



# PENSION BOARD

TUESDAY, 8 MAY 2018

10.00 AM COMMITTEE ROOM - COUNTY HALL, LEWES

MEMBERSHIP - Richard Harbord (Chair)  
Councillor Kevin Allen, Angie Embury, Rezia Amin, Sue McHugh,  
Diana Pogson and Councillor Brian Redman

## AGENDA

- 1 Minutes (*Pages 3 - 10*)
- 2 Apologies for absence
- 3 Disclosure of interests
- 4 Urgent items  
Notification of any items which the Chair considers urgent and proposes to take at the appropriate part of the agenda.
- 5 Pension Committee Agenda (*Pages 11 - 14*)
- 6 Pension Fund 2017/18 Annual Report (*Pages 15 - 16*)
- 7 Draft Internal Audit Pension Fund Strategy and Internal Audit Reports (*Pages 17 - 48*)
- 8 2018 Annual Benefit Statement Exercise - update (*Pages 49 - 52*)
- 9 Officers' Report - Business Operations (*Pages 53 - 58*)
- 10 Officers' Report - General Update (*Pages 59 - 64*)
  - GDPR
  - Breaches log
- 11 Pension Fund Policies - Discretionary Policy Statement, Pension Fund Cessation Policy and Administration Strategy Statement (*Pages 65 - 106*)
- 12 Pension Fund Risk Register (*Pages 107 - 120*)
- 13 Forward Plan (*Pages 121 - 152*)
- 14 Exclusion of the public and press  
To consider excluding the public and press from the meeting for the remaining agenda item on the grounds that if the public and press were present there would be disclosure to them of exempt information as specified in paragraph 3 of Part 1 of the Local Government Act 1972 (as amended), namely information relating to the financial or business affairs of any particular person (including the authority holding that information).
- 15 Any other non-exempt items previously notified under agenda item 4

- 16 Local Government Pension Scheme (LGPS) Pooling - ACCESS update (*Pages 153 - 184*)
- 17 Any other exempt items previously notified under agenda item 4

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30 April 2018

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## PENSION BOARD

MINUTES of a meeting of the Pension Board held at County Hall, Lewes on 8 February 2018.

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PRESENT Richard Harbord (Chair) Councillor Kevin Allen,  
Angie Embury, Sue McHugh, Diana Pogson and  
Councillor Brian Redman

ALSO PRESENT Councillor Richard Stogdon, Chair of Pension Committee  
Ian Gutsell, Chief Finance Officer  
Ola Owolabi, Head of Pensions  
Brian Smith, Regional Operations Manager  
Jason Bailey, Lead Pensions Manager  
Wendy Neller, Pensions Strategy and Governance Manager  
Nigel Chilcott, Senior Audit Manager  
Nick Lee, Principal Auditor  
Heidi Judd, Information Manager  
Harvey Winder, Democratic Services Officer

### 43 MINUTES

43.1 The Board agreed the minutes as a correct record of the meeting held on 16 November 2017.

### 44 APOLOGIES FOR ABSENCE

44.1 It was noted that Bernadette Carlyle had resigned from the Pension Board. The Board thanked her for her contribution over the previous year and a half.

44.2 The Board was informed that Jason Bailey and John Shepherd would be leaving East Sussex County Council. The Board thanked them for their assistance.

44.3 The Board welcomed Diana Pogson as the new pensioner representative on the Board.

### 45 DISCLOSURE OF INTERESTS

45.1 There were no disclosures of interest.

### 46 URGENT ITEMS

46.1 There were no urgent items.

### 47 PENSION COMMITTEE AGENDA

47.1. The Board considered the Pension Committee's agenda, which included a report on the latest version of the Investment Strategy Statement (ISS).

47.2. Ola Owolabi (OO), Head of Pensions, explained that the Pension Committee is due to consider amendments to the Investment Strategy Statement (ISS) in relation to changes to its investment allocation and whether to embark on stock lending.

47.3. Councillor Brian Redman (BR) asked for clarification as to why UBS was charging the East Sussex Pension Fund (ESPF) £400k to transfer the passive investment funds from State Street and Legal & General. OO explained that as part of the ACCESS pool, 8 Local Government Pension Schemes (LGPS) funds, including the ESPF, agreed to transfer £10.5bn of passive investment funds to UBS and the transition fee for this asset transfer had apparently been waived. The Pension Committee, however, at its last meeting agreed to allocate 5% of its passive funds into a separate climate aware fund held by UBS in addition to other assets allocation, which has resulted in the proposed charge of £400k. OO said that officers and the Pension Committee would continue to challenge this cost, as are other local authorities within ACCESS.

47.4. The Pension Board agreed that there should be an attempt to waive the £400k transaction cost. The Chair said that officers should try to negotiate the cost in light of the considerable sum of passive investments being transferred to UBS, and the risk that there may be other attempts by investment managers to claw back the savings ACCESS will achieve by reducing fees through economy of scale.

47.5. Angie Embury (AE) asked for clarification whether it was a requirement to invest in climate aware funds. OO said that it was at the Pension Committee's discretion whether or not to invest but there were a number of advantages in doing so.

47.6. AE asked for confirmation whether the ESPF had any investments in Carillion. OO said he was not aware that there were but would speak with the investment consultant (Hymans Robertson) to confirm that this was the case.

47.7. The Chair asked for clarification as to why the Pension Committee was being asked to agree to undertake stock lending having not previously done so. OO explained that 8 of the 11 pension funds in the ACCESS pool already engaged in stock lending. This would mean that if ESPF were to stay out of stock lending it would need to create a separate sub-fund within ACCESS and pick up the cost of running it, rather than share the risk amongst the other 10 funds.

47.8. The Chair said that he hoped that the Committee would be satisfied that the income from stock lending would be greater than the cost of creating a sub-fund and sufficient to offset the risk of stock lending. He added that he hoped that any risks would be suitably minimised by the way ACCESS engages in stock lending, and that ESPF would retain a say in how it was run via the ACCESS Joint Committee.

47.9. OO assured the Board that following any decision by the Committee that the ESPF would engage in discussions with its investment consultants – Hymans Robertson – about the risks involved in stock lending. He said that there was no expectation to jump into stock lending from 1 April 2018 (when ACCESS formally begins) rather sometime within the next 18 months to two years. If the Committee agrees to amend its ISS now, the ESPF will be poised to enter stock lending once it is ready to do so.

47.10. The Chair observed that there had not been any scandals regarding stock lending in the past 25 years, and OO added that the process has become more highly regulated since the stock market crash in 2008.

47.11. Sue McHugh (SM) asked for clarification why the Committee agreed to target an increase in the percentage of the fund invested in infrastructure. OO explained that this will always be a local decision and was not entirely in response to any government mandate, but also in relation to a commitment of ACCESS to be ambitious in its investment in alternative investments. Hymans Robertson reviewed all alternative investments – such as property, private equity and infrastructure – and recommended an increase in infrastructure from 2-4%. He added that most funds believe that their infrastructure allocation will remain under 10% over the next 10 years as there are not sufficient opportunities available to make significant infrastructure investments.

47.12. Councillor Richard Stogdon (RS), Chair of the Pension Committee, welcomed input from the Pension Board.

47.13. The Board RESOLVED to note the report.

#### 48 LOCAL GOVERNMENT PENSION SCHEME (LGPS) POOLING - ACCESS UPDATE

48.1. The Board considered a report providing an update on the ACCESS pooled fund.

48.2. OO said that an announcement was expected in the next two weeks confirming the appointment of an operator to manage the pooled investments of ACCESS.

48.3. The Chair explained that he had written to other Pension Board chairs in the ACCESS pool to agree a joint approach to requesting information from ACCESS to avoid ACCESS officers having to provide bespoke ways of presenting information to each board. Other chairs had been positive about the idea.

48.4. AE asked whether there will be union representation on the ACCESS Joint Committee as there is for the Brunel pooled fund. OO explained that union membership of the Joint Committee has been raised and discussed but no decision had yet been made. RS said that there was a difference between ACCESS and Brunel in so far as the latter was building its own operator and would therefore have direct control over it as the shareholders of the company. The Chair reminded the Board that it would still have the opportunity to influence the Committee and that the Committee would still decide which sub-funds ESPF funds were invested in.

48.5. The Board RESOLVED to note the report.

#### 49 EXTERNAL AUDIT PLAN - EAST SUSSEX PENSION FUND

49.1. The Board considered a report on the External Audit Plan for the ESPF for 2018/19.

49.2. OO explained that the External Auditor's main focus for this year is on the valuation of hard to price investments, which it considers a risk to the ESPF. The Fund custodian (Norther Trust) has been approached to produce a paper on private equity for this purpose.

49.3. The Chair asked how the price of the external audit was agreed. OO confirmed that it was the same figure as last year and that it was set by Public Sector Audit Appointments (PSAA).

49.4. SM asked whether internal or external auditors would be investigating the probity of the transition to ACCESS. Nick Lee (NL), Principal Auditor, confirmed that it is in the Internal Audit Plan for 2018/19 and would be conducted once ACCESS arrangements are in place after 1 April.

49.5. OO confirmed that 2017/8 audit would be the final audit conducted by KPMG. PSAA has confirmed the appointment of Grant Thornton (UK) LLP to audit the East Sussex Pension Fund annual report from 2018/19 to 2022/23.

49.6. The Board RESOLVED to note the report.

#### 50 PENSION FUND GOVERNANCE AND INVESTMENTS - INTERNAL AUDIT REPORT

50.1. The Board considered a report about an Internal Audit report on Pension Fund Governance and Investments.

50.2. Nigel Chilcott (NC), Senior Audit Manager, explained that the Internal Audit Strategy 2017/18 and Annual Plan included planned audits of the ESPF in relation to Pensions Governance, Investments and External Control Assurance; and Pension Fund Process and Systems. Audits of these areas are carried out on an annual basis.

50.3. NC said that internal audits of the ESPF had not previously gone to the Pension Board as a matter of course. Quarterly internal audit progress reports, however, are reported to both Corporate Management Team and the Audit, Best Value & Community Services Scrutiny

Committee (ABVCS). The ABVCS and Cabinet also endorse each iteration of the Internal Audit Strategy and Annual Plan.

50.4. The Chair said he believed that the Pension Board should receive all internal audit reports on matters relating to the ESPF and be a consultee of the Internal Audit Strategy and Annual Plan. Ian Gutsell (IG), Chief Finance Officer, agreed that the Pension Board would be a consultee for future Internal Audit Strategies because of its role in scrutinising the performance of the ESPF.

50.5. SM asked to what extent the Internal Audit team can be sure that its recommendations will be implemented. NL responded that relevant officers are required to implement all three of the agreed actions. These actions will have been agreed in consultation with management and so are all achievable.

50.6. The Chair questioned whether all staff would necessary be able to identify what constituted a breach in order to then report one. NL said that making everyone in the pension administration team aware of what constituted a breach is part of the agreed actions around reporting breaches. He added that the agreed actions relating to collaborative working between teams – in order to address the risk of missing statutory deadlines – should also go some way to alleviating instances of breaches, as these missed deadlines are often the cause of breaches.

50.7. The Chair observed that the Pension Regulator has advised that if Pension Boards ignore breaches then they can be fined. There should, therefore, be a clear understanding of what constitutes a breach and a clear chain of command that the breaches are reported to that result in the Pension Board being informed. NC confirmed that it is the responsibility of the pension administration team to report breaches and that procedures are in place to ensure that individuals within the team do.

50.8. The Board RESOLVED to:

- 1) note the report;
- 2) request that the draft Internal Audit Strategy 2018/19 and Annual Plan be circulated to the Board for comment;
- 3) request that previous Internal Audit reports on areas relating to the ESPF be circulated by email;
- 4) request a report at its next meeting on the recent Internal Audit report on Pension Fund Processes and Systems; and
- 5) request that future internal audit reports and that future versions of the Internal Audit Strategy are considered at Board meetings.

## 51 PENSIONS ANNUAL BENEFIT STATEMENT UPDATE

51.1. The Board considered a report on the planned production of Annual Benefits statements for ESPF members for 2018.

51.2. RS suggested elected members could assist officers in encouraging those employers who look likely to miss the deadline for End of Year (EoY) returns to complete the necessary work (which is a major factor in missing the Annual Benefit Statement deadline). The Chair suggested that this may be possible for employers such as academies that may have elected members on their governing boards.

51.3. Wendy Neller (WN), Pensions Strategy and Governance Manager, explained that officers could engage with employers that have had issues submitting their EoY returns in the previous year to see whether they have any payroll issues that may prevent them submitting the EoY return by 30 April. She added that sometimes an employer has outsourced its payroll so officers need to ensure that requests for EoY returns are sent to the correct people. The employer will be copied into any correspondence to the outsourced payroll provider.

51.4. Jason Bailey (JB), Lead Pensions Manager, confirmed that as per the schedule the EoY templates are being issued to employers in February along with a confirmation of receipt request and a request that employers raise any potential issues that Orbis could assist with; Orbis will follow up with any employers during March that do request assistance.

