

# Business Plan 2023/24



## Introduction

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.

### **Investment 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.

# Pensions Committee

The LGPS is one of the largest public sector pension schemes in the UK. It is a nationwide pension scheme with 5 million members across over 10,000 employers. The LGPS in England and Wales is administered locally through 90 local pension funds. The scheme regulations are made under the Superannuation Act 1972 and the Public Service Pension Schemes Act 2013. Changes to scheme rules are discussed at national level by employee and employer representatives but can only be amended with the approval of Parliament.

West Sussex County Council is the Administering Authority responsible for maintaining and managing the West Sussex Pension Fund on behalf of its stakeholders: the scheme members and employers participating in the Fund.



West Sussex County Council the Fund for its own employees and those of the seven District and Borough Councils and numerous other bodies. In total there are over 200 employers actively participating in the West Sussex Scheme.

Has 87,000 members, 23,000 of whom were receiving a pension, and 26,000 actively paying contributions into the Scheme.



The Pension Fund is valued at £5.32bn and was 125% funded at its formal valuation at 31 March 2022.

Flexibility is provided for each Administering Authority to determine their own governance arrangements and for the West Sussex Pension Fund, responsibility sits with the Pensions Committee. The Pension Committee’s Terms of Reference are within the Constitution, and summarised below:

- Determination of the investment strategy and oversight of its delivery.
- Appointment of advisers and managers.
- Consideration of and response to key scheme governance, funding and administration issues, including responses to consultations and communications with stakeholders.
- Monitoring the Fund’s performance.
- Consideration of the work of the Regulation, Audit and Accounts Committee with regards to the Pension Fund accounts, auditors’ reports, risk management and anti-fraud and corruption.

The Business Plan reflects the delivery of the Pension Committee’s responsibilities.

The Pensions Committee normally meet quarterly.

At each meeting they will consider the progress against the business plan milestones, updates on risk, the implementation of the investment strategy, cashflow and funding updates. The meeting schedule for 2023/24 is below:

<b>Date</b>	<b>Areas of Focus</b>
26 July 2023	Annual review of performance of the Pension Fund including Statement of Accounts.
1 November 2023	
29 January 2024	“Strategy day” to provide an opportunity to discuss progress on the implementation of funding, investment and administration strategies, to revisit plans, consider risks and consider future actions.
TBC April 2024	

## Resource & Advisers

The Director of Finance and Support Services has responsibility for the delivery of the LGPS function and must ensure that there are sufficient resources in place to do this following agreement from the Pensions Committee.

The Director of Finance and Support Services is supported by the Pension Fund Strategist and Pensions Officers (equivalent to 8.22FTE). The Pensions Team also support the County Council in discharging its responsibilities as Scheme Manager to the Firefighters Pension Schemes.

Whilst key functions such as investment, administration, employer liaison, communications and fund accounting sit within the Pensions Team, resource and expertise from other areas of the County Council are also utilised - for example treasury management, IT or legal services. Etc. 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. Costs are agreed on appointment.

- **External Fund Managers**

Fund management has been outsourced to external fund managers. Most investments are now made via the ACCESS ACS, managed by Link Fund Solutions. Fees are agreed in the respective mandates governing their appointment and are mainly based on the market value of the investments under management.

More information about professional advisers and external fund managers is within the section on "Contract Management and Value for Money".

## Review 2022/23

During the 2022/23 financial year the Fund successfully

- Completed the 31 March 2022 Actuarial Valuation by the statutory deadline (31 March 2023). This showed funding positions had improved (on average from 112% to 125%) and 88% of employers saw a reduction in their contribution rate from 1 April 2023. An updated Funding Strategy Statement was published alongside the Actuarial Valuation report, following consultation with employers.
- Undertook a review of the Pension Fund's investment Strategy taking into consideration the Fund's liability characteristics (e.g. membership profile, benefit cashflows and contribution schedule) and the suitability (in terms of risks and returns) of the current strategic asset allocations to allow the Pension Fund to meet its objectives.
- Collected data from most employers in readiness to implement changes to benefits required following the McCloud judgements in October 2023.
- Actively considered the content and presentation within published documents when reviewed, with particular focus on the Funding Strategy Statement.
- 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 2022).

## Priorities 2023/24

There are a number of business-as-usual activities which are necessary to ensure the Pension Fund provides services to employers, members and other stakeholders and fulfils its statutory responsibilities to fulfil its obligations under the Regulations.

Whilst these are of critical importance, the Business Plan focuses on more project based work.

