

Business Plan

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 year, its core work and how the objectives will be achieved. Details of how the Pensions Panel's objectives and key priorities for 2019/20 and 2020/21 have been set out in the Business Plan.

A report on the management of key risks is also included as part of the Business Plan.

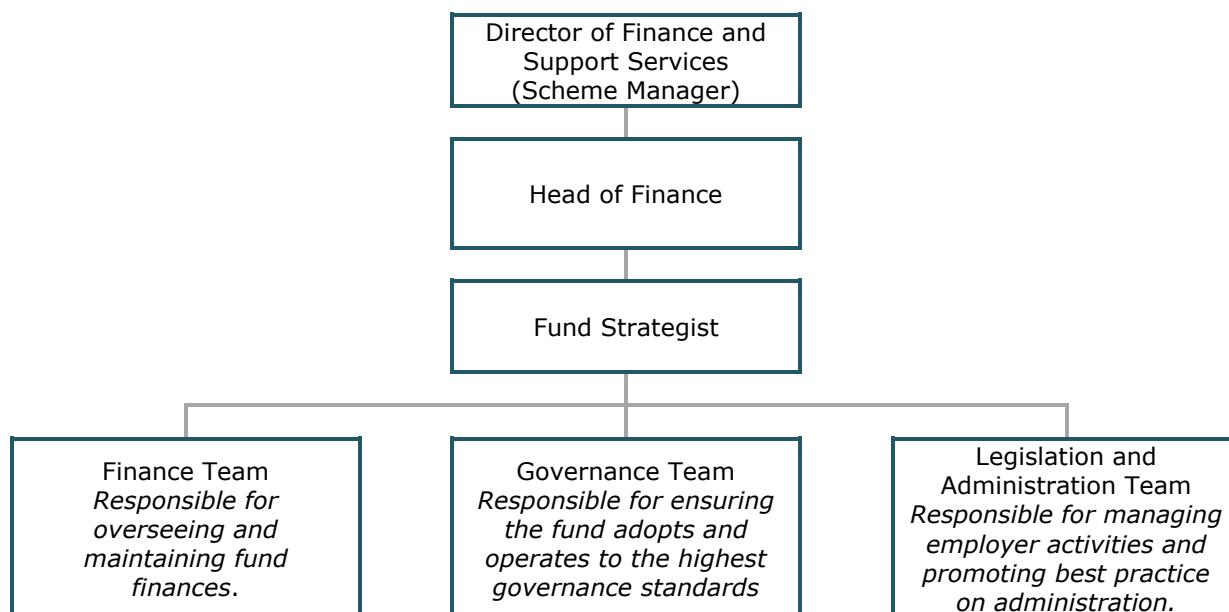
Objectives

The Fund's overarching objectives are set out below:

- **Governance:** Act with integrity and be accountable to stakeholders for decisions, ensuring that they are robust, and well based, ensuring sound governance, risk management and compliance and that the management of the Fund is undertaken by people who have the appropriate knowledge and expertise.
- **Investments and Funding:** To minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return.
- **Administration and Communication:** Deliver a high quality administration service to all stakeholders with 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 organisation of the Pension Fund team is illustrated below:



The Fund also accesses other services within Finance, such as the expertise of the Treasury Manager who manages the cash the Fund holds, and other services across the County Council

The estimated costs paid by the Pension Fund to the administering authority are shown below:

	2017/18 Actual £'000	2018/19 Actual £'000	2019/20 Estimate £'000	2019/20 Actual £'000	2020/21 Estimate £'000
Corporate Finance	566	576	556	567	578
Legal Services	42	42	42	42	42
Procurement	0	5	5	0	5
Payments	3	3	3	3	3
Democratic Services	25	26	26	26	26
Total	636	652	632	638	654

Pension administration has been provided by Hampshire County Council since 4 March 2019. The charge for the service is charged in line with the Partnership Agreement. The budget is agreed each year by the Director.