51.5. The Board RESOLVED to note the report.

## 52 PREPARING FOR GENERAL DATA PROTECTION REGULATION COMPLIANCE (GDPR)

52.1. The Board considered a report on the work being undertaken to prepare the ESPF for the new data protection legislation due to come into force in May 2018.

52.2. The Chair requested that breaches of data protection regulations by the ESPF should be reported to the Board along with breaches of pension regulations.

52.3. Heidi Judd (HJ), Information Manager, said that the new data protection legislation is unlikely to have a major effect on the underlying business of pension administration as there is an existing statutory power to hold personal data in order to perform the necessary functions of administering pensions. There will, however, be a need to verify that no unnecessary data is being held.

52.4. JB added that the Orbis is clarifying whether there is a statutory basis to continue the monthly mortality screening of pension records against the General Register of Deaths in the UK. There is a legitimate reason to carry out this process – in order to stop over payment of pensions and avoid causing distress to next of kin – and it would be an onerous task to write to the 22k ESPF members in order to receive positive consent.

52.5. The Board RESOLVED to note the report.

## 53 OFFICERS' REPORT - BUSINESS OPERATIONS

53.1. The Board considered a report providing an update on activities undertaken by the Business Operations team, including an update on the progress of Guaranteed Minimum Pension (GMP) Reconciliation.

53.2. JB explained that phase 2 (B) of the GMP Reconciliation will take approximately five months to complete and will involve conducting a mini tender. The winning bidder will be expected to look in detail at the 15,004 unreconciled cases of pension liabilities between HM Revenue & Customs' (HMRC) records and those of ESPF. Treasury guidance recommends that pension funds accept cases where the variation of GMP amount between HMRC and ESCC records is £2 or less per week; the tender document will therefore include a requirement for any potential provider to highlight the potential costs in pension administration and pension fund liability of agreeing varying tolerance levels outside of the £2 recommendation.

53.3. JB clarified that Part (A) of phase 2 of the GMP reconciliation project had involved HMRC providing data to ITM and ITM carrying out an accelerated 'bulk querying' leading to the identification of the 15,004 unreconciled cases. Part (B) of Phase 2 will involve a more detailed investigation of these unreconciled cases and further correspondence with HMRC regarding the cases already queried under Part (A).

53.4. BR expressed concern that the Board did not have in front of it a breakdown of the number of unreconciled cases within various tolerance ranges, .e.g., £2-£4, £4-£6, etc., so that a sense of the potential costs of varying tolerance levels could be made available. This meant that the Board did not know the potential liabilities that the ESPF faced, nor could it make an informed judgement of where the tolerance level could be set. RS added that the Pension Committee had also not seen the data broken down in this way, and he expressed concern regarding the manner and quality of presentation of information regarding the administration function.

53.5. JB said that a breakdown of the number of unreconciled cases for each tolerance range could be identified as a result of ITM's recent work, but the project was not yet at the stage where potential liabilities could be estimated. This meant that it was not yet possible to provide an accurate cost implication to the ESPF of GMP Reconciliation until after phase 2 was completed. Ian Gutsell (IG), Chief Finance Officer, said that the Board would be sent these initial tolerance ranges.

53.6. JB added that he was only aware of a couple of funds who had reached rectification and these had accepted the £2 tolerance level with HMRC without more detailed exploration ; Phase 2 work needs to be completed in order to identify the potential cost to the ESPF of varying tolerance levels before rectification

53.7. BR asked for confirmation of the cost of the GMP reconciliation exercise, and the Chair asked for assurance that there would be no additional costs beyond the end of phase 2. JB said that the most recent accelerated two month project by ITM had cost £29k. The expected cost of Part B of phase 2 is estimated at £50k but this will be known after the mini-tender is completed. This is much less than estimates seen from other funds where Orbis had seen previously estimated total costs around £200k; the mini-tender involves a commitment to investigate all 15,004 unreconciled cases. There should be no further external work necessary after Part B of phase 2 is complete as payments to pensioners can be adjusted in-house by Orbis, though there will be resource time involved in this.

53.8. The Board RESOLVED to:

1) note the report

2) request a breakdown of the number of unreconciled cases falling within various tolerance levels to be circulated by email.

#### 54 PENSIONS ADMINISTRATION

54.1 The Board RESOLVED to defer this item to the next meeting.

#### 55 GOVERNANCE POLICY AND COMPLIANCE STATEMENT

55.1 The Board considered a report about the Fund's Governance Policy Statement.

55.2 The Board RESOLVED to note the report

#### 56 COMMUNICATIONS POLICY STATEMENT

56.1 The Board considered a report about the revised Communications Policy Statement.

56.2 The Board RESOLVED to note the report.

#### 57 REPORTING BREACHES POLICY

57.1 The Board considered a report providing an update to the Reporting Breaches Policy and the latest version of the breaches log.

57.2 The Chair said that it was important to consider the breaches log at every meeting, including any minor breaches. This is because the Board has a legal responsibility to report identified breaches of the law in relation to the management and administration of the ESPF.

57.3 The Board RESOLVED to:

1) note the report;

2) request that the breaches log is a standing item on future Pension Board agendas.



## 58 EAST SUSSEX PENSION FUND 2017/18 BUDGET MONITORING AND 2018/19 BUDGET REPORT

58.1. The Board considered a report on the ESPF budget.

58.2. The Chair asked why there had been an overspend of 58k on Orbis Finance Support Services. OO said that it was believed this was an incorrect figure and the revised version would be provided.

58.3. The Chair asked what the £50k overspend on Legal Fees had been. OO said that this is the cost of legal fees spent on behalf of employers. The ESPF is discussing recovering these fees, for example, those spent on behalf of Sussex Courier, which has now gone into liquidation.

58.4. OO said that £600k savings to management fees have been made for 2018/19 from transferring passive funds to UBS. He clarified, however, that the apparent decrease to the management fee of £4.2m is largely because the ESPF has tended to be invoiced directly by managers but from 1 April some funds will be with managers in the ACCESS pool. These managers will take their fees directly from the investments– as is currently the case for those managers holding private equity and infrastructure on behalf of ESPF. The Chair said that the Board will need to look at these unknown costs being drawn directly from the ACCESS funds in the future.

58.5. OO confirmed that all information on ACCESS' performance, management and investment manager charges will be provided to the Board and Committee. CIPFA is working with the Pool representatives and funds to develop a national approach to how this information is reported so that it can be compared across pooled funds. The Chair added that this makes it important that the 11 pension boards in the ACCESS area agree a standardised approach to receiving all of this information.

58.6. AE asked how management fees are divided amongst the 11 ACCESS member funds. OO said that management fees are based on the proportion each fund puts into each sub-fund (each of which will be managed by a fund manager). The cost of setting up ACCESS was split equally amongst the 11 members.

58.7. The Board RESOLVED to note the report.

## 59 RISK REGISTER

59.1 The Board considered the risk register for the ESPF.

59.2 The Chair welcomed the proposal to include the risk register on each future meeting of the Board and asked that changes to risk levels for individual risks be highlighted. IG said that the risk register will be revised from the next quarter onwards to conform to the new corporate design and this would include changes to risks from quarter to quarter.

59.3 The Board RESOLVED to note the report.

## 60 OFFICERS' REPORT - GENERAL UPDATE

60.1 The Board considered a general update report.

60.2 The Board RESOLVED to note the report.

## 61 PENSION BOARD FORWARD PLAN 2017/18

61.1 The Board considered its work programme.

61.2 The Board RESOLVED to:

1) note the work programme;

2) request a word version of the training toolkit be circulated by email so that individual members can record their progress.

The meeting ended at 12.35 pm.

Richard Harbord (Chair)

Chair

**Report to:** Pension Board

**Date of meeting:** 8 May 2018

**By:** Chief Operating Officer

**Title:** Pension Committee Agenda

**Purpose:** To consider and comment on the draft agenda of the next Pension Committee meeting

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## RECOMMENDATION

**The Board is recommended to consider and comment on the draft agenda for the next Pension Committee meeting.**

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### 1. Background

1.1 The draft agenda for the next Pension Committee meeting is presented to the Pension Board for information.

1.2 Most of the Pension Committee agenda is included in the Pension Board agenda and so no Committee reports are attached as appendices to this report. Please note that the External Assurance Reports from Third Parties is included as appendix 2 to item 7 of the Board report.

1.3 If Board members have any specific comments about the agenda that they wish to be communicated to the Pension Committee, then they can do so. In any case, the draft Pension Board minutes will be circulated to Pension Committee members at or in advance of the forthcoming committee meeting.

### 2. Conclusion and recommendation

2.1 The Board is recommended to consider and comment on the draft agenda for the next Pension Committee meeting.

**KEVIN FOSTER**  
**Chief Operating Officer**

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Background Documents  
None

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# PENSION COMMITTEE

MONDAY, TBC JUNE 2018

10.00 AM COMMITTEE ROOM, COUNTY HALL, LEWES

MEMBERSHIP - Councillor Richard Stogdon (Chair)  
Councillors David Tutt, Simon Elford, Gerard Fox, Stuart Earl

## A G E N D A

- 1 Minutes
- 2 Apologies for absence
- 3 Disclosure of Interests  
Disclosures by all Members present of personal interests in matters on the agenda, the nature of any interest and whether the Members regard the interest as prejudicial under the terms of the Code of Conduct.
- 4 Urgent items  
Notification of items which the Chair considers to be urgent and proposes to take at the appropriate part of the agenda.
- 5 Pension Board Minutes
- 6 Quarterly Performance Report - Hymans Robertson
- 7 Fund Performance - PE Manager
- 8 Stock Lending (presentation by Northern Trust)
- 9 Pension Fund 2017/18 Annual Report
- 10 External Assurance Reports from Third Parties
- 11 Pension Fund Policies – Discretionary Policy Statement, Pension Fund Cessation Policy and Administration Strategy Statement
- 12 Officers' Report – Pensions Governance and Administrations
- 13 Forward Plan
- 14 Any other non-exempt items previously notified under agenda item 4
- 15 Exclusion of press and public
- 16 LGPS Pooling ACCESS Update
- 17 Pension Employers- Update
- 18 Any other exempt items previously notified under agenda item 4

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May 2018

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**Report to:** Pension Board

**Date of meeting:** 8 May 2018

**By:** Chief Finance Officer

**Title:** Draft Pension Fund Annual Report – 2017/18

**Purpose:** To provide the Pension Board with the draft 2017/18 Pension Fund Annual Report

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## RECOMMENDATIONS

The Pension Board is recommended to:

**a) note the Draft Annual Report, and financial performance of the Pension Fund, which will be submitted for final audit in June 2018; and**

**c) note that the audited Pension Fund Annual Report will be presented to the Pension Committee for approval at its meeting on 16 July 2018.**

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### 1. Background

1.1 There is a statutory requirement to prepare the pension fund accounts for each financial year, and there is also a requirement that the draft accounts be presented to Members for approval. The purpose of this report is to provide the Pension Board with the draft Pension Fund's 2017/18 Annual Report, (to follow) which is subject to audit. This report provides an overview of the year end financial position and the assets of the Pension Fund as at 31 March 2018.

### 2. Supporting Information

2.1 **Accounting Requirements** - The Pension Fund annual report/financial statements should be prepared in accordance with proper accounting practices set out in the Code of practice on local authority accounting in the UK (the Code). The Code requires authorities to account for pension funds in accordance with IAS26 Retirement benefit plans. IAS26 provides guidance on the form and content of the financial statements prepared by pension funds. It compliments IAS19 Employee Benefits which deals with the determination of the costs of retirement benefits in the financial statement of employers.

2.2 **Annual Report Requirements** - Local authorities responsible for administering a pension fund (scheme manager) forming part of the Local Government Pension Scheme (LGPS) are required by the LGPS Regulations to publish a pension fund annual report. The publication of the annual report is separate from the authorities own statutory accounts and contains financials statements in respect of pension fund. Authorities are required to publish the annual report by 1 December.

### 3. Conclusion and reasons for recommendations

3.1 The draft 2017/18 Pension Fund Annual Reports are subject to the normal audit of accounts process, commencing from 4 June 2018 and will form part of the final audit programme for the Council. The External Auditor (KPMG) will provide an independent assessment of the Council's Pension Fund financial statements, systems, procedures and performance.

**IAN GUTSELL**  
**Chief Finance Officer**

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Background Documents  
None



**Report to:** Pension Board

**Date of meeting:** 8 May 2018

**By:** Chief Operating Officer, Business Services Department

**Title:** Draft East Sussex Pension Fund Internal Audit Strategy and Internal Audit Reports

**Purpose:** To present for consideration the Draft East Sussex Pension Fund Pension Fund Internal Audit Strategy and two Internal Audit Reports on the Pension Fund

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## RECOMMENDATIONS

The Board is recommended to:

1. Consider and comment on the Council's Internal Audit Strategy for Pensions attached as Appendix 1;
  2. Note the East Sussex Pension Fund Administration 2016/17 Internal Audit Report attached as Appendix 2; and
  3. Note the Pension Fund External Control Assurance Internal Audit Report attached as Appendix 3.
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### 1. Background

1.1 The Council's Internal Audit Strategy for Pensions 2018/19 sets out the approach Internal Audit takes when planning its assurance on the effectiveness of controls over the East Sussex Pension Fund (ESPF). In particular it sets out the risks inherent in administering a large and complex scheme so that audit resources may be focussed on areas where these risks are highest.

