

Pensions Committee

04 February 2022

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:

- The drawdown of the Fund's infrastructure investment completed in December 2021.
- Data has been received from 201 of 214 employers to support work on the McCloud remedy. Currently the target date for uploading data is September/October 2022.
- Additional active Annual Benefit Statements have now been published following receipt of information from employers. The Fund's data score has been reported to the Pensions Regulator, showing further improvements to the data held.
- The Annual Report was published in November 2021 following the approval of the Statement of Accounts by the Council's Regulation, Audit and Accounts Committee.

In terms of risk:

- Risks around resourcing, data quality and the range of employers in the Scheme which could present during the Actuarial Valuation are being mitigated through proprietary work.
- Whilst the remedy for McCloud and other Regulatory amendments remains uncertain, officers continue to work with employers and third parties to ensure that the Fund is in the best position possible to comply with the changes when introduced.
- Cyber security continues to be one of the highest risks for the County Council. Officers continue to work to understand the risks and mitigations in place.

Recommendation

To note the updates on Business Plan activities and risk matrix (Appendix B).

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 | 31 December 2021 Update |
|--|--|
| <p>Investment Strategy Statement: Implement strategy and develop reporting and monitoring framework.</p> | <p>The drawdown of funds to JP Morgan Infrastructure Investments Fund and the completion of the Fund's commitment to Partners Group Secondary Fund are considered a significant step in aligning to the Fund's strategic asset allocation.</p> <p>Officers are closely monitoring developments on Sustainability Disclosure Requirements including the Taskforce on Climate-related Financial Disclosures ('TCFD') reporting framework. A consultation is expected on TCFD imminently.</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>201 of 214 completed service/break data sets from West Sussex employers have been received (representing 94% of the population who are likely to need remedy). Engagement continues with those employers who have not provided the required information.</p> <p>Currently the target date for uploading data is September/October 2022.</p> |
| <p>2022 Valuation preparation: Work with advisers to integrate employer risk framework into the 2022 valuation and future monitoring arrangements.</p> | <p>Preparation work between January and March 2022 has been agreed between the Fund Actuary, administration team and officers. A project plan has also been drawn up covering the period to 31 March 2023.</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 continuing to work with the administration team to review employer communications, focusing on Pension Matters and the Employer section of the website.</p> |

| 2021/22 Actions | 31 December 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 had previously published 100% of deferred Annual Benefit Statements and have now published 99.6% of active statements. This is an improvement on previous years, reflecting work completed by the team.</p> <p>The Scheme's data score (as reported to the Pensions Regulator) has improved (98% for common data - such as members names, date of birth, postcode - and 92% for data is more Scheme specific - such as annual pay, service etc). Further work will be identified and completed by the team to improve this further and preparation for the 2022 Valuation will be important to provide further assurance.</p> <p>Whilst there remains significant uncertainty about of the requirements for Pensions Dashboard, to allow members to view details of all their pensions together, this work will also assist with the Fund's preparation for their introduction.</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 31 March 2021 accounts were signed in November 2021.</p> <p>Preparation work and engagement with the Fund's auditors, EY, has commenced to produce the 31 March 2022 accounts.</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 published in November 2021 following the approval of the Statement of Accounts.</p> <p>A review of the content and format of the Annual Report for 31 March 2022 is underway.</p> |
| <p>Accounting System: Officers will continue to work with the project team to ensure the accounting system is implemented.</p> | <p>Officers continue to engage on the implementation project.</p> |

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 as a baseline and reference to appropriate training has been included within the main agenda papers. Appendix A shows the training completed up to 31 December 2021.
- 3.3 Four members of the Committee have completed three of the LGA Fundamentals courses.
- 3.4 Five members of the Committee, and one member of the Board, have attended at least one external webinar or conference this year.
- 3.5 All 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 Future training for the Committee has been summarised below.

Internal

- February 2021 – The Actuarial Valuation process
- January 2022 – Employer Risk / Employer Management

External

- Scheme Advisory Board LGPS Live – 2 February - Webinar
- LAPF Strategic Investment Forum – 3 February – Andaz Hotel, London
- Scheme Advisory Board LGPS Live – 2 March – webinar
- PLSA ESG Conference – 9-10 March - online
- LGC Investment Seminar – 24-25 March – Carden Park, Cheshire
- Scheme Advisory Board LGPS Live – 6 April - webinar
- PLSA Local Authority Conference – 13-15 June – De Vere Cotswold Waterpark, Gloucestershire
- SPS Local Authority Pension Fund Investment & Stewardship – 23 June – The Dilly Hotel, 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 B). The full risk register has been reviewed by officers and individual risk scores have been updated where appropriate. However, none of the risk themes have changed their RAG status. The following are highlighted:
- a) Risk Theme 5, 6 & 12– Officers are undertaking proprietary work to ensure that as much valuation work is carried out as early as possible to help manage resource pressures throughout the project.
- b) Risk Theme 14 – Officers continue to work with Hampshire Pension Services to ensure that the Fund is in the best position possible to comply with Regulatory changes including McCloud. However uncertainty of requirements and remedy remain.

- c) Risk Theme 12 – Cyber security continues to be one of the highest risks for the County Council. Officers continue to work with the Council IT security team and with Hampshire Pension Services to understand the risks and mitigations in place for the data the Fund holds. The Chief Information Officer & Head of IT are due to attend an upcoming RAAC meeting to give further context and assurance on the work the Council are doing in this area.

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>The audit testing is in progress with the final report anticipated in March 2022.</p> |
| <p>Treasury Management: Cash flow is adequately planned, with surplus monies invested in line with the Council’s Treasury Management Strategy.</p> | <p>The audit testing is in progress with the final report anticipated in March 2022.</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>No further update.</p> |

| Key area | Update |
|---|---|
| <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>This review has sought to assess the effectiveness of controls in place focusing on those designed to mitigate risk in achieving the following key objectives:</p> <ul style="list-style-type: none"> • Starter notifications are accurately and promptly recorded in the UPM (Universal Pension Management) system. • Starters receive their initial enrolment documentation within agreed timescales <p>The Auditors conclusion was that substantial assurance had been gained and a sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.</p> |
| <p>Pension Leavers: Review of the control framework to support appropriate, complete, and prompt leaver notifications to the various pension schemes administered by Hampshire Pension Services (HPS).</p> | <p>This review has sought to assess the effectiveness of controls in place focusing on those designed to mitigate risk in achieving the following key objectives:</p> <ul style="list-style-type: none"> • Leaver notifications are received and are accurately and promptly recorded in the Universal Pensions Management (UPM) System. • All leavers receive the appropriate initial notifications and on-going annual benefit statements within agreed timescales. <p>The Auditors conclusion was that substantial assurance had been gained and a sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.</p> |

6. Consultation, engagement and advice

6.1 N/A

7. Finance

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

8. Risk implications and mitigations

8.1 Covered in main body of report and appendices.

9. Policy alignment and compliance

9.1 N/A

Katharine Eberhart

Director of Finance and Support Services

Contact Officer: Rachel Wood, Pension Fund Strategist, 033 022 23387,
rachel.wood@westsussex.gov.uk

Appendices

Appendix A – Training

Appendix B – Risk Themes

Background papers

None

Recommended Training

Hymans LGPS Online Learning Academy – Module 2 – Business Planning

[On Demand Webinar from Hymans Robertson on LGPS Business Plans for 2022/23](#)