

Business Plan

2021/22

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 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.
- **Investments 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.

The plan has been written at a time when the country is responding to the uncertainty caused by the Coronavirus Pandemic. The longer term physical and mental health, social and economic impacts are yet to be fully seen. This may change the plan in the future.

Resources and Budget

The County Council's s151 Officer and Director of Finance and Support Services is responsible for the administration of the Fund's financial affairs and has delegated authority to manage and advise the County Council in the discharge of the responsibilities of the County Council as Scheme Manager in relation to the Local Government Pension Scheme under the Public Service Pensions Act 2013, jointly with the Director of Law and Assurance.

The Director of Finance is supported by the Head of Finance and LGPS Officers (equivalent to 8.15FTE).

Other key parties are listed below:

- **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 management, accommodation and other 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.
- **External Fund Managers:** Fund management has been outsourced to external fund managers. Fees are agreed in the respective mandates governing their appointment and are mainly based on the market value of the investments under management.

The Fund's financial statement provide more detail about the costs incurred.

Priorities

During the 2020/21 financial year the Fund successfully:

- Agreed an investment strategy which reflected changes as a result of the strong funding position identified at the 2019 actuarial valuation and the Committee's consideration of its approach to responsible investment, aligned to deliver sustainable investment and funding outcomes.
- Implemented changes to its investment strategy including commitment of £250m to two private debt funds (managed by Goldman Sachs and ICG) and £250m to an infrastructure fund (managed by JPMorgan) to generate a reliable income and providing additional cash flows
- Transferred funds totalling £2.7bn, managed by the Fund's long-term manager Baillie Gifford, into two sub-funds within the ACCESS pool. The eleven participating authorities now have £31bn within the ACCESS pooling arrangements. The West Sussex County Council Pension Committee agreed in 2016 to join the ACCESS Pool in line with Government guidance with the aim of, over time, achieving a lower fee base.
- Completed a full review of its AVC provider providing members with lower fees, better service and an improved choice of individual funds with a stronger emphasis on responsible and sustainable investing.
- 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 on 20 November 2020).
- Made substantial progress on its Data Improvement Plan by processing historic case work and updating for missing historic information on member records. This has been reflected in the compliance with the publication of Annual Benefit Statements for members compared to prior years (99.9% of deferred statements and 95.1% of active statements had been published by the statutory deadline).
- Introduced online functionality for the benefit of members and employers in the Scheme.
- Dealt with a range of Scheme changes.

Some of these priorities continue in 2021/22, along with new business plan items. These have been set out on the following page:

BUSINESS PLAN ITEM	CONTEXT	2021/22 ACTIONS
INVESTMENT STRATEGY STATEMENT	The Fund has an Investment Strategy Statement designed to provide transparency in relation to how investments are managed.	Implement strategy and develop reporting and monitoring framework.
IMPLEMENT CHANGES REQUIRED AS A RESULT OF THE MCCLLOUD JUDGEMENT	On 20th December 2018 the Court of Appeal found that protections given to scheme members who in 2012 were within 10 years of their normal retirement age were unlawful on the grounds of age discrimination and could not be justified. Those members who have been discriminated against will need to be offered appropriate remedies to ensure they are placed in an equivalent position to the protected members.	Receive and validate data from employers in order to update the records of affected members whilst keeping key stakeholders informed and managing the risks inherent in a large project. Recalculations and possible restitution will form the next phase of the work.
PREPARE FOR 2022 VALUATION	The Fund is required to undergo a triennial valuation and the next one will be as at 31 March 2022.	Work with advisers to integrate employer risk framework into the 2022 valuation and future monitoring arrangements.
COMMUNICATIONS (NEW)	The fund is required to publish several strategy documents and disclose information about benefits and scheme administration to scheme members and others.	Develop an approach to support the Communication Strategy which considers the communications documents published for stakeholders to support the understanding of the management of the Scheme and benefits provided.
DATA	The maintenance of complete and accurate records is a control to allow the fund to carry out basic functions. Poor record-keeping can result in schemes failing to pay benefits in accordance with scheme regulations, processing incorrect transactions and paying members incorrect benefits.	Undertake further work to identify data improvement requirements ahead of the 2022 Actuarial Valuation and support wider service improvements such as self-service and the Data Dashboard.
ROBUST ACCOUNTING	The Pension Fund is required to produce accounts in line with statutory deadlines. The accounts are subject to external audit review and assurance.	Complete the Pension Fund's Statement of Accounts by the statutory deadline and work with the external auditors on their review.
ANNUAL REPORT	The Pension Fund is required to produce an Annual Report in line with statutory deadlines and considering statutory guidance.	The Report will be considered by the Pensions Committee at their meeting on 21 July 2021 and by the Pension Board on 26 July 2021.
ACCOUNTING SYSTEM	The County Council is changing its core accounting system to Oracle. Officers will 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 30 April 2022.	Officers will continue to work with the project team to ensure the accounting system is implemented.