1.2 Input has been sought from officers involved in running the Scheme and their contributions have been fed into the draft Strategy.

### 2. Supporting Information

2.1 The Strategy is based on the most recent guidance available: '*Good Practice Guidance: Gaining Assurance Over the Governance and Administration of Pension Funds, and Pension Fund Investment Management – A Guide for The Internal Auditor*', published by the Local Authority Working Group on the Audit of Investment Managers [LAWGAIM].

2.2 The Strategy will provide a framework for the detailed annual plan, which will be delivered in line with proper internal audit practices as required by the Public Sector Internal Audit Standards (PSIAS).

2.3 The Board requested to consider recently completed Internal Audit Reports on the ESPF at future meetings on an ongoing basis. Two reports are provided as appendices 2 & 3 for the Board's consideration:

- East Sussex Pension Fund Administration 2016/17 – audit opinion: Reasonable Assurance
- Pension Fund External Control Assurance – audit opinion: Substantial Assurance.

### 3. Conclusions and Reasons for Recommendation

3.1 The Pension Board is recommended to consider and comment on the Internal Audit Strategy for Pensions 2018/19, and note the two Internal Audit Reports.

**KEVIN FOSTER**  
Chief Operating Officer

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BACKGROUND DOCUMENTS

None



## East Sussex

# Local Government Pension Scheme

## Internal Audit Strategy

2018/19

## 1. Introduction

- 1.1. The East Sussex Local Government Pension Scheme (The Scheme) is administered by East Sussex County Council. The Scheme provides retirement benefits for County Council employees, but members also include employees of Brighton & Hove City Council, the five borough and district councils in East Sussex and various universities, colleges, academies and other public bodies.
- 1.2. Orbis Internal Audit & Counter Fraud provides internal audit services to the East Sussex Pension Fund.

## 2. Objective

- 2.1. The objective of this Pension Fund Audit Strategy (The Strategy) is to provide the authority with a consistent, risk based approach to determining an internal audit programme for the Pension Fund, which takes maximum advantage of the available sources of internal and external assurance.
- 2.2. In March 2007, the Local Authority Working Group on the Audit of Investment Managers [LAWGAIM] and the County Chief Auditors Network [CCAN] published '*Good Practice Guidance: Gaining Assurance Over the Governance and Administration of Pension Funds, and Pension Fund Investment Management – A Guide for The Internal Auditor*'. Whilst this guidance is now some 11 years' old, no new guidance has been produced and this, therefore, remains the principal steer in establishing our Strategy. However, we acknowledge that there have been considerable changes to the pension environment and this Strategy has sought to recognise them. In particular, it is not yet clear what impact the introduction of pooling arrangements will have on the Fund.
- 2.3. The delivery of the Strategy contributes to the annual governance statement and seeks to provide assurance on the following aspects of pension fund activities:
  - Pension Fund investments, governance and strategy;
  - Pension Fund pooling arrangements
  - Pensions administration – processes and systems;
  - Internal controls of external fund managers.

## 3. Approach

- 3.1. This Strategy uses risk assessment as its foundation. On a periodic basis, existing risks will be reviewed in consultation with members, the Pension Board and management to identify any new risks. The risk assessment will consider the materiality and significance of the processes involved, any

negative factors such as problems or significant changes and any positive factors, which provide comfort or assurance. It should be borne in mind that the Pension Fund is a material and fundamental financial system in its own right and, as such, may be subject to a minimum level of coverage in order to meet any requirements of the Scheme's external auditors.

- 3.2. The outcome of this assessment will be an objective view of those areas of the business where the organisation requires assurance that risks are being managed effectively. Internal Audit will then use a number of potential sources to provide that assurance.
- 3.3. For externally managed investments, Internal Audit will make use of assurance reports from the investment managers, custodians and property managers. The highest level of assurance will be placed on annual reports that comply with the Institute of Chartered Accountants' AAF 01/06 "Assurance reports on internal controls of services organisations made available to third parties" and the UK Financial Reporting Council's Corporate Governance Code (or international equivalents). These documents may be used to gain assurance over external investment management activities. If such documents are not available or do not comply with these standards, reliance may still be placed on local management assurance processes. Additionally, depending on the level of risk identified, specific internal audit work may be required. Levels of testing will be varied, depending on risk.

#### **4. Professional Standards**

- 4.1. The audit of the pension fund will be carried out in accordance with the professional standards set out in the Public Sector Internal Audit Standards.

#### **5. Reporting Arrangements**

- 5.1. Internal Audit work will be reported in the following manner:
  - Terms of Reference, which are based on the risks outlined in Appendix A and include the scope of each audit, will be drafted and agreed with management;
  - A draft report will be issued to management for its comments and response to the issues and risks identified;
  - A final report that includes agreed actions and implementation dates will be published to management.
- 5.2. Audit work will be reported in four<sup>1</sup> separate reports to management:
  - Pension Fund Investments, Governance and Strategy;

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<sup>1</sup> It is likely the work on pooling arrangements will be subsumed into the Investments, Governance and Strategy audit in future years.

- Pension Fund Pooling Arrangements
- Pensions Administration – Processes and Systems; and
- Pension Fund External Control Assurance.

5.3 The results of audit work on the Scheme will also be reported in:

- Progress reports to the Pension Board, Corporate Management Team and the Audit Committee; and
- The Annual Internal Audit Report and Opinion.

## 6. Timetable

6.1. The timetable, to which Internal Audit seeks to work, should allow a degree of flexibility, but should be broadly as follows:

Task	Audit Days			
	Q1	Q2	Q3	Q4
Review arrangements for the new pooled fund - Pension Fund ACCESS Pool	■			
Review effectiveness of management assurance processes – Pensions Governance and Investments			■	
Review effectiveness of management’s use of annual reports from those involved in externally managed investments and the degree of assurance that can be taken – External Control Assurance		■		
Review effectiveness of management assurance processes – Pension Administration - Processes & Systems	■			

## 7. The Effect on Audit Planning and External Audit Relationship

7.1. The number and type of reviews undertaken will depend on which processes have been assessed as high risk, how long each process will take to document and test, and how much time is available for this work (bearing in mind the scope of Internal Audit’s overall work for the authority). As a consequence, the Pension Fund will have its own audit plan, which will form part of the overall Audit Plan. In addition to planned work, we may carry out *ad hoc* work where the opportunity or need arises. This could include time spent updating the risk assessment and revising the plan. The National Fraud Initiative includes pension payments and the results of this may provide assurance, or indicate areas where further work may be needed.

- 7.2. The audit reviews will be scheduled over the year according to the assessed risk, with high risk areas covered more frequently than low risk areas. This may mean that some processes may be subject to internal audit work on a less regular basis than others.

**1. Risks Arising From the Administration of Pension Funds and Pension Fund Management**

1.1 Appendix A sets out the detailed risks to the Pension Fund. These risks have been identified from the Good Practice Guidance and have been supplemented by risks specific to the ESCC Pension Fund, identified by management and Internal Audit. They should not be regarded as exhaustive, and should be the subject of regular re-assessment.

1.2 Risk have been rated high, medium or low according to their inherent risk; i.e., their likelihood and impact if no management controls were in place. In practice, controls will be in place and it is the degree to which these can be relied upon to mitigate the risks, that audit work will be focussed on. Detailed audit coverage will consist of a review of these controls and the provision of assurance that they are being managed effectively.

**2. Risks: Pension Fund Governance and Investments**

2.1. Overall risks:

The Pension Fund is not managed effectively to ensure that its objectives are met for the benefit of all stakeholders and that account is taken of the impact of increased employer contributions on council taxpayers and/or service provision.

Assets managed by the Pension Fund or entrusted to third parties may not be held securely for the long-term benefit of Scheme members, and those charged with governance may therefore fail their members' objectives in saving for retirement.

2.2 Subsidiary risks:

Risk	Inherent Risk Rating
Fund objectives are not defined, agreed and supported by appropriate performance and risk management processes, to include consideration of fraud risk.	H
Inappropriate investment strategy is adopted.	H
Operational investment processes do not support investment strategy or fail to maximise investment returns.	H
Pooling arrangements may result in reduced control over the Fund, including investment decisions, resulting in financial loss.	H
Investment strategy decisions are not implemented in a timely manner.	H



Risk	Inherent Risk Rating
Performance of external advisors and service providers is not managed to maximise their contribution to the value of the Fund without placing excessive reliance upon them.	M
Lack of clarity in manager's reporting may result in poor value for money not being identified.	M
Fund assets are not sufficient to meet its obligations and liabilities, and consequently there is an adverse impact on the council tax payer/service provision.	H
Failure to maintain accurate accounting records and provide appropriate statutory reports including unqualified statutory accounts.	H
Failure to complete the triennial actuarial valuation in good time leading reputational damage and/or delays in collecting enhanced contributions.	H
Poor quality data leads to inaccurate actuarial valuation resulting in contribution requirements being underestimated and financial loss.	H
Failure to adhere to relevant statutory regulations including governance arrangements or updates to LGPS.	H
Failure to communicate adequately with all relevant stakeholders;	H
Those charged with the governance of the Fund and the Scheme are unable to fulfil their responsibilities effectively, including as a result of the loss of key skills or capacity.	H
Unsatisfactory or disrupted administration services due to unclear governance or ineffective monitoring arrangements.	H
The Pension Fund investment manager or custodian may not have the most appropriate organisational structure or control framework to ensure that services are delivered to clients in the most effective or ethical manner thereby protecting their long term interests.	H
Negligence or fraud by investment fund managers or custodian may result in losses to pension funds.	H
All risks to the integrity of data and appropriate disaster recovery may not have been identified, evaluated and managed.	M
Investment decisions and portfolio management (including property management) may not maximise client returns or be performed in accordance with agreements, guidelines and policies set by the client.	H
Use of Proxy voting by fund managers may not be in accordance with agreements and/or may expose the fund to reputational damage.	M
All Investment transactions may not be properly authorised, executed and allocated in a timely, cost effective and accurate manner.	H
Pension fund assets are not accounted for correctly, held securely, and any income or rights attributable to them are not actioned promptly or accurately and paid into the correct account.	H
Pension fund investments may not be valued accurately.	M

Risk	Inherent Risk Rating
Net cash flow reduction if large numbers of employees leave the Scheme.	H
Negative cash flow might cause the pension fund bank account to become overdrawn.	H

### 3. Risks: Pensions Administration – Processes and Systems

#### 3.1. Overall risk:

Pensions administration does not ensure that all payments due to and from the fund, through the whole of the employee and employer lifecycle, are made and accounted for fully and accurately and in a timely fashion.

#### 3.2 Key risks:

##### a) Scheme member lifecycle:

Risk	Inherent Risk Rating
New Scheme members (including transfers in) are not processed and recorded promptly, completely and accurately and in accordance with regulatory requirements and the Scheme's rules.	H
Life events relating to Scheme members (including transfers out, retirement, death and deferred membership) are not processed and recorded promptly, completely and accurately and in accordance with regulatory requirements and the Scheme's rules.	H
Regular Scheme member events (including normal and additional contributions to the fund, receipt of payments from the fund, and receipt of information) are not processed and recorded promptly, completely and accurately via the fund's bank account and in accordance with regulatory requirements and the Scheme's rules.	H

##### b) Admitted body (employer) lifecycle:

Risk	Inherent Risk Rating
New admitted bodies are not incorporated into the Scheme promptly, completely and accurately and in accordance with the Scheme's rules.	H
Admitted bodies, who leave the Scheme, are not processed and recorded promptly, completely and accurately and in accordance with regulatory requirements and the Scheme's rules.	H
Regular admitted body events (including the collection and payments of employers' and employees' contributions to the fund, and provision of information) are not processed and recorded promptly, completely and accurately and in accordance with regulatory requirements and the Scheme's rules.	H

### 3.3 Subsidiary risks applying to both members and admitted bodies:

Risk	Inherent Risk Rating
Fund administrators do not have sufficient resources or skills to process transactions effectively.	H
Monies or balances received are not completely, accurately or promptly processed into the Fund and recorded in the administration system; calculations of contribution requirements, transfer values, or other receivables, are inaccurate or are not made promptly.	H
Monies or balances paid are not authorised, completely, accurately or promptly processed from the Fund and recorded in the administration system; payments are made which are inaccurate or are made to ineligible or unauthorised individuals or organisations; calculations of regular payments, lump sums, transfer values, or other payments, are inaccurate or are not made promptly.	H
Standing data and permanent records are not accurate or do not reflect changes of circumstances, leading to data and/or regulatory breaches.	M
Information may not be provided to stakeholders accurately, or with the required timeliness (including annual benefit statements).	M
Unsanctioned, excessive or inappropriate costs and charges may be levied against the Fund, including charges of the administering body.	M
Costs charged to the scheme are unclear leading to reputational damage with key stakeholders.	H

### 3.4. Pensions administration systems – overall risk:

Physical and logical Pension Fund systems and data may not be secured against inappropriate access and maintained to ensure continuity of service for users.

