

# Business Plan

## 2022/23



## Background

This is the Business Plan for the West Sussex Local Government Pension Scheme. The County Council is responsible for administering the West Sussex County Council Pension Fund. It has delegated responsibility for this to the Pensions Committee.

The Business Plan is an important document which sets out the aims and objectives of the fund over the coming few years and the outcomes the Committee want to achieve for its stakeholders.

The Fund's overarching objectives are set out below:

- **Governance:** To put stakeholders at the centre of everything we do, act with integrity and be accountable for decisions made. This will be achieved through a robust, and well based governance framework which considers risk management, compliance and appropriate resourcing.
- **Investments and Funding:** To make the best use of our resources and minimise the long-term cash contributions which employers need to pay to the Fund. This will be achieved through recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return.
- **Administration and Communication:** To build on the improvement journey in relation to the administration and deliver a high-quality administration service to all stakeholders. This will be done through working closely with our partners and the establishment of processes and procedures to ensure that the Fund receives all income due and payments are made to the right people at the right time, clear communication and robust accounting and reports.

## Resources and Budget

The County Council's s151 Officer and Director of Finance and Support Services is responsible for the administration of the Fund's financial affairs and has delegated authority to manage and advise the County Council in the discharge of the responsibilities of the County Council as Scheme Manager in relation to the Local Government Pension Scheme under the Public Service Pensions Act 2013, jointly with the Director of Law and Assurance.

The Director of Finance is supported by the Pension Fund Strategist and LGPS Officers (equivalent to 8.22FTE).

Other key parties are listed below. The Fund's financial statement provide more detail about the costs incurred.

- **Administration:** The pension administration is provided through a partnership with Hampshire County Council. The Fund pays an annual charge relating to the pensions and payroll administration and relevant staff costs, as agreed between the Director of Finance and Support Services and Hampshire County Council.
- **Oversight and Governance:** The Fund has access to services within the County Council's finance team including banking, income collection and treasury management and access to services within the County Council's legal team, who may also commission advice from outside legal firms as appropriate. Costs are charged to the Fund based on a proportion of time spent by officers and associated overheads.
- **Professional Advisers:** External advisers including the Fund Actuary, Independent Advisers and Independent Property Valuer have been appointed to provide appropriate advice to Officers and Members.
- **External Fund Managers:** Fund management has been outsourced to external fund managers. Fees are agreed in the respective mandates governing their appointment and are mainly based on the market value of the investments under management.

The Business Plan has been written whilst awaiting the review of governance arrangements in the LGPS by the Department for Levelling Up, Housing and Communities (DLUHC) – who are the government department responsible for management of the LGPS nationally. A consultation on updated regulations and guidance is expected in summer 2022. The governance arrangements for the Pension Fund will be reviewed because of this consultation and resulting guidance / Regulation.

## Review 2021/22

During the 2021/22 financial year the Fund successfully:

- Invested £367m of the Fund's commitments to two private debt funds (managed by Goldman Sachs and ICG), private equity (managed by Partners Group) and all of the Fund's commitment to an infrastructure fund (managed by JPMorgan) with monies redeemed from fixed income and equity investments. As a result, on 31 March 2022 the Fund's portfolio was aligned with its investment strategy. The Pensions Committee had agreed an investment strategy which reflected the objective of maintaining the strong funding position identified at the 2019 actuarial valuation and the Committee's consideration of its approach to responsible investment, aligned to deliver sustainable investment and funding outcomes.
- Transferred further investments into sub-funds within the ACCESS pool, meaning all the Pension Fund's equity and fixed income holdings (£4.4bn, or 80% of the total Fund) are now via the ACCESS pool arrangements. The eleven participating authorities now have £35bn within the ACCESS pooling arrangements. The West Sussex County Council Pension Committee agreed in 2016 to join the ACCESS Pool, in line with Government guidance, with the aim of achieving a lower fee base over time.
- Completed its external audit of its Statement of Accounts and Annual Report, by the required statutory deadlines and with an unqualified audit opinion, with the Statements agreed by the Regulation, Audit and Accounts Committee in November 2021).
- Took steps to prepare for the 2022 valuation including further improvements in the data held by the Fund and collected data from employer to allow the administration team to implement changes associated with the McCloud judgement. There has been noticeable improvement in the quality of the Fund's membership data which has benefits to members and employers and reduces costs.
- Published 100% of Annual Benefit Statements for deferred members and 99% of Annual Benefit Statements for active members by the Statutory deadline of 31 August 2021.
- Received Substantial Audit Assurance opinions in relation to the control framework to support appropriate, complete and prompt administration of both new starters and pension leavers.