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.

Key training for the Committee have been summarised below.

- July 2021 - Induction training
- July 2021 – Statement of Accounts
- October 2021 – Link Fund Solutions
- November/December 2021 – The Actuarial Valuation process
- January 2022 – Employer Risk / Employer Management

This will be supplemented by external training opportunities including:

- May 2021 – PLSA Local Authority Conference
- July 2021 – LAPF Investment Conference
- September 2021 – LGC Investment and Pension Summit
- September to December 2021 – LGA Fundamentals
- January 2022 – LGA Annual Governance Conference

Risk

The risk assessment process helps identify a range of internal and external risks which are critical to the Scheme and members. This has been informed by relevant sources of information including internal disputes, legislative breaches, internal and external audit reports, and service contracts. This has been summarised below, and a full version including mitigating actions can be found at Annexe 1.

Ref	Risk Theme	RAG Mar 21
RT1	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.	Amber
RT2	Remote working results in increased governance pressure within the Fund, Council and partner organisations.	Amber
RT3	Political and/or employer 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.	Amber
RT4	Insufficient funds to meet liabilities resulting in increased contributions required from employers or changing to a higher risk investment strategy	Green
RT5	Insufficient resources to comply with the Administering Authority's Regulatory responsibilities.	Amber
RT6	Poor quality data resulting in error and misstatement.	Amber
RT7	Officer, Committee and Board knowledge and understanding resulting in poor decision making and disengagement on key issues.	Green
RT8	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.	Amber
RT9	Failure to secure value for money through managing contracts with third parties	Green
RT10	Political environment (locally or nationally) impact on investment markets and legislative requirements.	Amber
RT11	Conflict of interest for members and employers	Green
RT12	Increase in variety and number of employers participating in the Scheme resulting in risk of non-compliance with obligations.	Amber
RT13	Cyber crime resulting in personal data for members being accessed fraudulently.	Amber
RT14	Fund not able to implement changes required as a result of McCloud judgement due to insufficient resources or incomplete information held by employers	Amber

Audit and Controls

The County Council's Regulation, Audit and Accounts Committee (RAAC) have responsibility to provide an adequate and effective system of internal control, to consider the Head of Internal Audit's annual report and opinion and to approve the Internal Audit annual work programme. The Committee have responsibility to consider the work of RAAC 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.

The County Council is a Key Stakeholder Partner in the Southern Internal Audit Partnership, who provide internal audit services.

Internal audit work should ensure that adequate internal controls are in place and operate effectively. It will therefore focus on the following key areas:

- Key controls are operating effectively
- Governance framework is operating appropriately
- Arrangements for investment are appropriate including asset pooling
- Business Continuity
- Cyber Risk
- Any significant changes to systems, personnel, processes
- Any controls identified as inadequate

The internal audit team will consider the above through documentation, review of systems, observations and testing of controls.

To supplement its own audit framework the County Council will also receive internal audit reports from its administration provider, Hampshire County Council. The team will also provide the Council's internal and external auditors with information relevant for the completion of their work.

The following audit work will be completed over the next three years relating to the pension administration services for processes consistent between West Sussex Pension Fund and Hampshire Pension Fund:

Key area	2021/22	2022/23	2023/24
<p>Pensions, payroll and benefit calculations: Annual review to provide assurance that systems and controls ensure that:</p> <ul style="list-style-type: none"> • Lump sum and on-going pension payments are calculated correctly, are valid and paid to the correct recipients; • All changes to on-going pensions are accurate and timely; • Pension payroll runs are accurate, complete, timely and secure with all appropriate deductions made and paid over to the relevant bodies. 	•	•	•
<p>Pension Starters: Review of the control framework to support appropriate, complete and prompt admission of new starters to the various pension schemes administered by Hampshire Pension Services (HPS).</p>	•		
<p>Pension Leavers: Audit of the controls to ensure accurate, prompt and complete administration of pension leavers including the production of on-going annual benefit statements within agreed timescales.</p>		•	
<p>Transfers: To provide assurance over the processes and controls to support the accuracy and timeliness of transfers in and out of the schemes managed by HPS.</p>		•	
<p>Pension refunds: To assess that there are appropriate arrangements to ensure all refunds are valid, accurate and are paid promptly to the correct recipients following a validated request to withdraw from the schemes administered by HPS.</p>			•
<p>Member deaths: To provide assurance that systems and processes ensure that any payments related to deceased members are calculated correctly and paid promptly to the correct recipient, with the risk of overpayments minimised.</p>		•	
<p>UPM application: Review of the UPM application including cyber security & access controls.</p>			•
<p>National Fraud Initiative: Full exercise undertaken October 2020 and completed within 6 months and to be undertaken again in October 2022.</p>	•		•

West Sussex Pension Fund

Additional internal audit work is also proposed to include accounting for pension payroll, recoveries and contribution receipts, employer assets and cashflows, governance and investments.