

Pensions Committee

2 November 2022

Business Plan

Report by Interim Director of Finance and Support Services

Summary

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

- The final Financial Statements for the year ended 31 March 2022 and EY's draft Audit Results Report were considered by the County Council's Regulation, Audit and Accounts Committee (RAAC) on 22 September 2022. Minor changes had been made to the Statement of Accounts and EY reported that, in their opinion, the Pension Fund financial statements give a true and fair view of the financial transactions of the Fund. The Pension Fund Financial Statements were approved, subject to the approval of the County Council's Financial Statements (which the Pension Fund's Statements form part of).
- Work continues to complete the 2022 Actuarial Valuation by 31 March 2023. Initial results have been prepared.
- A consultation on the governance and reporting of climate change risk has been published with a response deadline of 24 November 2022. Several consultations are pending (on benefits, investments and governance).
- All deferred and 99.4% of active annual benefit statements were published by the 31 August deadline. A message was sent to all members highlight the importance of checking the information included.

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

- Wording has been updated to reflect future cashflow pressures caused by anticipated reduced employer contributions and increased benefit payments. The risk score has also moved from green to amber reflecting the increased likelihood.
- Data quality improvements reported by the Fund Actuary as part of the 2022 valuation has been acknowledged and the likelihood of poor-quality data results in error or misstatement is considered to have lowered.
- The completion of the procurement for custody services has reduced the likelihood that the Fund fails to secure value for money through its contracts.

Recommendation: That the Pensions Committee:

- (1) Notes the updates on Business Plan activities for 2022/23 and risk matrix

1 Background

- 1.1 The Pensions Committee maintains a Business Plan which sets out its key priorities and how these will be delivered. This is [published on the Pension Fund's webpage](#). Updates during the year are provided to the Committee.
- 1.2 This report is shared with the Pension Advisory Board.

2 2022/23 Business Plan

- 2.1 A key deliverable for the quarter related to "Robust Accounting" and the need for the pension fund to produce accounts in line with statutory deadlines. The accounts are subject to external audit review and assurance.
- 2.2 As an update, the County Council's Regulation, Audit and Accounts Committee considered the Pension Fund's Audit Results Report and Financial Statements during their meeting on [22 September 2022](#).
- 2.3 The accompanying report highlighted that, during the audit, a small number of changes were made to the draft Statements. These included expanding the going concern cashflow forecasting, amending the way that the waiver of investment management fees was reported and updating previously estimated valuations (confirmed private equity valuations were £6.6m (5%) lower than estimated and confirmed private debt valuations were £0.2m (0.2%) higher than originally reported).
- 2.4 In their draft Audit Results Report, EY reported that their audit work was substantially complete and in their opinion the Pension Fund financial statements:
 - give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2022 and the amount and disposition at that date of the its assets and liabilities as at 31 March 2022
 - have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
- 2.5 The County Council's Regulation, Audit and Accounts Committee approved the Pension Fund Financial Statements, subject to the approval of the County Council's Financial Statements (which the Pension Fund's Financial Statements form part of).
- 2.6 The Chair of the Scheme Advisory Board [wrote \(PDF, 95.8kb\)](#) to the Minister in early August outlining issues facing Local Government Pension Funds because of audit issues relating to the main local authority accounts. The letter proposes separating pension fund accounts from main local authority accounts. This will be kept under review.
- 2.7 The table below shows progress against the agreed actions for other items within the 2022/23 business plan:

Objective and Action	Q2 Update
<p>Complete 2022 Valuation</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>The Funding Strategy Statement draft was considered by the Pensions Committee in July and has been circulated to employers for their feedback.</p> <p>Initial results have been provided by PwC on their analysis of employer covenants, focusing on those employers considered higher risk to the Pension Fund because of their funding sources / guarantee arrangements.</p> <p>Meetings between officers, the Fund Actuary and employers have been held to provide initial valuation results, in line with the autumn schedule. Further meetings are scheduled for 1 November 2022.</p>
<p>Implement changes required as a result of the McCloud judgement</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 work is underway in relation to service/break data sets for the periods to 31 March 2022.</p> <p>The government consultation on the remedy (and timescales) is anticipated this quarter.</p> <p>It is expected work will need to be completed by autumn 2023.</p>
<p>Consultations</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>A consultation has been received on governance and reporting of climate change risk and a draft response prepared for the Committee's consideration. The deadline to respond is 24 November 2022.</p> <p>Several consultations (and consultation responses) are expected. Officers continue to work proactively in relation to Good Governance to understand arrangements that can be put in place based on the understanding of the scope of proposals from government.</p>

Objective and Action	Q2 Update
<p>Communications</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>All deferred and 99.4% of active annual benefit statements were published by the 31 August deadline. A message was sent to all members to highlight the publication of the Annual Benefit Statements and the importance of checking the information included.</p>
<p>Data</p> <p>The maintenance of complete and accurate records is a control to allow the fund to carry out basic functions.</p>	<p>The Fund Actuary has confirmed a significant improvement since 2019 and the feedback on the review of data submitted is being used to inform specific future data improvement work, along with work to return preserved refunds to relevant members.</p>
<p>Annual Report</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 updated following feedback from the Pensions Committee and published (PDF, 2.4mb) along with the summary (PDF, 304kb) document. This is now complete.</p>
<p>Accounting System</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. It is still 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 September 2022. Members should continue to ensure they notify officers when they attend external training, so it can be recorded appropriately. Future external training available has been summarised below –

Event	Date	Location
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
LGA LGPS Governance Conference	19-20 January 2023	Cardiff
		Online
LAPF Strategic Investment Forum	2 February 2023	London
SPS Local Authority Pension Funds: Current Investment Issues	9 February 2023	London

4 Update on Risks faced by the Fund

4.1 A full risk register was provided to the Pensions Committee in April 2022. The full risk register has been reviewed by officers and individual risk scores have been updated where appropriate. The update on risks by theme are attached (Appendix B). The following are highlighted:

- Wording has been updated in relation to the sufficiency of assets to meet pension fund liabilities to refer to liabilities and cash flow requirements. Reflecting the anticipated reduced employer contributions from 1 April 2023 and the expected pension increase this has been moved from green to amber.
- The risk in relation to poor quality data resulting in error and misstatement has been reduced from amber to green in

acknowledgement of the feedback from the Fund Actuary following the 2022 Actuarial Valuation data submission.

- Failure to secure value for money through managing contracts with third parties has been moved from amber to green following completion of the Pension Fund's custody contract following competition and the appointment of Northern Trust.

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. The Business Plan included audit work planned over the next two years. 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

Tony Kirkham

Interim 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 Log

Appendix B – Risk Themes

Appendix C – Internal Audit Work Completed / Planned

Background papers

None

Recommended Training

None