### 3.5. Key risks:

Risk	Inherent Risk Rating
Physical and logical Pension Fund systems and data may not be secured against inappropriate access.	H
Physical and logical Pension Fund systems and data may not be maintained in an appropriate environment.	H
Maintenance (or lack of maintenance) of Pensions hardware and software may threaten the integrity or operation of the Fund.	H
Inability to respond to hardware or software issues which cause processing interruptions.	H

Risk	Inherent Risk Rating
Outsourced ICT activities are not managed and controlled adequately.	H
Inadequate disaster recovery or business continuity arrangements leading to a failure to provide the service/pay pensioners/record receipts and/or a loss of data.	H
System upgrades and/or patch management application introduces problems/errors etc. into the system.	M
System support or availability may be lost if the provider goes out of business.	L

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# Final Internal Audit Report

## East Sussex Pension Fund

### Administration 2016/17

Assignment Lead: Siva Sanmugarajah, Lead Auditor  
Assignment Manager: Mark Winton, Transition Manager  
Prepared for East Sussex County Council  
Date: 15 January 2018

**Report Distribution List**

- Kevin Foster, Chief Operating Officer
- Ola Owolabi, Head of Accounts and Pensions
- Simon Pollock, Head of Business Operations
- Jason Bailey, Pensions Lead Manager
- Ian Gutsell, Chief Finance Officer
- Sheila Little, Director of Finance for Orbis and Surrey County Council
- Wendy Neller, Pensions Strategy and Governance Manager
- Brian Smith, Head of Business Operations (South)

This audit report is written for the officers named in the distribution list. If you would like to share it with anyone else, please consult the Chief Internal Auditor.

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**1. Introduction**

- 1.1 East Sussex County Council (ESCC) is the administering authority for the East Sussex Pension Fund (ESPF) on behalf of all participating employers and members of the Fund. The formation of the South East Shared Services (SESS) on 1 April 2013, resulted in the administration of East Sussex Pension Fund transferring from SERCO to SESS. The pension administration of Surrey County Council (SCC) was also in SESS, which became the Orbis Partnership on 1 April 2015.
- 1.2 SCC and ESCC were separately using the Altair system supplied by Heywoods for pension administration at the time SESS was formed. ESCC's Altair system used to be hosted by Heywoods, whereas SCC's Altair System was on an SCC server. ESCC's contract with Heywoods expired on 31 March 2015 and, prior to expiry, the contract was extended for another year to 31 March 2016. Following further work by Orbis officers during 2015/16, a new 5 year contract with Heywoods was entered into with effect from 1 April 2016. As part of the new contract, a project to integrate ESCC data with SCC data to a single platform for Orbis was completed in October 2016.
- 1.3 The number of employers in the ESPF increased by 15 to 128 during 2016/17, consisting of 88 Scheduled Bodies and 39 Admitted Bodies as well as ESCC. The overall membership of the ESPF increased by 3.7% during 2016/17 compared to the membership in 2015/16, with the individual increases seen in deferred members (5.5%), pensioners (4.8%) and active members (0.9%). In the same period, the number of active members dropped by almost 6% in ESCC but increased by the same proportion in Scheduled Bodies.
- 1.4 The actuary, Hymans Robertson, completed the most recent triennial Pension Fund actuarial valuation as at 31 March 2016. The initial findings reported to the East Sussex Pension Committee (ESPC), in November 2016, stated that the funding level had improved from 81% in 2013 to 92% in 2016 and the funding deficit has decreased. The main reasons for the change in the funding level over the period were reported as better than anticipated investment returns and the effect of member experiences (e.g. actual salary and pension increases being lower than expected).
- 1.5 The previous audit completed during 2015/16 gave an audit opinion of Partial Assurance.
- 1.6 This audit is part of ESCC's agreed Internal Audit Plan for 2016/17.

## Internal Audit Report - East Sussex Pension Fund Administration 2016/17

1.7 This report has been issued on an exception basis whereby control weaknesses in the control environment have been highlighted within the main body of the report.

### 2. Scope

2.1 The scope of the audit was to review the adequacy of the key controls in relation to the following control objectives:

- Process controls in the system are effective and any transactions, data and outputs from the system are complete and accurate
- The Governance processes that are in place for the pension administration function are both effective and clear.

2.2 The audit did not review processes, systems and controls for Pension Fund Governance, Investments and External Control Assurance, which are audited separately. East Sussex Fire and Rescue Service Pension Administration is also covered under a separate review.

### 3. Audit opinion

**Reasonable Assurance** is provided in respect of the review of East Sussex County Council Pension Administration. This opinion means that most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.

*Appendix A provides a summary of the opinions, what they mean, and sets out management's responsibilities.*

#### 4. Basis of Opinion

4.1 We have been able to provide **Reasonable Assurance** over the controls operating for the administration of the pension fund because:

4.2 Audit testing found that controls are operating satisfactorily to ensure that:

- Pension contributions are deducted correctly in the Council's finance system, SAP.
- Employers are making the correct contributions to the Fund.
- Payments to the fund are correctly reflected and any errors and delays are addressed in a timely manner.
- Transfer-in and transfer-out, values and reconciliations are correctly undertaken and maintained.
- New pensioners are correctly completed and pension payments made accurately.

4.3 However, the following areas require improvement:

- There are no written procedures or flowcharts in place to indicate the work needed to support the production of the Annual Benefits Statements and the approval process to issue them.
- The project to integrate the Altair System for ESPF with that used by SCC was completed in October 2016. The project documents (results of user acceptance testing, defects register) handed over showed that they have not been updated and no formal project sign off has been completed.
- There is a single risk register in place to report on risks relating to the ESPF and its administration, however this doesn't reflect a number of risks within Pension Administration in ESCC which are not currently documented or managed.

4.4 Management actions on the four, three-star recommendations from the previous audit were tracked and completed in September 2016 as evidenced by the sign-off by senior management in Business Operations.

5. Action Summary

Risk Priority	Definition	No	Ref
High	Major control weakness requiring immediate implementation	0	0
Medium	Existing procedures have a negative impact on internal control or the efficient use of resources	1	1
Low	Represents good practice but its implementation is not fundamental to internal control	3	2, 3 & 4
<b>Total number of agreed actions</b>		4	

6. Acknowledgements

We would like to thank all staff that provided assistance during the course of this audit.



Ref	Finding	Potential Risk Implication	Priority	Agreed Action
1	<p><b>Annual Benefit Statements (ABS)</b></p> <p>While processes are in place to test the accuracy of a sample of ABS' prior to issue, there are no written procedures or time-table for the production of the ABS. This can delay the production of ABS e.g. if there are delays by employers in issuing end of year returns.</p> <p>Further, the process by which the ABS' are produced is not independently verified prior to the distribution to members. There is a declaration inserted in the ABS to indicate that the values are only indicative and that the actual values will be manually calculated prior to the retirement of each member.</p>	<p>Absence of formal written procedures may lead to the knowledge being lost when staff leave, or processes and procedures not being followed, resulting in inaccurate or incorrect benefit statements being produced.</p>	Medium	<p>A timetable for the 2018/19 ABS production will be presented to the Pension Board and Committee in February 2018. This will include the requirement for independent verification by the Assistant Director – Business Operations.</p>
Responsible Officer:		Jason Bailey	Target Date: 28 <sup>th</sup> February 2018	



Ref	Finding	Potential Risk Implication	Priority	Agreed Action
2	<p><b>System Changeover</b></p> <p>Following the procurement of a new 5 year contract for the pension administration software, Altair, the ESPF administration data was moved to a single platform, and shared with SCC.</p> <p>The system went 'live' on 3 October 2016. However, the assurance work completed by ESCC Internal Audit in September 2016 could not provide full assurance on whether the:</p> <ol style="list-style-type: none"> <li>1. project plan was robust and had sufficient contingencies;</li> <li>2. data quality was good and its migration was complete;</li> <li>3. User Acceptance Testing (UAT) had been completed; and</li> <li>4. System Security and System Administration were adequate, since the system had not gone 'live' by then.</li> </ol>	<p>The project may not have delivered the required outcomes.</p> <p>All actions may not have been completed, leading to errors in the system.</p>	Low	<p>The project documents will be updated to reflect the actual position and used to provide assurance that the project has been formally concluded and any outstanding actions completed.</p>



Ref	Finding	Potential Risk Implication	Priority	Agreed Action	
2 cont d	The agreed actions were followed-up in this audit and verbal assurance was obtained that all actions were satisfactorily completed. However, the auditor found that the UAT test scenarios detailed in the project documents and the defects register following the migration had not been updated to evidence that the project has been satisfactorily completed and formally signed off. Further, we could find no formal evidence that these issues had been satisfactorily addressed.				
<b>Responsible Officer:</b>		Jason Bailey	<b>Target Date:</b>		28 <sup>th</sup> Feb 2018



Ref	Finding	Potential Risk Implication	Priority	Recommendation (To Agree Action)
3	<p><b>Risk Register</b></p> <p>Whilst a risk register exists for the East Sussex Pension Fund, a separate risk register is not maintained for the administration function.</p> <p>As noted within this report, there are a number of operational risks relating to the pension administration function that should be recorded, managed and evaluated.</p>	<p>All of the risks which impact on the administration of ESCC pension processes and in turn on the ESPF are not be fully understood and managed.</p>	Low	<p>A separate risk register detailing all the risks within the Pension Administration Team will be maintained and reported to management on a regular basis.</p>
Responsible Officer:		Jason Bailey	Target Date:	28th Feb 2018





Ref	Finding	Potential Risk Implication	Priority	Agreed Actions
4	<p><b>Access to Altair</b></p> <p>Following the merger of the databases for ESCC and SCC Pension administration, access to the Altair system is administered by a central team based in SCC. Additionally new staff have been recruited and some or all of the work relating to the Pension Administration of Westminster City Council and London Borough of Hillingdon taken on by SCC as the administering authority are now carried out at the ESCC site under the Orbis Partnership.</p> <p>Access to the Altair system, is authorised by the Pensions Lead Manager based on staff roles. Although a sample of Altair users tested for access to the system was found to be satisfactory, the basis of access allocation is not documented and hence unclear across all teams.</p>	<p>Users may not have the appropriate access to Altair to carry out the functions of their role.</p>	<p>Low</p>	<p>The process for obtaining access to Altair will be communicated across the teams.</p>
<p><b>Responsible Officer:</b></p>		<p>Jason Bailey</p>	<p><b>Target Date:</b></p>	<p>31<sup>st</sup> January 2018</p>

## Audit Opinions and Definitions

Opinion	Definition
<b>Substantial Assurance</b>	Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
<b>Reasonable Assurance</b>	Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
<b>Partial Assurance</b>	There are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk.
<b>Minimal Assurance</b>	Controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives.

## Management Responsibilities

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

This report, and our work, should not be taken as a substitute for management's responsibilities for the application of sound business practices. We emphasise that it is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal Audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

# Internal Audit Report

## Pension Fund External Control Assurance

### Final

Assignment Lead: Olu Abiwon, Auditor  
Assignment Manager: Nick Lee Principal Auditor  
Assignment Ref: A3-004-69  
Prepared for: East Sussex County Council  
Date: March 2018

### Report Distribution List

- Ian Gutsell, Chief Finance Officer
- Ola Owolabi, Head of Pensions
- John Shepherd, Finance Manager – Pension Fund
- Russell Wood, Principal Pensions Officer

This audit report is written for the officers named in the distribution list. If you would like to share it with anyone else, please consult the Chief Internal Auditor.

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### 1. Introduction

- 1.1. There are currently 12 different investment fund managers who invest on behalf of the East Sussex Pension Fund. The pension fund comprises over 120 scheme employers with 23,567 employee members and 28,853 deferred members, as at March 2017. At the last assessment the value of the Fund was over £2.77bn.
- 1.2. Each pension investment fund managers is required to obtain an external independent assurance on how robust their administrative and accounting control procedures are on an annual basis. This will remain a reporting requirement when the East Sussex Pension Fund transfers to A Collaboration of Central, Eastern and Southern Shires (ACCESS) investment pool in 2018/19.
- 1.3. This audit examined the controls employed by the Council to ensure that independent and reliable external assurance is obtained on the pension investment fund managers' administrative and accounting control procedures.
- 1.4. This review is part of the agreed Internal Audit Plan for 2017/18.
- 1.5. This report has been issued on an exception basis whereby only weaknesses in the control environment have been highlighted within the main body of the report.

### 2. Scope

- 2.1. The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:
  - The County Council has identified and receives all sources of external control assurance for its pension fund investments and such information is formally reviewed.
  - The various sources of information regarding fund manager and custodian internal control provide the County Council, as administering authority for the pension fund, with adequate assurance. Where they do not, appropriate action is taken.

### 3. Audit opinion

- 3.1. **Substantial Assurance** is provided in respect of the Pension Fund External Control Assurance. This opinion means that controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.