Some of these priorities continue in 2022/23, along with new business plan items. These have been set out on the following page. These align with areas of attention agreed by the Pension Advisory Board. However, the Pension Fund seeks to continually make improvements to its processes and business as usual activities.

**BUSINESS PLAN ITEM CONTEXT****2022/23 ACTIONS**

<b>COMPLETE 2022 VALUATION</b>	<p>Under the Regulations, the Administering Authority must obtain an actuarial valuation of the assets and liabilities of the pension fund on 31 March 2022. This will set employer contributions from 1 April 2023 and review whether the Fund's funding/contribution strategy and investment strategy remain appropriate.</p>	<p>Work with the administration team to submit a full, valid, data set to the Fund Actuary in July 2023.</p> <p>Work with advisers to review assumptions, funding strategy, positioning for employers and integrate employer risk framework.</p> <p>Determine sustainable future employer monitoring arrangements.</p> <p>Engage with employers to ensure that the Fund has a full understanding of their circumstances including any contracting arrangements in place with associated admission bodies</p> <p>Publish employer results by 31 March 2023.</p>
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**BUSINESS PLAN ITEM CONTEXT****2022/23 ACTIONS****INVESTMENT  
STRATEGY  
STATEMENT**

The Fund has an Investment Strategy Statement designed to provide transparency in relation to how investments are managed.

Taking into consideration the Fund's liability characteristics (e.g. membership profile, benefit cashflows and contribution schedule) take appropriate advice on the suitability (in terms of risks and returns) of the current strategic asset allocations to allow the Pension Fund to meet its objectives and implement any changes.

Consider any further commitments to existing asset classes (private equity, private debt or infrastructure) reflecting the Pension Fund's strategic positioning, maintaining exposure over the medium/longer term.

Consider the investment implications and potential conflicts of the DLUHC white paper on levelling up (including the setting an ambition of up to 5% of assets invested in projects that support local (UK) areas) and engage with government, the ACCESS Pool and others.

Consider the investment implications of any proposed guidance or direction about investment decisions put forward by Government.

BUSINESS PLAN ITEM	CONTEXT	2022/23 ACTIONS
<b>IMPLEMENT CHANGES REQUIRED AS A RESULT OF THE MCCLOUD JUDGEMENT</b>	<p>On 20th December 2018 the Court of Appeal found that protections given to scheme members who in 2012 were within ten years of their normal retirement age were unlawful on the grounds of age discrimination and could not be justified. Those members who have been discriminated against will need to be offered appropriate remedies to ensure they are placed in an equivalent position to the protected members. At 31 March 2022 202 of 214 completed service/break data sets from West Sussex employers had been received (representing 93% of the population who are likely to need remedy).</p>	<p>Liaise with those employers who have not provided the required information to understand issues and deliverables.</p> <p>Upload data (target September/October 2022).</p> <p>Engage with government, administration team and Actuarial Advisers to consider the remedy proposed by Government.</p> <p>Keep key stakeholders informed.</p> <p>There are currently no Regulations or Guidance to determine a deadline for this work being completed and changes implemented, but it is expected to be autumn 2023.</p>

**BUSINESS PLAN ITEM CONTEXT****2022/23 ACTIONS****CONSULTATIONS**

It is anticipated that there will be a number of consultations and guidance issued during the year including:

- The Pension Regulators Single Code of Practice
- McCloud Remedy
- Boycotts and Sanctions
- Responsible Investment
- Good Governance
- Asset Pooling
- Updating Cost Control Mechanism
- Task Force on Climate-Related Financial Disclosures (TCFD)
- Levelling Up
- £95k Cap

Consider the requirements of the changes and identify key activities to ensure compliance and adherence to best practice.

Actively consider consultations.

**COMMUNICATIONS**

The fund is required to publish several strategy documents and disclose information about benefits and scheme administration to scheme members and others.

Develop an approach to support the Communication Strategy particularly in relation to Annual Benefit Statement publication, reflecting the diversity of membership in the Scheme.

Actively consider the content and presentation within published documents when reviewed.

## BUSINESS PLAN ITEM CONTEXT

## 2022/23 ACTIONS

### DATA

The maintenance of complete and accurate records is a control to allow the fund to carry out basic functions. Poor record-keeping can result in schemes failing to pay benefits in accordance with scheme regulations, processing incorrect transactions and paying members incorrect benefits.

Scope any specific work identified as a result of the 2022 Actuarial Valuation including preserved refunds and address tracing.

Support wider service improvements, including considering processes and engagement with employers, reflecting self-service and the introduction of Data Dashboard due to be connected no later than April 2024).