Internal Audit has been provided through the Southern Internal Audit Partnership since 2018/29. The charge for the service is charged based on the scope of the Internal Audit work agreed in consultation with the Director.

The core budgeted figures do not reflect any external charges such as fund management fees, external audit fees, actuarial costs, specialist legal advice or project work for administration which may be required from time to time.

The Pension Fund's Financial Statements will provide more details on all costs incurred during the year.

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. This Strategy has been developed in the context of the Pension Regulator's Code of Practice, the Knowledge and Skills Framework developed by CIPFA and guidance covering knowledge and understanding of the Pension Advisory Board issued by the Scheme Advisory Board. The full Training Strategy will be published separately for 2020/21 once more information is known about how external providers will be delivering events.

Internal Audit and Controls

The County Council's Regulation, Audit and Accounts Committee (RAAC) have responsibility to provide independent assurance of the adequacy of risk management framework and the associated control environment, independent scrutiny of the County Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment, and to oversee the financial reporting process. The internal and external auditors' reports will be considered by RAAC when they meet in July 2020.

The Pensions Committee Consideration of the work of the Regulation, Audit and Accounts Committee 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.

Context	2019/20 Progress	2020/21 Actions
<p><u>Pension Administration</u> A good performing administration function is key to our stakeholders and for ensuring the quality of information held by the Fund for calculating benefits and liabilities.</p> <p>From 4 March 2019 the Pension Fund administration transferred to Hampshire County Council.</p>	<p>Although initial performance was below the targets set, this was anticipated as part of the on-boarding process and reflective of the data quality issues transferred. However the administration team are now consistently meeting their performance targets on case work activities and the delivery of the Fund's data improvement plan is well progressed.</p>	<p>In addition to compliance with statutory deadlines (including Annual Benefit Statements by 31 August) and completion of the data improvement plan by 31 March 2021, the roadmap for the administration team over the year reflects the greater use of technology to assist delivery of the service through:</p> <ul style="list-style-type: none"> • online retirement quote functionality being added to the member portal 30 June 2020. • greater use of the member Portal when members join the Scheme or retire by 30 June 2020. • the roll out of an Employer Hub to provide employers with immediate access to their employee records, submit joiner and leaver forms online and run their own retirement quotes 31 March 2021.
<p><u>GMP (Guaranteed Min Pension)</u> Following the end of contracting out each Administering Authority is required to review its records for who it pay as Guaranteed Minimum Pension to against HMRC records to update HMRC as appropriate of any changes or mis-allocations.</p>	<p>The completion of the work has been delayed due to query resolution from HMRC and to ensure appropriate contractual terms are maintained.</p>	<p>Completion of the GMP reconciliation and rectification work by 31 March 2021.</p>
<p><u>Robust accounting</u> 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>The Pension Fund Financial Statements were agreed as a true and fair view by the Fund's external auditors, Ernst & Young (EY), in July 2019. The 2019/20 Statements were completed in line with timescales and are currently subject to</p>	<p>Successful completion of external audit work by 30 September 2020.</p> <p>Complete full lessons learnt exercise to further improve the Fund's accounting and integration with the new</p>

Context	2019/20 Progress	2020/21 Actions
	audit.	administration provider by 30 September 2020. Develop project and engagement plan for the 2020/21 Audit by 31 December 2020.
<p><u>Annual Reporting</u> The Pension Fund is required to produce an Annual Report in line with statutory deadlines, and with regard to statutory guidance.</p>	<p>The Pension Fund's Annual Report was agreed by the Committee in July 2020 and subject to audit. At their meeting in September 2019 the Chairman of the Pension Advisory Board praised the Annual Report and acknowledged officers and Panel had clearly had regard to the guidance in the context of the regulatory requirement.</p>	<p>The 2019/20 Report will be considered by the Committee at their meeting on 22 July and the Pension Advisory Board in September.</p>
<p><u>Accounting system</u> The County Council is changing its core accounting system to Oracle. As part of this the Pension Fund will need to ensure it continues to have processes and procedures to ensure that it accounts for all income received and payments made appropriately and the system is able to support its reporting requirements.</p>		<p>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 by no later than 31 December 2021.</p>
<p><u>GDPR</u> GDPR preparations ensure we are compliant with expected standards on data control and privacy on 25 May 2018</p>	<p>Notifications and guidance about how the Fund uses member data have been published on the website.</p> <p>There are 37 employers who have not completed a data sharing agreement with the Fund.</p>	<p>Continued compliance with GDPR is now considered a business as usual activity.</p>
<p><u>AVC Provider</u> The Fund has 244 AVC members with a value of £2.4 million. The AVC</p>		<p>Complete review AVC provision and implement recommendations by 31</p>