It is anticipated that during 2023/24, the Pension Fund will have to deal with new - and not-so-new - policy, regulation, and best practice. This includes:

- Implemented McCloud changes
- Further guidance on pooling
- Further guidance on Good Governance
- The outcome of the Government's consultation on Taskforce for Climate-related Financial Disclosure requirements
- Consideration of UK Stewardship Code
- Further developments on Government policy on boycotts, divestments, and sanctions
- Potentially far-reaching changes in UK financial services regulations (the "Edinburgh Reforms")

These have informed the Business Plan priorities for the year.

The cost of living and high inflation is also considered to be an overarching theme which runs through governance, investment and funding and administration aspects. It will be necessary for the Pensions Committee to monitor factors including member opt-outs, employer exits, contribution reductions, delayed retirements, increase in transfer outs and impact on commutation, develop strategies to engage with members and employers during the year to ensure benefits and flexibilities of the Scheme are known and pay particular attention to cashflow and investment impacts.

## Governance | Supporting fund governance

The Scheme Advisory Board, who support the LGPS nationally, agreed in 2012 to consult on proposals to separate the pensions function from administering authorities. Following a pause, this work re-commenced in 2018 as the “good governance project”. The objective was to examine the effectiveness of current LGPS governance models and to consider alternatives or enhancements to existing models to strengthen LGPS governance going forward. In 2019 the Scheme Advisory Board made recommendations to Government about how to improve the high standards of governance and administration of the LGPS. The Government’s consultation is expected this year.

In March 2021, the Pensions Regulator (TPR) opened a consultation process to bring together 10 of the 15 existing codes of practice into one single code – and applied across the pensions industry. It is expected that new Code will be published this year.

Informed by the above, priorities for 2023/24 are:

- Review current governance arrangements and compliance position against the expected changes to determine key actions to drive future compliance.
- Agree consultation response to Good Governance guidance to ensure that views are represented in any final decisions.
- Review fund-specific policies and strategies to ensure that these reflect the management of the Fund and align to TPR expectations.
- Complete compliance review against TPR Single Code and determine any actions required to meet best practice.
- Review the Training Strategy in recognition that training is recognised is a continual process.

To deliver the above, additional resources may be required as set out below:

- **External advice:** To consider the changing LGPS landscape and the management of conflicts, key person risks in certain areas, knowledge and training requirements, resourcing, delegations, and accountabilities.
- **Training:** To support the Pensions Committee, Pension Advisory Board, and officers consideration will be given to various training resources available in delivering training. These will include the LGPS Online Learning Academy (LOLA), The Pension Regulator’s e-learning programme and attending courses, seminars and events (internal and external).



## Governance | Cyber security

Pension schemes hold large amounts of personal data and assets which can make them a target for fraudsters and criminals. It is therefore necessary for the Pension Fund to take steps to protect members and assets against the cyber risk, and to have a resilient plan in place to respond to a cyber incident when it arises.

The Pension Committee recognise the risk of a successful cyber-attack directly from external threats; or indirectly because of members or staff falling prey to social engineering or phishing attacks within its risk register. This is currently shown as a red risk.

Informed by the above, priorities for 2023/24 are:

- Work with third parties to identify and manage cyber and data risks and impacts.
- Create a cyber incident response plan, and to walk through scenarios to ensure responsibilities are understood.

To deliver the above, additional resources may be required as set out below:

- **External advice:** To undertake a cyber assessment and ongoing monitoring.
- **Training:** Specific, specialist, training of the Pensions Committee, Pension Advisory Board and officers on the nature of cybercrime and how it could impact on the scheme and members.

## Governance | Contract Management and Value for Money

It is important that all contracts managed for the benefit of the Pension Fund secure Value for Money, are awarded (where applicable) following market competition through transparent, fair and consistent ways of working and support supplier diversity, sustainability objectives, and equality of treatment. All contracts in place are actively managed by the Pension Fund to support good outcomes and the delivery of the Pension Committee's objectives.

The existing contractual arrangements are summarised in Appendix A. The Pension Fund has also invested in several investment funds.

Informed by the above, priorities for 2023/24 are:

- A timetabled open tender for a property manager will be run in late 2023 to conclude in early 2024, in line with the expiry of the current arrangements.
- A timetabled call off against the National LGPS framework for a Fund Actuary will be run in mid-2023 to conclude in the autumn, in line with the expiry of the current arrangements.
- Prepare documents with colleagues within the ACCESS pool to support a timetabled procurement for Operator Services in 2024, in line with the expiry of the current arrangements.
- Analyse costs, risk and performance of investment portfolios and understand opportunities to optimize performance and manage your costs.

To deliver the above, additional resources may be required as set out below:

- **External advice:** To provide market insight to inform procurement activity
- **External legal advice:** To negotiate contractual terms as part of the above procurement activity.
- **External consultants:** To undertake supplementary performance analysis.