*Appendix A provides a summary of the opinions and what they mean and sets out management responsibilities.*

**4. Basis of Opinion**

4.1. We have been able to provide **Substantial Assurance** over the controls operating within the area under review because:

- All the Council’s pension investment fund managers obtain assurance in respect of their administrative and accounting control procedures on an annual basis.
- The assurance is provided by External Auditors that are independent of the pension investment fund managers.
- The assurance engagements were completed in accordance to recognised good practice assurance reporting standards/framework such as the Institute of Chartered Accountants in England and Wales (ICAEW) Technical Release AAF 01/06 or the American Institute of Certified Public Accountants’ Statement on Standards for Attestation Engagements (SSAE) No. 16.
- The Council’s pension officers review the assurance reports for any material issues/findings.
- Respective Auditors for all fund managers provided a reasonable assurance opinion on the suitability and effectiveness of the controls in place.

In providing our opinion, it should be noted that:

- Minor exceptions were raised in the majority of assurance reports and our testing identified two instances where exceptions from the previous audit report were identified again by the assurance provider. However, the fund managers have responded to each exception raised, and there is no assertion from the assurance providers that the exceptions that they have identified exposes the East Sussex Pension Fund investments to any financial risk.

**5. Action Summary**

Risk Priority	Definition	No	Ref
High	Major control weakness requiring immediate implementation	0	-
Medium	Existing procedures have a negative impact on internal control or the efficient use of resources	0	-
Low	Represents good practice but its implementation is not fundamental to internal control	0	-
<b>Total number of agreed actions</b>		<b>0</b>	

**6. Acknowledgements**

6.1. We would like to thank all staff that provided assistance during the course of this audit.

# Appendix A

## Audit Opinions and Definitions

Opinion	Definition
<b>Substantial Assurance</b>	Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
<b>Reasonable Assurance</b>	Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
<b>Partial Assurance</b>	There are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk.
<b>Minimal Assurance</b>	Controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives.

## Management Responsibilities

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

This report, and our work, should not be taken as a substitute for management's responsibilities for the application of sound business practices. We emphasise that it is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal Audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

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**Report to:** Pension Board

**Date:** 8 May 2018

**By:** Chief Operating Officer

**Title:** Pensions Annual Benefit Statement update

**Purpose:** Provide the Board with an update on the planned production of Annual Benefit Statements in 2018

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## **RECOMMENDATIONS**

**The Board is recommended to note the update provided and invited to comment on any aspect of the production process of Annual Benefit Statements.**

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### **1 Introduction**

1.1 This report has been prepared to inform the Board of the plan for the production of the 2018 Annual Benefit Statements (ABS's) to ensure the statutory deadline of 31 August 2018 is met. A production plan has been provided as **Appendix 1** to explain the key process timetable.

### **2 Active Members (25,064 scheme members)**

2.1 **Appendix 1** sets out that the ABS's are scheduled to be delivered to scheme members over three phased production cycles, commencing at the beginning of June with the final cycle completed at the beginning of August, well in advance of the statutory deadline of 31 August 2018.

2.2 The Board may recall that ABS's were delivered online for the majority of scheme members in 2017 and this has proved a successful innovation with members having secure access to their statement 24/7. The online facility also provides scheme members with the ability to project "what if" scenarios using different retirement criteria. It is intended to further increase the number of active scheme members who are able to access their statement online this year, where additional email addresses have been provided by employers including ESCC although members who wish to request a hard copy of the ABS will be able to do so.

2.3 At the time of writing this report we are able to confirm that all aspects of the plan are on track and whilst many employers are yet to provide their end of year return, we are further ahead with such returns than this time last year and remain confident that, with support from colleagues within the Governance team, we have plans to ensure employers will provide their returns in a timely manner. The table below details the current status as at 26 April, ahead of the deadline of 30 April.

<b>Returns received</b>	<b>Employer acknowledgment</b>	<b>Number of individual Employer returns</b>	<b>Number of "Contacts"</b>
49	80	134	105

2.4 Employers who are unable to meet the deadline will be tackled on multiple fronts including locally sponsored contact made by phone to understand reasons for delay and provide support where necessary to secure the EOY return as quickly as possible.

### **3 Deferred Members (29,386 scheme members)**

3.1 As the production of deferred member ABS's is not dependant on any EOY returns, the production of ABS's for 2018 has been brought forward within the plan. We are pleased to report

that the process for issuing deferred member statements is now underway, 2 months ahead of last year's process. In addition, Business Operations has switched to an alternative print provider who have been briefed on the activity and will provide a 48 hour production and posting turnaround process.

3.2 The combination of the earlier production date and the more responsive print provider should ensure that benefit statements will be issued in July, well in advance of the statutory deadline of 31 August 2018.

3.3 As part of the exercise, deferred members will be invited to register for the online portal to view their deferred member data. Members who have registered for the online portal will be contacted electronically to confirm that their deferred statement can be viewed online. As part of the 2018 exercise, members will be advised that the 2019 statements will only be available online (unless they specifically request a paper copy) and will be encouraged to register if they have not already done so.

3.4 As a separate exercise, Business Operations has recently carried out a screening exercise with a tracing agency to check the validity of the home addresses we hold for deferred members. Members for whom we hold no current address (5,330) but for whom a possible forwarding address has been identified via the screening will be contacted and appropriate verification sought before records are updated. This exercise should increase the proportion of deferred members receiving an ABS.

**KEVIN FOSTER**  
**Chief Operating Officer**

# Annual Benefit Statement Production Plan (as at 24 April 2018)

Timeline	Up to 20 Apr 2018	23 Apr 2018 – 31 May 2018	30 June 2018	31 July 2018	31 August 2018	After 31 August
Active - Employer and admin authority communications	End of year files sent to all employers and acknowledgement requested accepting need to return by 30 April. Initial screening carried out on returned files. Any 'fatal' errors returned to employer for correction.	Weekly updates within Pension team to track missing returns. Chased by phone.	Work with Governance team to contact and chase and secure missing returns.		Contact employers to inform that statements are available online. Request any missing email addresses.	
Active - Processing end of year files	Update interface to reflect additional reporting requirements introduced for 2017/18. Testing interface and updating process notes (addresses, duplicate pay numbers)	Staff training for additional resource to assist with exercise.	Altair updated with data from EOY files. All files submitted on time processed by end May. Any queries sent to employers with a deadline for response	Altair updated with files submitted after deadline		
Active - Altair data & Statement creation	Testing for most efficient method of creating statements and matching to appropriate records.	Update and test data used to create statements. Correct data errors (commas in addresses, duplicated pay numbers – all statuses, flexible retirements, no pay numbers)	1st data extract on 1 June – employers who have responded to queries or deadline has passed. Checking initial data Statement creation (proofing) & matching	2 <sup>nd</sup> data extract on 1 July – employers to whom we sent queries before 17 June Statement creation &	3 <sup>rd</sup> data extract on 1 August – employers to whom we sent queries before 17 July Statement creation & upload	Possible 4th data extract before 31 August deadline, depending on date last EOY returns are submitted
Active - Member communications	Member portal upgrade, updating & testing Draft versions of statements created	Bulk comms to scheme members who have not registered for the Portal encouraging sign up. Draft version of statement & notes to be approved	Emails commence to scheme members to advise statements are available to view online. Any returned emails corrected via liaison with employer & re-send. Repeat for 2nd & 3rd data extracts.	Collect email addresses wherever possible and encourage portal sign-up	Generate Member self serve keys for members without a valid email address & prepare paper statements for distribution in August.	Replacement statements for any corrections
Deferred statements	Initial Pensions Increase run on Altair. Draft version of statement & notes produced NOTE Amendment regs published 19/04/2018 means statement wording will need revision	Queries from initial PI run to Operational teams for correction. Self serve testing for deferred records	Final extract of deferred data with errors removed. Generate Self Service key. Remove members identified as part of address screening exercise as having a new address.	Emails commence to scheme members to advise statements available online. Paper statements issued via CFH to where no email address held by mid July		

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**Report to:** Pension Board

**Date of meeting:** 8 May 2018

**By:** Chief Operating Officer

**Title:** Officers' Report – Business Operations

**Purpose:** Update on current administration themes in relation to the service provided to the Pension Fund by Orbis Business Operations

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## **RECOMMENDATIONS**

The Board is recommended to:

- 1) consider and comment on the report; and
  - 2) identify any area of pension administration which they wish to receive further information on.
- 

### **1 Introduction**

1.1 Business Operations within Orbis has prepared this summary of topical administration areas that may be of interest to the Board. This report is provided for information and the Board is invited to comment.

### **2 Key Performance Indicators**

2.1 **Appendix 1** shows the monthly performance summary for the months of January to March 2018 inclusive.

2.2 There has been an increase in the number of activities falling below the target measure, showing as red status. Details of the delays in each of these cases by average and longest is also shown. Whilst most measures are of low impact to the customer, in February payment of lump sum was delayed in 11 cases. The team were impacted during this time with higher than expected absence due to sickness. March delivered improved results in this key area.

2.3 The Board will recall at the previous meeting various examples of Key Performance Indicator (KPI) reports secured from other large Local Government Pension Scheme (LGPS) administrators were provided highlighting the different approach taken by each fund administrator to gauge performance on targets to complete tasks. Whilst the East Sussex County Council KPI version has taken other Funds' measures into account, is comprehensive, and has evolved to incorporate the key activities undertaken within the administration, the Board is invited to contribute ideas of measures they feel will give more valuable performance analysis.

### **3 GMP Reconciliation - update**

3.1 As shared previously with the Pensions Board, to date 12,910 records have been successfully reconciled following the accelerated project undertaken by data specialists ITM, with 6,513 cases referred back to HMRC. This leaves 11,532 records outstanding (plus any HMRC queries) which will need to be reconciled to enable the Pension Fund to reach a decision on rectification of any genuine under/overpayments. The reconciliation of the remaining queries due to commence by end of April will complete the reconciliation exercise within the HMRC deadline.

3.2 At this time it is not possible to provide an indication of the level of liability to the Pension Fund. This is due to the fact that significant numbers of cases are yet to be reconciled and also to the complexity of the data, which has been provided in a “raw” format to the Finance services team. Upon review, the Service Finance team have been unable to carry out any meaningful analysis.

3.3 As previously discussed with the Pension Board, the Orbis Procurement and Business Operations teams have now completed a mini tender exercise and identified a preferred provider to deliver the remainder of the reconciliation exercise. Due to the limited time available to respond to the bids received, award the winner and instruct commencement of the exercise, discussions and subsequent approval has been secured from the Pension Committee to proceed with the appointment of the preferred bidder. The procurement exercise followed the standard tender and bidding process and can be summarised as follows;

- Tender was written on behalf of all 5 Pension Funds who are in the Orbis Pensions administration portfolio. This provides the benefit of economies of scale.
- Bid respondents were tasked with the outcome of the work required “*to deliver complete reconciliation exercise to meet statutory deadlines.*”
- Bids were requested based on tolerance levels ranging from £1-£3 enabling the Pension Board and Committee to determine the most appropriate level for the scheme.
- A tender Framework, the Norfolk LGPS framework, was used which has been established to support Local Authority Pensions Funds seeking suppliers to carry out this exercise.
- The specification sought bids to complete the exercise to include activities such as calculation of over and under payments.
- Clarification questions were received from several of the interested suppliers, including JLT the winning bidder, and were replied to by the Pensions Lead Manager.
- Bids were received from 4 providers, JLT, ITM, KPMG and Equiniti.
- These bids were reviewed for quality by the Lead Pensions Manager and for the commercial pricing by a senior member of the procurement team.
- A clear winner was identified providing the best quality and with the lowest cost as shown in the table below.
- A fixed price of £25,500 (for tolerance levels of £2) for the reconciliation exercise plus up to a further £15,000 to convert automated data exchange between the administration data provider, Heywoods and JLT was provided by the winning bidder, JLT.

## Summary of GMP reconciliation mini competition

Supplier Name	Supplier Name	Supplier Name	Supplier Name
KPMG	Equiniti	ITM	JLT
Quality (Q) Score	Quality (Q) Score	Quality (Q) Score	Quality (Q) Score
2.22	2.49	2.82	<b>2.85</b>
Quality Rank	Quality Rank	Quality Rank	Quality Rank
4	3	2	<b>1</b>
Commercial pricing (£s)	Commercial Pricing (£s)	Commercial Pricing (£s)	Commercial Pricing (£)
£47,522.94	£356,188.00	£74,000.00	<b>£25,499.75 (*)</b>
Commercial (C) Score	Commercial (C) Score	Commercial (C) Score	Commercial (C) Score
21.91694285	2.861467192	11.52821026	<b>40</b>
Commercial Rank	Commercial Rank	Commercial Rank	Commercial Rank
2	4	3	<b>1</b>
Combined Q & C Score	Combined Q & C Score	Combined Q & C Score	Combined Q & C Score
24.14	5.35	14.35	<b>42.85</b>
Combined Q & C Rank	Combined Q & C Rank	Combined Q & C Rank	Combined Q & C Rank
2	4	3	<b>1</b>

(\*) Additional approx. £ 12-15K (ESCC share) licensing to be paid to cover data interfacing between JLT and Aquila Heywood

## Variable tolerances pricing

Organisations	Lot 1. Up to £1 tolerance	Lot 2. up to £2 tolerance	Lot 3. Up to £3 tolerance
East Sussex County Council pension fund	£25,710.75	<b>£24,868.25</b>	£25,323.25
East Sussex firefighters pension scheme	£624.00	<b>£631.50</b>	£657.75
Combined East Sussex County Council pension fund + firefighters pension scheme	£26,334.75	<b>£25,499.75</b>	£25,981.00

3.3 Instruction was given to the winning bidder on 26 April to proceed, and this second phase of the project is expected to be completed in 5 months.

