating the Fund's reliance on the County Council IT system.
 - d) Risk Theme 7 (Officer, Committee and Board knowledge and understanding resulting in poor decision making and disengagement on key issues) has increased from green to amber reflecting the limited amount of training undertaken up to mid-October. The Fund needs to be able to evidence the training undertaken to ensure continued 'Professional Investor' status as required under MiFID II and to comply with the Knowledge and Skill requirements as set out by CIPFA.

5 Update on Audit and Controls

- 5.1 Internal audit work should ensure that adequate internal controls are in place and operate effectively. To supplement its own audit framework the County Council receives internal audit reports from its administration provider, Hampshire County Council.
- 5.2 The County Council's internal audit team are undertaking a mapping exercise to determine further areas of audit focus (e.g., accounting for pension payroll, recoveries and contribution receipts, employer assets and cashflows, governance and investments). Audit work completed and planned for the year has been summarised on the following page:

Key area	Update
<p>Pensions, payroll and benefit calculations: Annual review to provide assurance that systems and controls ensure that lump sum and on-going pension payments are calculated correctly, are valid and paid to the correct recipients; all changes to on-going pensions are accurate and timely; and pension payroll runs are accurate, complete, timely and secure with all appropriate deductions made and paid over to the relevant bodies.</p>	<p>Audit work completed for 2020/21 providing a “substantial assurance” opinion. This reflects the sound system of governance, risk management and control, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited. There were no suggested areas for improvement recommended.</p> <p>The audit for 2021/22 will be underway by 31 December 2021.</p>
<p>Pension Starters: Review of the control framework to support appropriate, complete, and prompt admission of new starters to the various pension schemes administered by Hampshire Pension Services (HPS).</p>	<p>The team have held the close of audit meeting and the final report is expected shortly. There were no matters of consequence raised in the close meeting.</p>
<p>National Fraud Initiative: Full exercise undertaken October 2020 and completed within 6 months and to be undertaken again in October 2022.</p>	<p>The Cabinet Office’s National Fraud Initiative ran in October 2020. This project provides potential inappropriate payment because of a member being deceased. Of the 199 cases identified from this exercise the pensions administration team had suspended all pensions payments and so no overpayments had occurred.</p>

6 Consultation, engagement and advice

N/A

7 Finance

An allowance for the Fund’s administration expenses is included within employer contribution rates.

8 Risk implications and mitigations

N/A

9 Policy alignment and compliance

N/A

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Appendices

Appendix A – Risk Themes

Background papers

N/A

Recommended Training

Hymans LGPS Online Learning Academy – Module 2 – Business Planning