## Investment and Funding | Investments

The West Sussex Pension Fund manages a substantial investment portfolio which is there to help pay for benefits to members and their dependents now, and in the future.

The Pensions Committee is responsible for the determination of the Pension Fund's investment strategy and oversight of the delivery of the strategy and has documented its approach in the Investment Strategy Statement. The investment strategy is reviewed in conjunction with each actuarial valuation and is therefore being considered following the 2022 valuation to recognise any changes to the funding requirements, to consider the appropriateness of risk within the investment strategy (and how this helps meet its objective of stable and affordable contribution rates for employers), any changes to government regulation and guidance, market conditions and any changes in environmental, social and governance risks and opportunities. The Committee will then consult stakeholders on the Strategy Statement.

It is recognised that further amendments may be required to the Strategy Statement when government provide a response to its November 2022 consultation on requiring the LGPS to have an approach to climate risk aligned with the Taskforce for Climate Financial Disclosures (TCFD). As part of this, there may be requirements for further descriptions of how the Pension Committee have oversight of climate related risks and opportunities, how climate-related risks and opportunities that could impact the investment and funding strategy over the short, medium and long term are measured and reporting on metrics relating to climate risk. It is expected that the government will require a Climate Risk Report to be published every year, from 1 April 2024.

Further requirements are also anticipated from Government in relation to investment opportunities in illiquid assets such as venture and growth capital and how LGPS investments might support the levelling up agenda, potentially requiring a 5% allocation to "levelling up" asset allocation. This was referenced again in the Spring Budget (2023).

Informed by the above, priorities for 2023/24 are:

- To review and update the Investment Strategy Statement to reflect the latest decisions and current approach of the Pensions Committee.
- To consider interim objectives on climate change
- To continue to consider the impact of environmental, social and governance risk and opportunities on the Pension Fund's investment strategy
- To strengthen engagement with managers (and portfolio companies).
- To understand the data coverage and quality of information and working with the industry to support financial disclosure requirements and develop a Climate Risk Report template.
- Actively consider consultation when published and consider requirements of changes proposed to identify key activities for future compliance / adherence to best practice.

To deliver the above, additional resources may be required as set out below:

- **External advice:** To provide proper advice when considering the Pension Fund's investment strategy.
- **External advice:** To provide proper advice when making decisions relating to climate-related risks and opportunities and when receiving metrics and scenario analysis.
- **Training:** To support the delivery of this business plan objective.

## Investment and Funding | Asset Pooling

In 2015 the Government encouraged LGPS Administering Authorities to work together to “pool investments to significantly reduce costs, while maintaining investment performance”. West Sussex Pension Fund is a participating Fund in the ACCESS pool and on 31 March 2023, 80% of its portfolio was invested within the ACCESS pool arrangement.

Whilst each Authority retains autonomy to make decisions about strategic asset allocations, the ACCESS Joint Committee is responsible for making collective decisions in relation to contract management and budgets and investments are made via the ACCESS pool arrangement.

The ACCESS pool maintains its own business plan, and priorities for 2023/24 include the launch of further investment vehicles, including pooled asset solutions for private debt and private equity, reporting support on responsible investments and the implementation of the outcome of a third-party review of pool governance and the ACCESS Support Unit.

It is expected that during the year, the government will consult on investment pooling with a challenge to the LGPS to consolidate at a faster pace, potentially with proposals for transferring all listed assets to pool companies by March 2025 and possibly with a smaller number of pools being established, with assets more than £50 billion to optimise benefits of scale.

Informed by the above, priorities for 2023/24 are:

- To provide officer resources for the purpose of providing support to the Joint Committee in undertaking its functions.
- To consider the pooled asset solutions for management of illiquid assets.
- Actively consider consultation when published and consider requirements of changes proposed to identify key activities for future compliance / adherence to best practice.

West Sussex contributes to the delivery of the ACCESS pool Business Plan.

## Investment and Funding | Employers

The LGPS is a funded pension scheme, with employee benefits guaranteed by the LGPS Regulations and funded through a combination of employee contributions (fixed nationally), investment returns and employer contributions. The Pensions Committee completed its review of employer funding positions (on 31 March 2022) to ensure contributions are set at a level to ensure the assets held on behalf of each employer meet (as closely as possible) the value of benefits built up to date for the employer's employees and ex-employees (the liabilities).

It is now important that employer positions are monitored and managed in line with the regulations and Funding Strategy Statement including appropriate reviews of an employer's covenant, any adjustments to contribution rates and employer events (including exits).

It is also important that the Pension Fund works with employers to manage admissions and outsourcing arrangements which is acknowledged as a risk within the risk register.