3.4 During this period, it will be necessary to engage with the Pension Board and Committees outside of the normal cycle of meetings in order to secure decisions based on output analysis which will help avoid un-necessary delays. Communication and briefings will be co-ordinated by Officers to the Board and Committee Chairs. Examples of such decisions required will include;

- How to proceed with cases which cannot be resolved following the review of system data, external member files, and review with HMRC
- When to pay cases where CEP payments can be made to extinguish any GMP liability discrepancies – for members with short service, and who are under GMP Age, it may be possible to clear the liability by payment of a CEP, if evidence of a previous CEP payment cannot be found
- Sign-off of recommendations on how to deal with trends identified on groups of members for example:

- Whether to attempt to trace 'Not on Admin' members whose position cannot be resolved following review of all records
- Discrepancies on contracting out dates where NISPI dates fall in the same tax year as the Fund
- GMP values where these differences fall within a certain range – for example difference between 0p and 12p which may be due to 'rounding'
- How to deal with under or over payment calculations for Pensioners whose GMP values have changed. For example does the Fund want to look into all under and overpayments, does the Fund want to write off any overpayments or re-claim them from pensioners?
- What communications should be issued to members whose benefits have changed due to the reconciliation exercise and what method of communication should be used.

#### **4 Recruitment – Pensions Lead Manager**

4.1 Recruitment to the post of Lead Pension Manager, vacated by Jason Bailey on 20 April is underway. At the time of writing, there were two shortlisted candidates taking part in final round of interviews. The Board will be updated at the meeting of any appointment decision that has been made.

4.2 During the interim period, Rob Clarke, Head of Operations at the Kingston site has taken responsibility for the administration teams.

#### **5 Report of the Pensions Regulator on core data**

5.1 A verbal update will be provided at the Board in relation to data quality reporting.

**KEVIN FOSTER**  
**Chief Operating Officer**



## East Sussex Pensions Administration - Key Performance Indicators Q4 2017-18

	Activity	Measure	Impact	Target	Jan-18			Feb-18			Mar-18		
					Volume	Score	Commentary	Volume	Score	Commentary	Volume	Score	Commentary
	Scheme members	Pensioners, Active & Deferred			73989			74098			74187		
	New starters set up				541			317			476		
					Volume	Score	Commentary	Volume	Score	Commentary	Volume	Score	Commentary
1a	Death notification acknowledged, recorded and documentation sent	within 5 days	M	95%	28	100%		11	100%		12	100%	
1b	Award dependent benefits (Death Grants)	within 5 days	H	95%	7	100%		8	100%		4	100%	
2a	Retirement notification acknowledged, recorded and documentation sent	within 5 days	M	95%	116	93%		104	95%		109	89%	12 Cases by avg of 6 days. Longest Overdue 22 Days
2b	Payment of lump sum made	within 5 days	H	95%	102	97%		89	88%	11 Cases by avg of 10 days. Longest Overdue 32 Days	94	97%	
3	Calculation of spouses benefits	within 5 days	M	90%	18	100%		28	100%		15	87%	
4a	Transfers In - Quote (Values)	within 10 days	L	90%	50	100%		27	96%		43	100%	
4b	Transfers In - Payments	within 10 days	L	90%	18	100%		16	100%		25	100%	
5a	Transfers Out - Quote	within 25 days	L	90%	22	100%		29	97%		25	100%	
5b	Transfers Out - Payments	within 25 days	L	90%	16	81%	3 Cases by avg. 6 Days. Longest overdue 9 Days	7	100%		9	100%	
6a	Employer estimates provided	within 7 days	M	95%	45	89%	5 Cases by avg 6 days 6 Days. Longest overdue 13 Days	53	89%	6 Cases by avg 3 Days. Longest overdue 4 days.	51	96%	
6b	Employee projections provided	within 10 days	L	95%	29	90%		31	84%	6 Cases by avg 3 Days. Longest overdue 4 days.	48	85%	7 Cases by avg 5 days. Longest overdue 12 days
7	Refunds	within 10 days	L	95%	49	100%		37	100%		56	100%	
8	Deferred benefit notifications	within 25 days	L	95%	205	99%		129	99%		179	100%	
9	Complaints received- Admin					0			0			0	
	Complaints received- Regulatory												
10	Employer survey satisfaction	Overall satisfaction (V Satisfied/satisfied)		90%									
11	Retiring Member survey satisfaction	Overall satisfaction (Excellent/good)		90%									
12	Compliments received					17			28			31	

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**Report to:** Pension Board

**Date of meeting:** 8 May 2018

**By:** Chief Finance Officer

**Title:** Officers' Report – General Update

**Purpose:** To provide a general update to the Pension Board on matters related to the Board activity.

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## **RECOMMENDATION**

**The Board is recommended to note the report.**

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### **1. Introduction**

1.1 This report provides an update on matters relating to the Pension Board and Committee activities.

### **2. National Development - updates**

#### Local Government Pension Scheme pooling and Funds Collaboration

2.1. The ACCESS pool update has been provided through a separate report (Part 2) at this meeting.

### **3. General Data Protection Regulation (GDPR)**

3.1 The General Data Protection Regulation (GDPR) will apply in the UK from 25 May 2018. GDPR is a major reform which will affect all organisations, including LGPS administering authorities that hold and process personal data. The GDPR will replace current Data Protection Act 1998 (DPA) legislation and will bring about a considerable number of changes which organisations will be expected to implement and be able to comply with ahead of this date. The government has confirmed that the UK's decision to leave the EU will not affect the commencement of the GDPR.

3.2 The legislative changes will impact the way the council engages and interacts with its customers and places expectations on it which must be met. The intention of GDPR is to raise the levels of personal data security and privacy protections across all data processors and controllers. Advice obtained from the Council's legal services is that under GDPR, ESCC will be a data controller for LGPS data, while the Orbis Business Operation services will be a data processor on behalf of ESPF for LGPS administration.

3.3 Local Government Association on behalf of LGPS administering authorities, commissioned Squire Patton Boggs to produce a template Memorandum of Understanding (MOU) document for administering authorities to issue to participating employers in their fund. The aim of the document is to set out that participating employers in the LGPS are able to share data with the LGPS administering authority without a data sharing agreement being in place (i.e. that there is no legal requirement for employers to have a data sharing agreement with LGPS administering authorities as they are both data controllers).

3.4 Officers are currently working on the document and the final MOU will be circulated to the Pension Committee & Board before issuing the MOU to participating employer in the fund.

### **4. Reporting Breaches Log**

4.1 The Fund maintains a log of all breaches of the law as applicable to the management and administration of the Fund. It is necessary that all incidents of breaches identified are recorded in the Fund's breaches log. The updated Breaches Log has been updated, and attached as Appendix 1. This log will be reviewed on an on-going basis to determine any trends in the breaches log that might indicate any serious failings or fraudulent behaviour on an ongoing basis.

4.2 The Breaches Log has been updated with a breach, i.e., deductions of employee and employer contributions from members that have not been paid over to the Fund. The Fund received an Email communication from Churchill's payroll department on 15 March 2018, which advised that there were some sites (schools) which they had failed to pay over employee and employer pension contributions for. No explanation for this was provided, and the Fund has requested a written response from Churchill as to the reasons why these contributions were not paid over to the Fund and advised on the seriousness of the breach.

4.3 The Fund has engaged/advised Churchill that a breach has been committed. That the breach will require reporting to the Pension Regulator (tPR) and requested information from Churchill as to how this breach has occurred including what actions they are taking as a result of the payment failure. The breach has now been reported to the tPR in compliance with the Fund Breaches Policy, and in consultation with the Monitoring Officer and the S151 Officer.

## **5. Pension Board Agenda – 10 September 2018**

- 5.1 The draft agenda for the 10 September 2018 Pension Board meeting include the following
- LGPS Pooling – ACCESS Pool Update;
  - Discretionary policy statement;
  - Pension Committee Agenda
  - Third party contracts
  - Review of managers fee arrangement

## **6. Conclusion and reasons for recommendations**

- 6.1 The Board is recommended to note the general update regarding the Pension Fund activities.

**IAN GUTSELL**  
**Chief Finance Officer**

Contact Officers:                      Ola Owolabi, Head of Pensions, 01273 482017  
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## Breaches Log

Date Identified	Pensions Administration or Employer (if applicable)	Relevant Dates	Description	Red, Amber or Green	Actions Taken	Long Term Effects	Open or Closed with Date	Reported to Committee Y/N + date	Reported to Board Y/N + date	Responsible Officer
September 2016	Pensions Admin	31 August 2016	The Annual Benefit statements for active ESCC members were sent out after the statutory deadline of 31 August 2016. (They were sent 13 September 2016)	Green	Annual statements will be online from 2017 and are expected to be available by 31 August 2017.	None	Closed (December 2016)	Y - 30 November 2016	Y – 3 November 2016	Graham Devenish, Jason Bailey
December 2016	Pensions Admin	15 December 2016	A file containing 5 members personal details was inadvertently sent to an internal Orbis mailbox and received by a number of internal staff. The file was not sent externally.	Green	A notice was sent immediately to all recipients on the internal list to delete the file. Information Governance were informed for completeness but have not required any further action to be taken. The mailbox has been deleted to minimise the risk of this human error recurring.	None	Closed	N	N	Graham Devenish

September 2017 Page 62	Pensions Admin	31 August 2017	The Annual Benefit statements for deferred ESCC members were sent out after the statutory deadline of 31 August 2017. (They were sent 11 September 2017)	Amber	Business Operations intends to produce statements for deferred members earlier in the financial year in 2018 (June) to avoid any risk of missing the statutory deadline.	None	Open – pending outcome of breach report	Y – 27 Nov 2017	Y – 7 Nov 2017	Jason Bailey
September 2017	Pensions Admin	31 August 2017	A proportion (7%) of active members did not receive their Annual Benefit statements by 31 August 2017 as a result of missing information from employers.	Amber	Business Operations will introduce a more rigorous monitoring and escalation process with employers for 2018 to ensure year end returns and associated queries are resolved well in advance of 31 August 2017	None	Open – pending outcome of breach report	Y – 27 Nov 2017	Y – 7 Nov 2017	Jason Bailey

Dec 2017	Pensions Admin	8 Dec 2017	A notification of deferred benefits statement was issued to the wrong member.	Green	<p>Member has accepted written apology and destroyed statement issued in error. Team reminded of importance of checking enclosures. Information Governance notified.</p> <p>Business Operation have advised the Information Governance team advised no further action was required.</p>	None	Closed April 2018	TBC	TBC	Jason Bailey
Mar 2018 Page 63	Employer - Churchill	15 March 2018	Employer has notified the Fund that they have not been paying over contributions for some members	Red	<p>The Fund has contacted the Employer and communicated the breach.</p> <p>An inquiry with Business Operations has taken place to ascertain why this breach (missing contributions) was not identified as part of the end of year (EOY) reconciliation processing. Business Operations confirmed that this was not identified as part of the EOY due to staff not following up on the procedures in place.</p> <p>Business Operations have advised that independently of this breach, they had</p>	Internal controls	Open	N	N	Wendy Neller

					<p>already taken steps to enhance the validity of EOY data provided by employers by creating a reconciliation between monthly contributions paid and the individual member entries on the EOY return.</p> <p>Information on if these members received an Annual Benefit Statement over these financial years dating back to 2015 has been requested. A report will also be required to go to the Pensions Regulator.</p> <p>In addition, consideration by the monitoring officer if a material breach regarding the outcome of the ABS for the affected members.</p>					
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**Report to:** Pension Board

**Date of meeting:** 8 May 2018

**By:** Chief Finance Officer

**Title:** Pension Fund Policies - Discretionary Policy Statement, Pension Fund Cessation Policy and Administration Strategy Statement

**Purpose:** To inform the Board of three recently updated policies of the East Sussex Pension Fund.

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## RECOMMENDATION

The Board is recommended to consider and comment on:

- 1) the Review of Discretionary Pension Policy Statements attached as Appendix 1;
  - 2) the Administration Strategy Statement attached as Appendix 2; and
  - 3) the Policy of Employers Leaving the Fund (Cessation Policy) attached as Appendix 3.
- 

### 1. Background

1.1 Under the Local Government Pension Scheme Regulations, the Pension Fund Committee, acting as the Administering Authority of the East Sussex Pension Fund ("the Fund"), is required to produce and maintain a number of key policy documents. These policies are subject to an annual review, and this report presents the latest version of these policies to be formally noted by the Board.