Context	2019/20 Progress	2020/21 Actions
<p>members cover a wide age range typical of LGPS. Standard Life is the main AVC provider, but there are also ex-Equitable AVCs which passed to Utmost Life on 1 January 2020.</p>		<p>December 2020.</p>
<p><u>Respond to Scheme Changes</u> The Fund must ensure it complies with all legislative requirements, statutory guidance and requirements of the Pensions Regulator and communicates matters appropriately.</p>		<p>Consider, respond to and communicate changes to the Regulations which are anticipated in response to the McCloud judgement on age discrimination and the £95k Cap. Dates for both developments are unknown.</p>
<p><u>Ensure appropriate contractual terms</u> The Fund must ensure it has appropriate terms are in place with all service providers</p>		<p>Review agreements with service providers in line with contract end dates (Annexe 2).</p>
<p><u>ACCESS Pool</u> The ACCESS Pool has been set up to meet the Government’s investment reform criteria. Key priorities relate to governance and resourcing arrangements and the need for appropriate policies, practices and investment sub-funds are established to meet the participating Authorities requirements.</p>	<p>The West Sussex Pension Fund continues to actively participate as within the ACCESS governance and oversight arrangements.</p> <p>The Fund has not yet transferred any assets into the ACCESS Authorised Contractual Scheme.</p>	<p>The revised Inter Authority Agreement between participating ACCESS Authorities will be completed by the Authority once ratified by the appropriate officers at the participating authorities. Training on ACCESS Governance will be provided to the Pensions Committee and Pension Advisory Board following the completion of the IAA.</p>
<p><u>Investment Strategy</u> It is important to ensure that the investment strategy remains aligned to meet the Pension Committee’s long term objectives.</p>	<p>The Committee have agreed to make a strategic commitment to asset classes which have ‘income’ characteristics. The further consideration of the due diligence on potential asset classes/fund options was deferred until after July 2020.</p>	<p>The Fund’s Actuary and Investment Consultant will make recommendations following the completion of the Asset Liability Modelling work to the Pensions Committee in July 2020. This will inform the review of the Fund’s Investment Strategy Statement document by 30 September 2020 and whether the</p>

Context	2019/20 Progress	2020/21 Actions
		<p>strategic allocation remains appropriate for implementation decisions (in relation to equities, bonds, income) by the Committee prior to 31 December 2020.</p> <p>The Fund will make its first investment in the ACCESS Authorised Contractual Scheme by 30 September 2020 following the completion of appropriate due diligence. Further investment will be taken following consideration of the sub-funds available to meet West Sussex's requirements.</p>
<p><u>Responsible Investment</u> There is continued focus on LGPS stakeholders on as to how they can best address and manage Responsible Investment (RI) issues such as Environmental, Social and Governance matters.</p>	<p>The Pension Panel has held facilitated sessions to consider its approach to Responsible Investment matters.</p>	<p>Agree and publish the Fund's Responsible Investment Policy by 30 September 2020 and implement the strategy, taking advice as appropriate.</p>
<p><u>Custodian Transition</u> The County Council was given notice of termination from its current custodian BNP Paribas.</p> <p>In response Officers undertook a procurement exercise in March 2019 completing with an appointment on 5 April 2019.</p>	<p>Work completed to ensure full transfer of asset safekeeping and additional services.</p>	<p>N/A</p>
<p><u>Competition & Markets Authority</u> Under the CMA Order the Fund was required to set objectives for providers of investment consultancy services. It is necessary</p>	<p>The CMA objectives were approved by the Committee in January 2020.</p>	<p>Review to be completed by 31 December 2020.</p>