### ROBUST ACCOUNTING

The Pension Fund is required to produce accounts in line with statutory deadlines. The accounts are subject to external audit review and assurance.

Complete the Pension Fund's Statement of Accounts in line with the [Project Plan](#) and by the statutory deadline (30 September 2022)

Work with the external auditors on their review.

### ANNUAL REPORT

The Pension Fund is required to produce an Annual Report in line with statutory deadlines and considering statutory guidance.

The Report will be considered by the Pensions Committee at their meeting on July 2022 and by the Pension Board in September 2022.

**BUSINESS PLAN ITEM CONTEXT****2022/23 ACTIONS****ACCOUNTING SYSTEM**

The County Council is changing its core accounting system to Oracle. Officers will work with colleagues across the County Council to ensure processes, procedures and reporting are in place within the core accounting system implemented to replace the current SAP system.

Officers will continue to work with the project team to ensure the accounting system is implemented by January 2023.

## Contracts

The Pension Fund has arrangements with service providers to provide specific services or advice.

During the year the Fund will complete a procurement in relation to Global Custody and prepare for Actuarial and Benefits Consultancy.

<b>Service</b>	<b>Appointment</b>	<b>Term</b>	<b>Note</b>
Custody	Northern Trust	To June 2022	Procurement through National Framework to be completed Q1 2022/23
Actuarial & Benefits Consultancy	Hymans Robertson	To October 2023	Procurement through National Framework to be completed Q1 2023/24
Property	Aberdeen	To March 2024	Whole of market search in 2023/24
Property Valuer	Savills	To September 2024	Three tenders in 2023/24
Operator to ACS	Link	To March 2025	Whole of market search with ACCESS Councils in 2024/25

## **Training**

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.

A key focus for the Committee over the year will be the Actuarial Valuation and training will be provided on key considerations during this process. Additional training for the Committee has been summarised below.

- 15 September 2022 – Statement of Accounts
- 2 November 2022 – Link Fund Solutions (TBC)

This will be supplemented by external training opportunities including:

- 13 – 15 June 2022 – PLSA Local Authority Conference (Cotswolds)
- 4 – 6 July 2022 – LAPF Strategic Investment Forum (Hertfordshire)
- September 2022 (TBC) – LGC Investment and Pension Summit (Leeds)
- 20 October – LGA Fundamentals I (London)
- 8 – 10 November 2022 – Baillie Gifford LGPS Conference (Edinburgh)
- 10 November – LGA Fundamentals II (London)
- 6 December 2022 – LGA Fundamentals III (London)
- 19 - 20 January 2023 – LGA Annual Governance Conference (Cardiff)
- March 2023 (TBC) – LGC Investment Seminar (Cheshire)

## Risk

The risk assessment process helps identify a range of internal and external risks which are critical to the Scheme and members. This has been informed by relevant sources of information including internal disputes, legislative breaches, internal and external audit reports, and service contracts. This has been summarised below:

Ref	Risk Theme	Action / Update	Apr-22
RT3	Political and/or employer 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.	<p>Public Service Pensions and Judicial Offices Bill accepted in the Lords stating that the Secretary of State can issue guidance that LGPS Funds may not make investment decisions that conflict with the UK's foreign and defence policy.</p> <p>Levelling Up white paper includes references to LGPS funds having plans for up to 5% of assets to be allocated to projects which support local areas.</p> <p>Full impact is difficult to quantify until further information/guidance is received from Government and Scheme Advisory Board.</p>	Amber
RT4	Insufficient funds to meet liabilities resulting in increased contributions required from employers or changing to a higher risk investment strategy	<p>Carry out Asset Liability Modelling as part of the valuation to ensure current Investment Strategy is fit for purpose.</p> <p>Investments made into income generating assets.</p> <p>Size and pattern of contributions to feed into cashflow monitor and projections.</p>	Green

Ref	Risk Theme	Action / Update	Apr-22
RT5	Insufficient resources to comply with the Administering Authority's Regulatory responsibilities and ability to deliver the business plan.	<p>There is currently a vacancy with work being prioritised and managed across team members.</p> <p>Reviewing practices and processes to maximise efficiency.</p>	Amber
RT6	Poor quality data resulting in error and misstatement.	<p>Positive feedback from Hymans on improvements in data.</p> <p>Preserved refund project being scoped by administration team.</p>	Amber
RT7	Officer, Committee and Board knowledge and understanding resulting in poor decision making, disengagement on key issues and loss of professional investor status under MiFID II.	<p>Training provision reviewed and amended to reflect membership of Committee and needs of officers.</p> <p>External training purchased.</p>	Amber
RT8	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.	<p>All liquid assets are now invested via the ACCESS ACS.</p> <p>Consultation on pooling expected in the summer.</p>	Amber
RT9	Failure to secure value for money through managing contracts with third parties	<p>Greater reliance on one contract (Link) managed outside of WSPF control.</p> <p>One contract due to expire in June 2022.</p>	Amber
RT10	Political environment (locally or nationally) impact on investment markets and legislative requirements.	<p>Awaiting changes to regs on Exit Cap, McCloud etc..</p> <p>Expecting consultation in the summer.</p> <p>Fund remains in surplus despite volatile markets.</p>	Amber