### 2. Supporting Information

2.1 The key policies to be reviewed by the Board (and then endorsed by the Committee at its June meeting) are set out as Appendices to this report. The key issues with each policy, including any changes to the Policy is set out below.

#### Review of Discretionary Pension Policy Statements

2.2 Under The Local Government Pension Scheme (LGPS) Regulations 2013 each scheme employer is required to prepare and publish a written statement of its policy in relation to the exercise of its discretionary functions and send a copy of this statement to the administering authority. To support employers in the compliance of this regulation, the Fund provides a template of the statutory discretions requiring a policy.

2.3 The LGPS regulations require scheme employers to formulate and publish a policy. There has been no material change to the statements, (Appendix 1), which list the pension discretionary policies under the regulations covering -

- Statutory Admin Authority Discretions
- Non Statutory Admin Authority Discretions
- Statutory Employing Authority Discretions
- Non Statutory Employing Authority Discretions

#### Administration Strategy Statement

2.4 The Fund administration strategy statement of the Fund is in relation to the Local Government Pension Scheme. The strategy is kept under review and revised to reflect changes to LGPS regulations, Fund policies, dates, Fund value, increase in employers, etc. Material changes are subject to consultation with the employers, and variations must be agreed by the Fund.

2.5 The Fund will monitor the requirements of this agreement and report its findings to the East Sussex Pension Committee and Pension Board. The Fund provides a high quality pension service to members and employers, to ensure members receive their correct pension benefits. This is best achieved where the Fund and the employers are clear about their roles and responsibilities and work in partnership. The attached document (Appendix 2) sets out a framework by way of outlining the policies and performance standards to be achieved when providing a cost-effective inclusive and high quality pensions administration service. In particular it sets out:

- The roles and responsibilities of both the Fund and the employers within the Fund;
- The level of service the Fund and employers will provide to each other;
- The performance measures used to evaluate the level of service.

Policy for Employers Leaving the Fund (Cessation Policy)

2.6 This is the policy (Appendix 3) of the Fund as regards the treatment of employers on termination of their participation in the Fund. It covers the methodology for calculation and payment of any deficit on leaving the Fund (via a “cessation valuation”). It has been prepared by the Administering Authority, in collaboration with the Fund’s Actuary, Hymans Robertson LLP. This policy applies to all past, current and future employers participating in the Fund.

2.7 The methodology set out in this policy is the Fund’s preferred treatment of exiting employers. Alternative arrangements for cessation valuations including delaying the calculation or payment of a cessation debt beyond the date the last active leaves the Fund, will only be considered in exceptional circumstance, and must be agreed by Chair of the Pension Committee and the Council’s Section 151 Officer. Exceptional circumstances will include situations where immediate payment of a cessation debt would result in an insolvency event for the exiting employer.

2.8 The main changes to the Cessation Policy include:

- Wording added to cover suspension notices in case the Fund decides to make use of them
- To help manage the Fund’s “risky employers”, and to reflect the general LGPS trend towards more flexible cessation management, section 3 now has an extra clause covering post cessation funding agreements (but only at the Fund’s discretion).
- Updates to allow for changes to assumptions at the 2016 valuation.

**3. Conclusion and reasons for recommendations**

3.1 The Board is recommended to consider and comment on the revised policy documents as set out in Appendices 1-3 to this report, noting the main changes in the documents.

**IAN GUTSELL**  
**Chief Finance Officer**

Contact Officer: Ola Owolabi, Head of Pensions  
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Background Documents  
None

## Administering Authority Discretions - Statutory

### Local Government Pension Scheme Regulations 2013 (and relevant earlier regulations)

Where a discretion reflects a similar discretion from an earlier set of regulations this has also been included and referenced in this section. For example the discretion to “decide to whom a death grant should be paid” is common to all sets of regulations and it is assumed that an administering would wish to maintain a consistent policy regarding its exercise, no matter under which set of regulations the member retired.

Regulation	Description	Existing Policy
30(8) of the LGPS Regulations 2013	<p>Whether to waive, in whole or in part, actuarial reduction on benefits accrued from 1 April 2014 only when a member voluntarily draws them before normal pension age <b>in the event that the member’s former employer is no longer a scheme employer.</b></p> <p>Whether to waive, in whole or in part, actuarial reduction on benefits which a member draws on flexible retirement grounds.</p>	<p>No policy</p> <p>*to form as and when required</p>
55 of the LGPS Regulations 2013	To publish a Governance Compliance Statement in accordance with this regulation	<p>Available on the ESCC website</p> <p><a href="https://www.eastsussex.gov.uk/yourcouncil/pension-fund-policies/">https://www.eastsussex.gov.uk/yourcouncil/pension-fund-policies/</a></p>
58 of the LGPS Regulations 2013	Decide on funding strategy for inclusion in funding strategy statement	<p>Available on the ESCC website</p> <p><a href="https://www.eastsussex.gov.uk/yourcouncil/pension-fund-policies/">https://www.eastsussex.gov.uk/yourcouncil/pension-fund-policies/</a></p>
61 of the LGPS Regulations 2013	To publish a Communication Policy in accordance with this regulation	<p>Available on the ESCC website</p> <p><a href="https://www.eastsussex.gov.uk/yourcouncil/pension-fund-policies/">https://www.eastsussex.gov.uk/yourcouncil/pension-fund-policies/</a></p>

## Administering Authority Discretions - Statutory

### Local Government Pension Scheme (Transitional Provisions and Savings) Regulations 2014

This section contains the key discretions about which an administering authority should (and in some cases must) have a written policy statement. Where a discretion reflects a similar discretion from an earlier set of regulations this has also been included and referenced in this section.

Regulation	Description	Existing Policy
3(13) of the LGPS (Transitional Provisions and Savings) Regulations 2014  And 70(1) and 71(4)(c) of the LGPS (Administration) Regulations 2008  109 & 110(4)(b) of the LGPS Regulations 1997	Decide policy on abatement of pre 1 April 2014 element of pensions in payment following re-employment	Available on the ESCC website  <a href="https://www.eastsussex.gov.uk/yourcouncil/pension-fund-policies/">https://www.eastsussex.gov.uk/yourcouncil/pension-fund-policies/</a>
Schedule 2 para 1 of the LGPS (Transitional Provisions and Savings) Regulations 2014	Whether to “switch on” the 85 year rule for a member voluntarily drawing benefits on or after age 55 and before age 60 <b>where the employer no longer exists</b> . This applies under the Local Government Pension Scheme Regulations 2013 only (i.e. currently does not apply to the early payment of deferred benefits payable under earlier Regulations)	No policy  *to form as and when required

## Administering Authority Discretions - Statutory

### Discretions in relation to the Local Government Pension Scheme (Benefits Membership and Contributions) Regulations 2007

This section contains discretions applicable to scheme members who ceased active membership on or after 1 April 2008 and before 1 April 2014. Where a discretion reflects a similar discretion from an earlier set of regulations this has also been included and referenced in this section. Discretions under these regulations which have a corresponding discretion in later regulations have been included under that set of regulations only.

Regulation	Description	Existing Policy
30(2) and 30A(3) of the LGPS (Benefits, Membership and Contributions) Regulations 2007	Consenting to the immediate payment of benefits for members aged between 55 and 60 <b>where the member's former employer is no longer a scheme employer.</b>	No policy *to form as and when required
30(5) and 30A(5) of the LGPS (Benefits, Membership and Contributions) Regulations 2007	To waive actuarial reduction <b>where former employer is no longer a scheme employer.</b>	No policy *to form as and when required

## Administering Authority Discretions – non statutory

### Local Government Pension Scheme Regulations 2013 (and relevant earlier regulations)

Where a discretion reflects a similar discretion from an earlier set of regulations this has also been included and referenced in this section. For example the discretion to “decide to whom a death grant should be paid” is common to all sets of regulations and it is assumed that an administering would wish to maintain a consistent policy regarding its exercise, no matter under which set of regulations the member retired.

Regulation	Description	Existing Policy
4(2)(b) of the LGPS Regulations 2013	Whether to agree to an admission agreement with a Care Trust, NHS Scheme employing authority or care Quality Commission	
3(5) and Schedule 2, Part 3 para 1 of the LGPS Regulations 2013	Whether to agree to an admission agreement with a body applying to be an admission body	Currently under delegation of powers with the CFO
Schedule 2, part 3, para 12(a)	Define what is meant by employed in connection with	
Schedule 2 Part 3 para 9(d) of the LGPS Regulations 2013	Whether to terminate a transferee admission agreement in the event of <ul style="list-style-type: none"> <li>- insolvency, winding up or liquidation of the body</li> <li>- breach by that body of its obligations under the admission agreement</li> <li>- failure by that body to pay over sums due to the Fund within a reasonable period of being requested to do so</li> </ul>	Covered in the FSS (p14).
16(1) of the LGPS Regulations 2013	Whether to turn down a request by a member to pay an Additional Pension Contribution or Shared Cost Additional Pension Contribution over a period of time where it would be impractical to	No policy

Regulation	Description	Existing Policy
	allow such a request (e.g. where the sum being paid is very small and could be paid as a single payment)	
16(10) of the LGPS Regulations 2013	Whether to require a satisfactory medical before agreeing to an application to pay an Additional Pension Contribution or Shared Cost Additional Pension Contribution	No policy
17(12) of the LGPS Regulations 2013	Decide to whom any AVC/Shared Cost AVC monies (including life assurance monies) are to be paid on death of the member	No policy
22(3)(c) of the LGPS Regulations 2013	Pension account may be kept in such form as is considered appropriate	
40(2), 43(2) and 46(2) of the LGPS Regulations 2013  17(5) to (8) of the Transitional Provisions and Savings Regulations)  23(2), 32(2) and 35(2) of the LGPS (Benefits, Membership and Contributions) Regulations 2007  38(1) and 155(4) of the LGPS 1997 Regulations E8 of the LGPS	Decide to whom a death grant should be paid	No policy

Regulation	Description	Existing Policy
Regulations 1995		
32(7) of the LGPS Regulations 2013	Whether to extend the time limits within which a member must give notice of the wish to draw benefits before normal pension age or upon flexible retirement	No policy
34(1) of the LGPS Regulations 2013  39 of the LGPS (Benefits, Membership and Contributions) Regulations 2007  49 and 156 of the LGPS Regulations 1997	Decide whether to commute small pension	No policy
36(3) of the LGPS Regulations 2013  56(2) of the LGPS (Administration) Regulations 2008  97(10) of the LGPS Regulations 1997	Approve medical advisors used by employers (for ill health benefits)	No policy
38(3) of the LGPS Regulations 2013  And 31(4) of the LGPS (Benefit, Membership and Contributions)	Decide whether a deferred beneficiary meets the criteria required to qualify for ill-health retirement in cases where the member's former employer is no longer a scheme employer.	



Regulation	Description	Existing Policy
Regulations 2007		
38(5) of the LGPS Regulations 2013 And 31(7) of the LGPS (Benefit, Membership and Contributions) Regulations 2007	Decide whether a suspended ill health tier 3 member meets the criteria for ill health retirement in cases where the member's former employer is no longer a scheme employer	
38(6) of the LGPS Regulations 2013	Decide whether a suspended ill health tier 3 member is unlikely to be capable of undertaking gainful employment before normal pension age because of ill health (where Employer has become defunct)	
49(1)(c) of the LGPS Regulations 2013 42(1)(c) of the LGPS (Benefits, Membership and Contributions) Regulations 2007	Decide, in the absence of an election from the member, which benefit is to be paid where the member would be entitled to a benefit under 2 or more regulations in respect of the same period of Scheme membership	
54(1) of the LGPS Regulations 2013	Whether to set up a separate admission agreement fund	No policy
59 (1) and (2) of the LGPS Regulations 2013	Whether to have a written pensions administration strategy and, if so, the matters it should include	Being developed

Regulation	Description	Existing Policy
64 (2A) of the LGPS Regulations 2013	Whether to suspend, for up to 3 years, an employer's obligation to pay an exit payment where the employer is again likely to have active members within the specified period of suspension.	Contained within cessation policy
64(4) of the LGPS Regulations 2013	Whether to obtain revision of employer's contribution rate if there are circumstances which make it likely a Scheme employer will become an exiting employer	Contained in the FSS
68(2) of the LGPS Regulations 2013 80(5) of the LGPS 1997 Regulations	Whether to require employers to pay for pension strain when benefits are drawn early or with a reduced reduction.	Contained in the FSS
69(1) of the LGPS Regulations 2013	Decide frequency of payments to be made over to Fund by employers and whether to make an admin charge.	Contained within administration strategy statement
69(4) of the LGPS Regulations 2013	Decide form and frequency of information to accompany payments to the Fund	No policy however the Fund provides a template form for employers to use
70 of the LGPS Regulations 2013 And regulation 22(2) of the Transitional Provisions and Savings Regulations 2014	Whether to issue employer with notice to recover additional costs incurred as a result of the employer's level of performance	
71(1) of the LGPS Regulations 2013	Whether to charge interest on payments by employers which are overdue	Contained within the administration strategy statement