Context	2019/20 Progress	2020/21 Actions
<p>to review these each year.</p>		
<p><u>2019 valuation</u> The Fund completes a full valuation every three years (latest at 31 March 2019).</p>	<p>The Funding Strategy Statement and Actuarial Valuation Report were both published by the 31 March 2020 statutory deadline. In general employers saw their contribution rates remain stable, or decrease, although some shorter term employers saw rate increases.</p>	<p>Additional to the Funding Strategy Statement in relation to exit credits to be considered by the Pensions Committee in July 2020 prior to consultation with employers.</p> <p>Complete full lessons learnt exercise to further improve future valuation exercises by 30 September 2020.</p>
<p><u>Employer risk framework</u> The Pension Fund has a growing employer population from a variety of sectors. It is important to ensure that appropriate processes and controls are in place to manage employer liabilities and Fund risks.</p>		<p>Development of framework to monitor and take steps to mitigate risk presented to the Fund in respect of participating employer liabilities to be developed and implemented by 31 December 2020.</p>
<p><u>Work by the Scheme Advisory Board</u> The SAB have three key projects for the year.</p> <ul style="list-style-type: none"> • The Good Governance project - identify both the issues deriving from the current scheme administrative arrangements and the potential benefits of further guidance. • Regulations which may be better sited within statutory guidance - propose the necessary amendments and assist with the 	<p>Officers have provided initial feedback on the Good Governance project.</p> <p>The Fund responded to the SAB's consultation on Responsible Investment along with ACCESS colleagues.</p> <p>Fund managers have complied with Cost Transparency Report templates provided via the SAB.</p>	<p>Responsible Investment and the Good Governance project are key work items for the SAB during the year. The Fund will engage as appropriate.</p>

Context	2019/20 Progress	2020/21 Actions
<p>drafting of guidance.</p> <ul style="list-style-type: none"> • Assist administering authorities in meeting the Pension Regulators requirements for monitoring and improving data - identification of scheme specific conditional data and the production of guidance for authorities and employers. 		
<p><u>Priorities of the Pensions Regulator</u></p> <ul style="list-style-type: none"> • Monthly data collection • Cyber Security • Data Quality 	<p>Employers are currently required to complete an annual return. Exceptions to this are only when an employer changes payroll provider midyear.</p> <p>Cyber security of membership data is monitored by the Fund and there are data sharing agreements in place with most employers.</p> <p>There is a data improvement plan in place with Hampshire Pension Services to increase the quality of administration data held.</p>	<p>The 2019 Governance and Administration survey results are due to be published shortly and will inform tPR priorities for the coming year. Cyber security and data quality are expected to main high profile areas of interest.</p>

Annex 1 – Key Contract Dates

Name of contract organisation	Service Provided	Start date	Current End Date
Hymans Robertson	Actuarial, Benefits and Governance Consultancy Services	01-Nov-17	31-Oct-20
Savills	Independent valuer of Property	01-Jan-18	31-Dec-20
Aberdeen Standard	Fund management	01-Apr-14	31-Mar-21
UBS	Fund management	01-Jul-13	01-Jul-21
Northern Trust	Custodian	01-Jul-19	30-Jul-22
Link Fund Solutions	Operator Agreement for ACCESS pool	05-Mar-18	04-Mar-23
MJ Hudson	Independent Chair of the Pension Advisory Board	01-Jun-20	31-May-24
Pantheon	Fund management	01-Oct-14	Until liquidated
Partners Group	Fund management	30-Sep-14	Until liquidated
Amaces	Custodian management service	04-Jul-12	
Caroline Burton	Investment adviser to the Panel	01-Aug-13	
AON	ESG	May-20	

