

## **Pensions Committee**

**27 July 2022**

### **Business Plan**

### **Report by Director of Finance and Support Services**

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#### **Summary**

The Pensions Committee approved its Business Plan for 2022/23 in April, 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 updates are highlighted:

- In line with the timeline to complete 2022 valuation by 31 March 2023, a full data set was uploaded to the Fund Actuary on 13 July, ahead of the deadline. The Funding Strategy Statement has been updated and officers are engaging with employers on the valuation process and expected outcomes.
- The government consultation on the remedy (and timescales) for McCloud is not anticipated until the autumn. The team continue to collect data from employers to meet the expected completion date in autumn 2023.
- A draft set of accounts for 1 April 2021 to 31 March 2022 were provided to the Fund's external auditors (EY) in June. These will be considered by the County Council's Regulation, Audit and Accounts Committee in September.
- A draft Annual Report has been prepared. Officers consider that all relevant guidance has been complied with.

A full risk matrix was presented to the Committee in April. This report includes risk themes. The following updates are highlighted:

- The delayed consultations from Government on a number of Scheme issues. Officers are working proactively to understand arrangements that can be put in place based on the understanding of the scope of proposals.
- The risk around compliance with the training strategy by the Committee, Board and officers has been updated to reflect the impact on the Pension Fund's Professional investor status if it is not able to evidence that appropriate knowledge and skills are maintained.

#### **Recommendations: That the Pensions Committee:**

- (1) Notes the updates on Business Plan activities for 2022/23 and risk matrix
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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 2022/23 Business Plan was agreed in April 2022 and sets out how the aims and objectives of the fund over the coming year will be achieved. This has now been [published on the Pension Fund's webpage](#).
- 1.2 This report is shared with the Pension Advisory Board.

## 2 2022/23 Business Plan

- 2.1 The table below shows progress against the agreed actions for 2022/23.

<b>Objective and Action</b>	<b>Q1 Update</b>
<p><b>Complete 2022 Valuation</b></p> <p>The Fund is required (under Regulations) to obtain an actuarial valuation of the assets and liabilities of the pension fund on 31 March 2022 and to set rates from 1 April 2023.</p>	<p>A full, valid, data set was submitted to the Fund Actuary on 13 July, ahead of the 15 July deadline.</p> <p>The Funding Strategy Statement has been reviewed and an initial draft prepared.</p> <p>Work is underway by PwC to analyse employer covenants, focusing on those employers considered higher risk to the Pension Fund because of their funding sources / guarantee arrangements.</p> <p>A session was held with the District and Borough Councils to discuss the valuation approach and contracting arrangements in place with associated admission bodies. During the next quarter officers will focus on other employer groups.</p> <p>It is anticipated that initial results for employers will be available in the autumn.</p>

<b>Objective and Action</b>	<b>Q1 Update</b>
<p><b>Implement changes required as a result of the McCloud judgement</b></p> <p>The Fund is required to offer remedies to affected members to ensure they are placed in an equivalent position to members protected when the LGPS was reformed in 2015 (which were based on the age of a member).</p>	<p>Further service/break data sets have been requested from employers to collect data to 31 March 2022. This is in addition to service/break data sets for the period to 31 March 2021.</p> <p>The government consultation on the remedy (and timescales) is not anticipated until the autumn. It is expected work will need to be completed by autumn 2023.</p>
<p><b>Consultations</b></p> <p>It is anticipated that there will be a number of consultations and guidance issued during the year covering benefits, investments and governance arrangements.</p>	<p>The government consultations are not expected until the autumn.</p> <p>Officers are working proactively in relation to Good Governance and TCFD to understand arrangements that can be put in place based on the understanding of the scope of proposals from government.</p>
<p><b>Communications</b></p> <p>The fund is required to publish several strategy documents and disclose information about benefits and scheme administration to scheme members and others. For these to be of maximum benefit the content and presentation of these communications should be reviewed.</p>	<p>Work is ongoing to develop communication to accompany the publication of active members Annual Benefit Statements.</p> <p>Opportunity has been taken to review the Funding Strategy Statement in full to reflect feedback from stakeholders and with the intention to improve the understanding of how the funding strategy is applied.</p>