Informed by the above, priorities for 2023/24 are:

- Reviewing the funding position of all employers to understand what any changes mean for their position in the Fund and formally monitor key funding risks and opportunities.
- Engagement with employers to support raise knowledge levels and improve processes and practice relating to their statutory responsibilities, outsourcing contracts, risk sharing arrangements and employer management.

To deliver the above, additional resources may be required as set out below:

- **External advice:** An independent covenant adviser will be engaged to support the consideration of individual employer positions.

## Administration and Communication | McCloud and Goodwin

When the Government reformed public service pension schemes in 2014 and 2015 they introduced protections for older members. In December 2018, the Court of Appeal ruled that younger members of the Judges' and Firefighters' Pension schemes have been discriminated against because the protections do not apply to them. The Government has confirmed that there will be changes to all main public sector schemes, including the LGPS, to remove this age discrimination. These changes will be implemented in October 2023, following further consultation.

In the case of Mrs Goodwin v Department of Education, it was concluded that a female member in an opposite sex marriage was treated less favourably than a female in a same sex marriage or civil partnership, and that treatment amounts to direct discrimination on the grounds of sexual orientation. Changes will be required to the Scheme to ensure greater equality across all relationships and to take account of membership that was previously not counted when calculating a survivor's pension.

Informed by the above, priorities for 2023/24 are:

- Working with employers to ensure as much data can be provided to the administration team to update member records. Where employers are not able to provide the required data, appropriate assumptions will need to be made.
- Consider communications to members to help them make choices.

To deliver the above, additional resources may be required as set out below:

- **Specialist communications:** To review Scheme documentation and provide feedback on continuous improvements or campaigns.

# Administration and Communication | Pensions Dashboard

The Pensions Dashboards Programme is a national initiative under the supervision of the Money and Pensions Service, to allow individuals to view information about their pensions, including State Pension, in one place online. The government considers that this will put savers in control and help reconnect them with their lost pension pots.

LGPS funds were originally required to be ready to connect and respond to matching requests is 30 September 2024. However, this deadline has been delayed, recognising that this is a highly complex project. New deadlines are to be determined.

Informed by the above, priorities for 2023/24 are:

- To work with the Pension Fund's administration partners to review guidance and resources available to support compliance and best practice.
- Monitor implementation against the Pensions Regulator checklist
- Consider any data improvement work specifically to support the Pensions Dashboards Programme
- Consider training and guidance to employers to help fulfil their obligations.

To deliver the above, additional resources may be required from the Pension Fund's administration partners, or software provider.

## Administration and Communication | Data Improvement Projects

The administration of the Scheme is critically dependent on the membership data provided to the Fund by employers. Since April 2014, the data required to carry out the day-to-day administration has increased in complexity as employee benefits are no longer based only on the members' salary when leaving the Scheme but are also based on the pay earned in each year of their participation.

Work has been undertaken by the Pension Fund's administration partners over the past few years and the Fund Actuary has commented that the data held by the Fund is of good quality and had significantly improved.

However, it remains important that the Pensions Committee have processes in place to continually improve the data held by the Scheme. Business as usual activities play a key role in this, but it is also important for the Committee to consider data improvement projects to address any wider issues.

Informed by the above, priorities for 2023/24 are:

- Contact members where the Fund holds a "frozen refund".
- Carry out an annual data cleansing exercise, reconciling membership data with accounts data.
- Resolve any issues identified as part of the reconciliation between records held by HMRC and the Pension Fund in relation to Guaranteed Minimum Pension (GMP).

To deliver the above, additional resources may be required from the Pension Fund's administration partners, or software provider.



## Administration and Communication | Engagement

The Local Government Pension Scheme provides excellent benefits to support members during your retirement and financial security through immediate life cover, death benefits and (for those who have been in the scheme for two years, immediate ill-health benefits).

However, pensions can be complex and confusing for members and employers.

It is therefore important that information provided by the Pension Fund is engaging, helps individuals understand key information about the pension Scheme and ultimately supports informed decision making.

The Pensions Committee is committed to continually improving the content, format and delivery of communication to ensure it is relevant, clear and considered and inclusive.

Informed by the above, priorities for 2023/24 are:

- To work with a specialist communication provider and industry bodies to develop initial branding for documents prepared and developed for the Pension Fund
- Support training to the Pension Fund officers to allow for continuous improvement and development on best practice.
- To develop a campaign informed by member demographics which describes the benefits of LGPS membership and encourages member to utilise online facilities to understand their individual benefits, update their Expression of Wish and make changes.
- Complete an options appraisal for future website delivery opportunities, taking into account existing platforms and practice across the LGPS.

To deliver the above, additional resources may be required as set out below:

- **Specialist communications:** To support officers to deliver this business plan objective.