

Pensions Committee

30 January 2023

Business Plan

Report by 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. The final approval by RAAC and Audit Results Report by EY is expected on 1 February 2023.
- The 2022 Actuarial Valuation is substantially completed, and the Fund will comply with the requirement to publish the Actuary's report by the 31 March 2023 deadline
- Several consultations are pending (on benefits, investments, and governance). A response to the climate change risk reporting was provided by the 24 November 2022 deadline (which had been shared with the Committee at their previous meeting).

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

- Work completed during the valuation period has lowered the risk relating to the Fund's Investment Strategy not being appropriate to meet the Funds liabilities and cash flow requirements.
- The risk relating to an increase in variety and number of employers participating in the Scheme has reduced following the withdrawal of the Government's white paper relating to academy conversions.
- The ongoing uncertainty around the FCA investigation and potential sale of Link has been acknowledged.

Recommendation:

- (1) The Committee 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 and how these will be delivered. This is [published on the Pension Fund's webpage](#). Updates during the year are provided to the Committee. A refreshed Business Plan and deliverables for 2023/24 will be prepared for consideration by the Committee when it meets in April.
- 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 other items within the 2022/23 business plan:

Objective and Action	Q3 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 initially considered by the Pensions Committee in July, with updates considered in November. An initial version and update were circulated to employers for their feedback.</p> <p>Most employer results have been confirmed to facilitate the Fund Actuary publishing the Valuation Report by the statutory deadline of 31 March 2023.</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>The Government consultation on the remedy (and timescales) is anticipated imminently with the expectation that changes will need to be implemented by autumn 2023.</p> <p>However, further complexities are anticipated relating to Teachers who are retrospectively eligible for Local Government Pension Scheme benefits by the implementation of the McCloud remedy.</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 response was provided on governance and reporting of climate change risk in November 2022.</p> <p>A short consultation response was provided in January 2023 by the Director of Finance and Support Services on The Public Service Pension Schemes (Rectification of Unlawful Discrimination) (Tax) Regulations 2023. The response</p>

Objective and Action	Q3 Update
	<p>supported the detailed technical response provided by the Local Government Association and highlighted the clear expectation that the provisions in the Regulations are not be detrimental to individuals tax position, the need for clarity on the additional complexities associated with 'Excess teacher service' and the risks and concerns associated with the continued delay to regulatory amendments.</p> <p>Several consultations (and consultation responses) are expected.</p>
<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>Officers are exploring opportunities for support with the review key communication documents and approaches.</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>Future data improvement work is being scoped by the team based on feedback from the administration team and Fund Actuary.</p> <p>Work is in progress to support the End of Year process with employers which is a key control to ensure that the Fund holds accurate and complete data prior to the publication of Annual Benefit Statements.</p>

Objective and Action	Q3 Update
<p>Annual Report and Accounts</p> <p>The Pension Fund is required to produce an Annual Report in line with statutory deadlines and considering statutory guidance.</p>	<p>This was published prior to the December 2022 Statutory deadline) (full report published (PDF, 2.4mb) and summary (PDF, 304kb).</p> <p>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. The final approval by RAAC and Audit Results Report by EY have been delayed until the County Council's Financial Statements (which the Pension Fund's Statements form part of) are approved. It is now anticipated that this will be done at a meeting of RAAC on 1 February 2023.</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 anticipated that the accounting system will be able to 'go live' during 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 31 December 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
LGA LGPS Governance Conference	19-20 January 2023	Cardiff Online

Event	Date	Location
LAPF Strategic Investment Forum	2 February 2023	London
SPS Local Authority Pension Funds: Current Investment Issues	9 February 2023	London
PLSA Local Authority Conference	26-28 June 2023	Gloucestershire

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:

- RT4 relating to the Fund's Investment Strategy being appropriate to meet the Funds liabilities and cash flow requirements has been reduced in acknowledgement of work carried out as part of valuation.
- RT5 relating to resources has not changed but officers are conscious of changes to the West Sussex team which could have a potential medium-term impact.
- RT12 relating to the increase in variety and number of employers participating in the Scheme has been reduced reflecting the Government decision to withdraw the white paper relating to academy conversions.
- RT13 on cyber has been updated to reflect that a successful cyber-attack could result in service disruption, financial or data loss
- RT17 ongoing uncertainty in relation to the FCA investigation of Link Fund Solutions and their potential sale has been recognised.

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. 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

None