

## **Pension Advisory Board**

**7 September 2020**

**Part 1**

### **Review of Pension Fund Policy Documents**

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

##### **Summary**

It has been agreed that the Pension Advisory Board review relevant policy documents as part of its ongoing agenda.

##### **Recommendation**

- (1) That the Board note the register of Policy Documents
- (2) That the Board provide feedback on the policy documents presented at the meeting in respect of their compliance with regulations and guidance.

##### **Background**

1. The Pension Regulators Code of Practice 14 requires that

*Pension board members must be conversant with their scheme rules which are primarily found in the scheme regulations and documented administration policies currently in force for their pension scheme.*

2. By reviewing policy documents on a regular basis the Board will be fulfilling their role in supporting the Scheme Manager by ensuring compliance with regulations. This would also assist members in ensuring they have the relevant knowledge and understanding of the Scheme.

##### **Pension Fund policy documents**

3. The Pension Fund is required by law to keep and maintain a number of policy documents. A list of all Pension Fund Policy Documents is included at Appendix A. It is proposed that as policies are reviewed by officers they will be presented to the Board for review against Regulations or Guidance.

##### **Funding Strategy Statement**

4. The purpose of the Funding Strategy Statement is to set out the Administering Authority's approach to funding its liabilities and how employer liabilities are measured (the value of the benefits to be paid to members), the pace at which these liabilities are funded (the balance between investment risk and the level of contributions required) and how employers or pools of employers pay for their own liabilities.
5. The Funding Strategy Statement was considered by the Pension Advisory Board at their meeting on 22 May 2019 and 26 February 2020 and the relevant Regulations and Guidance were provided to the Board.

6. Since the Strategy was published on 31 March 2020, the Pensions Committee have agreed an additional Appendix in relation to its Exit Credit Policy. This followed MHCLG's partial response to a consultation in May 2019 in relation to LGPS employer exit arrangements, changes to the local valuation cycle and management of employer risk. The resulting Regulations (The Local Government Pension Scheme (Amendment) Regulations 2020) came into force in March 2020.
7. Under the new Regulations the administering authorities may determine, at their absolute discretion, the amount of any exit credit payment due, having regard to any relevant considerations. An Exit Credit Policy has therefore been drafted that:
  - the Actuary will be asked whether there is an exit credit and the proportion which has arisen because of the value of the employer's contributions;
  - we will take into account any representations made by the exiting employer, the Scheme employer in connection with that body and any other connected body;
  - we will consider "other relevant factors" which includes
    - a. whether the employer joined the Scheme prior to May 2018 (when the Regulations introduced an exit credit),
    - b. risk sharing arrangements,
    - c. any agreements on the treatment of the employer on exit from the scheme,
    - d. whether there are any outstanding sums owed to the Fund,
    - e. the effects of changes in assumptions, investment performance or other factors.
8. Taking this into account the amount of the payment will be determined by the Director of Finance and Support Services.
9. The Policy was shared with employers for their comments (23 July 2020 to 6 August 2020). Four comments were made in relation to the application of the policy to specific employer classes i.e. Parish Councils, the application of the policy to a specific employer and two general comments on the existence of the policy. No amendments were made following the conclusion of the consultation.

## **Annual Report**

10. The Regulations require the County Council to prepare an Annual Report. An extract is included in Appendix C. The Regulations require that "In preparing and publishing the pension fund annual report, the authority must have regard to guidance given by the Secretary of State". In this context, CIPFA's has published guidance on Preparing the Annual Report 2019 (published April 2019), which is available on request.
11. The CIPFA guidance uses 'Must', 'Should' and 'May' in relation to compliance and states that where significant variation from the guidance is considered appropriate an explanation should be provided.

Criteria	Commentary
<b>Must</b>	Compliance is mandatory. Any non-compliance should be clearly identified in the annual report and an explanation provided.  The Fund is compliant with 95% of these requirements.
<b>Should</b>	Compliance is anticipated but is discretionary. Where non-compliance may be significant or material for the readers the non-compliance should be identified and explained.  The Fund is compliant with 80% of these requirements.
<b>May</b>	Compliance is recommended but is discretionary.

12. A full checklist is included within the CIPFA guidance. Appendix C indicates where the Pension Fund's latest Annual Report is not fully compliant with aspects of the guidance. As identified, there are a few areas where it has not been possible to meet the guidance in full mainly due to the applicability of the guidance.
13. The draft Annual Report for 2019/20 was considered by the Pension Panel at their meeting on 22 July. The Panel agreed the report subject to minor amendments. A copy of the report was also shared with all employers.
14. The Statements of Accounts, which form an appendix within the report were not available at the time of the meeting but have since been published as part of the County Council's Accounts Inspection Period which lasts from 21 August 2020 to 2 October 2020.

**Katharine Eberhart**  
**Director of Finance and Support Services**

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**Appendices**

Appendix A – Register of Policy Documents

Appendix B – Exit Credits

Appendix C – Regulation extract relating to Annual Report

Appendix D - Exceptions to compliance with *Preparing the Annual Report 2019*

Appendix E – Annual Report

**Background Papers**

Original referral of Funding Strategy Statement - Agenda Item 10 Pension Advisory Board Meeting 22 May 2019

<https://westsussex.moderngov.co.uk/documents/g2053/Public%20reports%20pack%2022nd-May-2019%2009.30%20Pension%20Advisory%20Board.pdf?T=10>

Subsequent referral of Funding Strategy Statement – Agenda Item 11 Pension Advisory Board Meeting 26 February 2020

<https://westsussex.moderngov.co.uk/documents/s14682/Report.pdf>

Pension Committee 22 July 2020 – Annual Report

<https://westsussex.moderngov.co.uk/documents/s17705/Report.pdf>

Pension Committee 22 July 2020 – Exit Credit

<https://westsussex.moderngov.co.uk/documents/s17707/Report.pdf>

County Council and Pension Fund Unaudited Accounts 2019/20

[https://www.westsussex.gov.uk/media/14633/2019-20\\_unaudited\\_statement\\_of\\_accounts.pdf](https://www.westsussex.gov.uk/media/14633/2019-20_unaudited_statement_of_accounts.pdf)