Ref	Risk Theme	Action / Update	Apr-22
RT11	Conflict of interest for members and employers	<p>Specific Pension Fund Conflict of Interest Policy will be required following implementation of SAB Good Governance project.</p> <p>Consultation on guidance expected in the summer.</p>	Green
RT12	Increase in variety and number of employers participating in the Scheme resulting in risk of non-compliance with obligations.	<p>Government white paper setting out requirement for all schools to become academies by 2030.</p> <p>There is understood to be 200 schools that will need to convert over the next 8 years which will have a significant impact on the number of employers in the Fund.</p> <p>Known changes to employers and payroll providers being monitored by officers.</p>	Red
RT13	Cyber crime resulting in personal data for members being accessed fraudulently.	<p>Officers are taking appropriate advice in considering how risk can be managed/mitigated.</p> <p>Liaising with internal IT team and external providers to understand procedures in the event of cyber attack.</p>	Red
RT14	Fund not able to implement changes required as a result of McCloud judgement due to insufficient resources or incomplete information held by employers	Awaiting Government consultation on remedy.	Amber

## Audit and Controls

The County Council's Regulation, Audit and Accounts Committee (RAAC) have responsibility to provide an adequate and effective system of internal control, to consider the Head of Internal Audit's annual report and opinion and to approve the Internal Audit annual work programme. The Committee have responsibility to consider the work of RAAC with regards to the Pension Fund accounts, internal and external auditors' reports, development and operation of risk management and approval of changes to anti-fraud and corruption strategy.

The County Council is a Key Stakeholder Partner in the Southern Internal Audit Partnership, who provide internal audit services.

Internal audit work should ensure that adequate internal controls are in place and operate effectively. It will therefore focus on the following key areas:

- Key controls are operating effectively
- Governance framework is operating appropriately
- Arrangements for investment are appropriate including asset pooling
- Business Continuity
- Cyber Risk
- Any significant changes to systems, personnel, processes
- Any controls identified as inadequate

The internal audit team will consider the above through documentation, review of systems, observations and testing of controls.

To supplement its own audit framework the County Council will also receive internal audit reports from its administration provider, Hampshire County Council and Essex County Council as the host authority to the ACCESS Support Unit. The team will also provide the Council's internal and external auditors with information relevant for the completion of their work.

The audit work set out on the next page will be completed over the next two years relating to the pension administration services for processes consistent between West Sussex Pension Fund and Hampshire Pension Fund. Additional internal audit work is also proposed to include accounting for pension payroll, recoveries and contribution receipts, employer assets and cashflows, governance and investments.

<b>Key area</b>	<b>2022/23</b>	<b>2023/24</b>
<b>Pensions, payroll and benefit calculations:</b> Annual review to provide assurance that systems and controls ensure that: <ul style="list-style-type: none"> <li>• Lump sum and on-going pension payments are calculated correctly, are valid and paid to the correct recipients;</li> <li>• All changes to on-going pensions are accurate and timely;</li> <li>• Pension payroll runs are accurate, complete, timely and secure with all appropriate deductions made and paid over to the relevant bodies.</li> </ul>	•	•
<b>Pension Starters:</b> 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).		
<b>Pension Leavers:</b> Audit of the controls to ensure accurate, prompt and complete administration of pension leavers including the production of on-going annual benefit statements within agreed timescales.	•	
<b>Transfers:</b> To provide assurance over the processes and controls to support the accuracy and timeliness of transfers in and out of the schemes managed by HPS.	•	
<b>Pension refunds:</b> To assess that there are appropriate arrangements to ensure all refunds are valid, accurate and are paid promptly to the correct recipients following a validated request to withdraw from the schemes administered by HPS.		•
<b>Member deaths:</b> To provide assurance that systems and processes ensure that any payments related to deceased members are calculated correctly and paid promptly to the correct recipient, with the risk of overpayments minimised.	•	
<b>UPM application:</b> Review of the UPM application including cyber security & access controls.		•
<b>National Fraud Initiative:</b> Full exercise undertaken October 2020 and completed within 6 months and to be undertaken again in October 2022.	•	