Annex 2 – Key Risks

Risk Theme	Action	RAG Jan 20	RAG July 20
<p>**NEW**</p> <p><i>Increased likelihood of employer insolvency/restructuring impacting on the Fund cashflows in via contributions and out via benefits paid/early retirement lump sums and death benefits, resulting in the Fund becoming cash flow negative earlier than expected. Also, risk of employers not being able to meet liabilities at exit.</i></p>	<p><i>Communication with employers to ensure they are aware of Deferral of Employer Contributions policy and to invite early discussion with regards to any workforce changes.</i></p> <p><i>Implement cashflow monitor and projections and review on a monthly basis.</i></p> <p><i>Review employer covenant and take appropriate action.</i></p>		Amber
<p>**NEW**</p> <p><i>Remote working results in increased governance pressure within the Fund, Council and partner organisations.</i></p>	<p><i>Discuss governance arrangements with partner organisations to ensure they meet expectations and requirements.</i></p>		Amber
<p>Political 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>	<p>Ensure active engagement by Fund Managers with companies in all areas.</p> <p>Regular dialogue with Fund Managers regarding reasoning behind the stock being held.</p> <p>Keep up to date with Scheme Advisory Board and Government guidance.</p>	Amber	Amber
<p>Insufficient funds to meet liabilities resulting in increased contributions required from employers or changing to a higher risk investment strategy</p>	<p>Prudent assumptions adopted by the Fund Actuary.</p> <p>Monitor, maintain and review the Investment Strategy Statement and Funding Strategy Statement.</p> <p>Regularly review investment performance and funding levels.</p>	Green	Green
<p>Insufficient resources to comply with the Administering Authority's Regulatory responsibilities.</p>	<p>Develop and monitor Business Plan on a regular basis.</p> <p>Ensure service contracts are clearly specified and obligations met.</p> <p><i>Implement appropriate remote working to ensure business continuity and review third party business continuity plans.</i></p>	Amber	Amber

Risk Theme	Action	RAG Jan 20	RAG July 20
Poor quality data resulting in error and misstatement.	<p>Implement <i>and monitor</i> the Data Improvement Plan <i>to completion</i>.</p> <p><i>Work proactively with administration team and employers as part of the end of year process.</i></p> <p>Maintain robust accounting records.</p>	Red	Red
Officer, Committee and Board knowledge and understanding resulting in poor decision making and disengagement on key issues.	<p>Develop, implement and monitor a Training Strategy.</p> <p><i>Work with external organisations to understand how training is going to be delivered in current circumstances and communicate with Committee and Board members.</i></p>	Amber	Amber
The introduction of 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>Continued strong involvement in the work of the ACCESS Group at officer and at Fund Chairman level.</p> <p><i>Working closely with the Access Support Unit and Operator in respect of future requirements.</i></p>	Amber	Amber
Failure to secure value for money through managing contracts with third parties	<p>Strong contract management</p> <p>Compliance with procurement requirement and standing orders for provision of services to the Fund.</p>	Green	Green
Political environment (locally or nationally) impact on investment markets and legislative requirements.	<p>Work closely with investment managers, other suppliers and advisers to understand potential impacts and responses.</p> <p>Implement and monitor the Training Strategy.</p>	Amber	Amber
Conflict of interest for members and employers	<p>Clearly defined roles and responsibilities for those working for the Pension Fund.</p> <p>Maintenance of Conflict of Interest policy and register by the County Council.</p>	Green	Green
Increase in variety and number of employers participating in the Scheme resulting in risk of non-compliance with obligations.	<p>Clear Admission Agreements in place.</p> <p>Guidance published and reviewed relating to the Scheme requirements.</p> <p>Proactive engagement with employers.</p> <p><i>Development of employer risk framework to monitor and take steps to mitigate risk presented to the Fund in respect of participating employer liabilities.</i></p>	Amber	Amber

Risk Theme	Action	RAG Jan 20	RAG July 20
Cyber crime resulting in personal data for members being accessed fraudulently.	Strong IT environment for administration system and web-based Portals.	Green	Green