<b>Objective and Action</b>	<b>Q1 Update</b>
<p><b>Data</b></p> <p>The maintenance of complete and accurate records is a control to allow the fund to carry out basic functions.</p>	<p>The administration team are preparing a project to return preserved refunds to relevant members.</p> <p>The review of data submitted for the 2022 Valuation during the next quarter will be important to scope any specific future data improvement work.</p> <p>Work is underway with administration team to ensure Fund is ready for implementation of Pension Dashboard expected in October 2023.</p>
<p><b>Robust Accounting</b></p> <p>The Pension Fund is required to produce accounts in line with statutory deadlines. The accounts are subject to external audit review and assurance</p>	<p>A draft set of accounts for the period 1 April 2021 to 31 March 2022 were provided to the Fund's external auditors (EY) in June 2022.</p> <p>The County Council's Regulation, Audit and Accounts Committee will <a href="#">receive an update</a> on the audit when they meet on 18 July.</p> <p>Work to publish the audited Statement of Accounts remains in line with statutory deadline (30 September 2022) and a briefing session has been organised for 15 September, which Members of the Pension Committee and Pension Advisory Board have been invited to attend.</p>
<p><b>Annual Report</b></p> <p>The Pension Fund is required to produce an Annual Report in line with statutory deadlines and considering statutory guidance.</p>	<p>The Annual Report has been prepared for the Committee's approval.</p> <p>It is anticipated that the Report will also be reviewed by the Pension Board in September 2022. Officers consider that all relevant guidance has been complied with.</p>
<p><b>Accounting System</b></p> <p>The County Council is changing its core accounting system to Oracle.</p>	<p>Officers continue to work with colleagues across the County Council to ensure appropriate processes, procedures and reporting.</p> <p>It is anticipated that the accounting system will be able to 'go live' in spring 2023.</p>

### **3 Update on Training**

3.1 A Training Strategy has been established to support the Pension Committee and Pension Advisory Board members 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 and the demonstration of officer and Committee knowledge is important for the Fund to maintain its professional investor status.

3.2 Appendix A shows the training completed up to 30 June 2022. Future external training available has been summarised below –

<b>Event</b>	<b>Date</b>	<b>Location</b>
LGC Investment Pensions Summit	8 - 9 September 2022	Leeds
LAPF Responsible & Impact Investment Summit	20 October 2022	London
SPS Local Authority Pension Funds: Sustainable Investment & other Structural Themes	16 November 2022	London
Day 1 LGA Fundamentals	18 October 2022	Online
	20 October 2022	London
Day 2 LGA Fundamentals	10 November 2022	London
	22 November 2022	Online
Day 3 LGA Fundamentals	6 December 2022	London
	20 December 2022	Online

3.3 Members should ensure they notify officers when they attend external training, so it can be recorded appropriately.

### **4 Update on Risks faced by the Fund**

4.1 A full risk register was provided to the Pensions Committee in April 2022. 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 number of risk themes are impacted by pending consultations from government. Officers are working proactively to understand arrangements that can be put in place based on the understanding of the scope of proposals from government.
- Several risks have been closed and either consolidated or redefined.
- Risk theme 9 in relation to value for money via contracts has been redefined to relate to contracts within the Pensions Teams direct control ie excluding Asset Pooling.
- Risk themes in relation to training, cyber and employer changes remain red risks. Officers continue to work to mitigate these risks where possible.

## **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 is summarised in Appendix C.

## **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

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### **Appendices**

Appendix A – Training Log

Appendix B – Risk Themes

Appendix C – Internal Audit Work Completed / Planned

**Background papers**

None

**Recommended Training**

Hymans LGPS Online Learning Academy – Module 2 – Business Planning