Regulation	Description	Existing Policy
76(4) of the LGPS Regulations 2013  And 60(8) of the LGPS (Administration) Regulations 2008  And 99 of the LGPS Regulations 1997	Decide procedure to be followed by admin authority when exercising its stage two IDRP functions and decide the manner in which those functions are to be exercised	
79(2) of the LGPS Regulations 2013  And 63(2) of the LGPS (Administration) Regulations 2008  And 105(1) of the LGPS Regulations 1997	Whether admin. authority should appeal against employer decision (or lack of a decision)	
80(1)(b) of the LGPS Regulations 2013  And regulation 22(1) of the Transitional Provisions and Savings Regulations 2014  And 64(1)(b) of the LGPS (Administration) Regulations 2008	Specify information to be supplied by employers to enable admin. authority to discharge its functions	Contained within the administration strategy statement
82(2) of the LGPS Regulations 2013	Whether to pay death grant due to personal representatives or anyone appearing to be beneficially entitled to the estate without	No policy

Regulation	Description	Existing Policy
52(2) of the LGPS (Administration) Regulations 2008  95 of LGPS Regulations 1997	need for grant of probate / letters of administration where payment is less than amount specified in s6 of the Administration of Estates (Small Payments) Act 1965	
83 of the LGPS Regulations 2013  52A of the LGPS (Administration) Regulations 2008	Whether, where a person (other than an eligible child) is incapable of managing their affairs, to pay the whole or part of that person's pension benefits to another person for their benefit.	No policy
98(1)(b) of the LGPS Regulations 2013	Agree to bulk transfer payment	No policy
100(6) of the LGPS Regulations 2013	Extend normal time limit for acceptance of a transfer value beyond 12 months from joining the LGPS (in agreement with the employer)	No policy
100(7) of the LGPS Regulations 2013	Allow transfer of non-club pension rights into the Fund	No policy (implied in the FSS)
105(2) of the LGPS Regulations 2013	Decide whether to delegate any administering authority functions under the Regulations	See Section 12, table 5 of Part 3 or ESCC Constitution
106(3) of the LGPS Regulations 2013	Decide whether to establish a joint local pension board once approval has been granted by the Secretary of State	Not applicable
106(6) of the LGPS Regulations 2013	Decide procedures applicable to the local pension board	
107(1) of the LGPS Regulations 2013	Decide appointment procedures, terms of appointment and membership of local pension board	See Section 1, table 5 of Part 3 or ESCC Constitution

Regulation	Description	Existing Policy
Schedule 1 of the LGPS Regulations 2013  17(9) of the Transitional Provisions and Savings Regulations 2014	Decide to treat child as being in continuous education or vocational training despite a break	No policy
Schedule 1 of the LGPS Regulations 2013  Regulation 17(9)(b) of the Transitional Provisions and Savings Regulations 2014  25 of the LGPS (Benefits, Membership and Contributions) Regulations 2007	Decide evidence required to determine financial dependence of cohabiting partner on scheme member or financial interdependence of cohabiting partner and scheme member	No policy

## Administering Authority Discretions – non statutory

### Local Government Pension Scheme (Transitional Provisions and Savings) Regulations 2014

This section contains the key discretions about which an administering authority should (and in some cases must) have a written policy statement. Where a discretion reflects a similar discretion from an earlier set of regulations this has also been included and referenced in this section.

Regulation	Description	Existing Policy
3(1) and Schedule 2 para 2(1) of the LGPS (Transitional Provisions and Savings) Regulations 2014	<p>In the event that a deferred member is drawing benefits early and that member's former employer is no longer a scheme employer, to determine whether;</p> <p>To waive any reductions that would apply to the member's service which is fully protected for the rule of 85 on compassionate grounds.</p> <p>To waive any reductions that would apply to the member's service which is <b>not</b> fully protected for the rule of 85 on any grounds whatsoever.</p>	Note – suggest a consistent approach here that ties in with LGPS 2014 Regulation 30(8)
Schedule 2, para 2(3) of the LGPS (Transitional Provisions and Savings) Regulations 2014	Whether to require any strain on Fund costs to be paid "up front" by employing authority if the employing authority "switches on" the 85 year rule for a member voluntarily retiring (other than flexible retirement) prior to age 60, or waives an actuarial reductions.	No policy

Regulation	Description	Existing Policy
<p>3(6), 4(6)(c), 8(4), 10(2)(a), 17(2)(b) of the LGPS (Transitional Provisions and Savings) Regulations 2014</p> <p>and 10 of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007</p> <p>and Schedule 1 to the LGPS (Transitional Provisions) Regulations 2008</p> <p>and Regulation 23(9) to the LGPS Regulations 1997</p>	<p>Where member to whom regulation 10 of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 applies (use of average of 3 years pay for final pay purposes) dies before making an election, whether to make that election on behalf of the deceased member. Or where a member has a certificate of protection in place in respect of a pay cut or restriction prior to April 2008 and dies before making an election to make an election on behalf of the member.</p>	<p>No policy</p>

Regulation	Description	Existing Policy
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<p>10(9) of the LGPS (Transitional Provisions and Savings) Regulations 2014</p>	<p>Decide, in the absence of an election from the member within 12 months of ceasing a concurrent employment, which ongoing employment benefits from the concurrent employment which has ceased should be aggregated (where there is more than one ongoing employment)</p>	<p>No policy</p>
<p>15(1)(b) of the LGPS (Transitional Provisions and Savings) Regulations 2014</p> <p>And 66(9) (b) and 66(9)(b) of the LGPS Regulations 1997</p>	<p>Allow late application to convert scheme AVCs into membership credit i.e. allow application more than 30 days after cessation of active membership (where AVC arrangement was entered into before 13 November 2001)</p>	<p>No policy</p>
<p>15(1)(c) of the LGPS (Transitional Provisions and Savings) Regulations 2014</p> <p>And Schedule 1 of the LGPS (Transitional Provisions) Regulations 2008</p> <p>And 83(5) of the LGPS Regulations 1997</p>	<p>Extend time period for capitalisation of added years contract</p>	<p>No policy</p>



15(1)(d) of the LGPS (Transitional Provisions and Savings) Regulations 2014	Whether to charge member for provision of estimate of additional pension that would be provided by the Scheme in return for transfer of in house AVC/SCAVC funds (where AVC/SCAVC arrangement was entered into before 1/4/14)	
And 28(2) of the LGPS (Administration) Regulations 2008		

## Administering Authority Discretions – non statutory

### Discretions in relation to the Local Government Pension Scheme (Benefits Membership and Contributions) Regulations 2007

This section contains discretions applicable to scheme members who ceased active membership on or after 1 April 2008 and before 1 April 2014. Where a discretion reflects a similar discretion from an earlier set of regulations this has also been included and referenced in this section. Discretions under these regulations which have a corresponding discretion in later regulations have been included under that set of regulations only.

Regulation	Description	Existing Policy Located and Comments
27(5) of the LGPS (Benefits, Membership and Contributions) Regulations 2007	Payment of a child's pension to another person	No policy
47(2) of the LGPS Regulations 1997		
G11(2) of the LGPS Regulations 1995		

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## Administering Authority Discretions

### Discretions in relation to the Local Government Pension Scheme (Administration) Regulations 2008

Regulation	Description	Existing Policy Located and Comments
45(3) of the LGPS (Administration) Regulations 2008  And 89(3) of the LGPS Regulations 1997	Outstanding employee contributions can be recovered as a simple debt or by deduction from benefits	No policy

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## Administering Authority Discretions – non statutory

### Discretions in relation to the Local Government Pension Scheme Regulations 1997 (The 1997 Pension Regulations) (some may continue to apply in relation to historical cases or councillors)

This section contains discretions applicable to scheme members who ceased active membership on or after 1 April 1998 and before 1 April 1995. Where a discretion reflects a similar discretion from an earlier set of regulations this has also been included and referenced in this section. Discretions under these regulations which have a corresponding discretion in later regulations have been included under that set of regulations only.

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Regulation	Description	Existing Policy Located and Comments
47(1) of the LGPS Regulations 1997 G11(1) of the LGPS Regulations 1995	Apportionment of children's pensions	No policy
50 and 157 of the LGPS Regulations 1997	Commute benefits due to exceptional ill health	No policy
118 of the LGPS Regulations 1997	Retention of CEP where member transfers out for pre 1 April 2008 leavers	No policy
147 of the LGPS Regulations 1997	Discharge Pension Credit liability (in respect of Pension Sharing Orders for pre 1 April 2008 leavers)	No policy

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## Administering Authority Discretions – non statutory

### Discretions in relation to the Local Government Pension Scheme Regulations 1995 (the “1995 Pension Regulations”)

This section contains discretions applicable to scheme members who ceased active membership before 1 April 1998. Where a discretion reflects a similar discretion from an earlier set of regulations this has also been included and referenced in this section. Discretions under these regulations which have a corresponding discretion in later regulations have been included under that set of regulations only.

Regulation	Description	Existing Policy Located and Comments
F7(1) of the LGPS Regulations 1995	Suspension of spouses' pensions during remarriage or cohabitation	No policy

# East Sussex Pension Fund Administration Strategy Statement 2018

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## Introduction

East Sussex County Council is the administering authority for the Local Government Pension Scheme (LGPS) on behalf of the employers participating in the LGPS through the East Sussex Pension Fund (the "Fund"). The LGPS is governed by statutory regulations.

This is the pension administration strategy of the Fund in relation to the Local Government Pension Scheme. The pension administration strategy is kept under review and revised to reflect changes to LGPS regulations and Fund policies. Changes are subject to consultation with the employers, variations must be agreed by the Fund

The Fund shall monitor the requirements of this agreement and report its findings to the East Sussex Pension Fund Pension Committee and Pension Board.

As at 31 March 2018 the Fund comprised 132 scheme employers with approximately 70,000 scheme members in relation to the LGPS. At the last assessment the value of the Fund was over £3.4bn

The Fund provides a high quality pension service to members and employers, to ensure members receive their correct pension benefits. This is best achieved where the Fund and the employers are clear about their roles and responsibilities and work in partnership.

This document sets out a framework by way of outlining the policies and performance standards to be achieved when providing a cost-effective inclusive and high quality pensions administration service. In particular it sets out:

- The roles and responsibilities of both the Fund and the employers within the Fund.
- The level of service the Fund and employers will provide to each other
- The performance measures used to evaluate the level of service

This administration strategy statement is an agreement between the Fund and employers.

## Regulatory context

The LGPS is a statutory scheme, established by an Act of Parliament and governed by regulations. The most recent of such regulations, appertaining to administration are the LGPS (Administration) Regulations 2013. Regulation 59(1) of the (Administration) Regulations 2013 covers the requirement for an administering authority to prepare a written statement of policies as it considers appropriate in the form of a Pensions Administration Strategy. This regulation outlines the primary matters which should be covered to include:

- administration standards
- performance measures
- communication with scheme employers

In addition, Regulation 67 and 69 of the LGPS Regulations 2013 provide for employer and employee contributions to be paid over to the Fund. A breach of Regulation 69(1) can result in consequences for an employer, as stated in section 49(8) of the Pensions Act 1995.

Regulation 70 of the (Administration) Regulations 2014 covers the ability of an administering authority to recover additional costs arising from Scheme employers' level of performance. Furthermore, Regulation 71 of the same regulations allows the administering authority to apply interest on late payments by scheme employers. Some of these regulations may be referenced in the relevant sections of this administration strategy statement.

In carrying out their roles and responsibilities in relation to the administration of the Local Government Pension Scheme the administering authority and scheme employers will, as a minimum, comply with overriding legislation, including:

- Pensions Act 1995 and associated disclosure legislation;
- Freedom of Information Act 2000;
- Age Discrimination Act 2006;
- Data Protection Act 1998;
- Disability Discrimination Act 1995;
- Finance Act 2004; and
- Health and Safety legislation.

Where agreed, the administering authority and scheme employers will comply with local standards which go beyond the minimum requirements set out in overriding legislation. Such best practice standards are outlined in the section on timeliness set out below.



## Roles and responsibilities

The quality of service to members depends on the supply of accurate and timely information.

Employer duties and responsibilities are set out in the table below:

Employers – Pensions: Commitments / SLA	
Item	Expectations
New starters	Within 2 months of the employee joining, or such shorter period as required by any auto-enrolment obligations (generally this tends to be before or within six weeks of the employee's automatic enrolment date).
Change in member's details	Within 2 months of the event.
Early Leavers without entitlement to immediate benefits	<ul style="list-style-type: none"> <li>• within 3 months of joining, refund through your payroll &amp; notify the Fund</li> <li>• outside of 3 months of joining notify the Fund using the appropriate form for refund of contributions or Deferred Benefits</li> </ul>
Opt Outs	Refund contribution through your payroll and notify the Fund.
Leavers with entitlement to immediate payment of benefits	<ul style="list-style-type: none"> <li>• Notify the Fund using the relevant form as soon as possible once leaving date is confirmed.</li> <li>• Provide all appropriate information required by the Fund to enable payment of benefits within time scales provided above.</li> </ul> <p>(All forms are available from the East Sussex County Council website Information for Employers pages)  <a href="https://www.eastsussex.gov.uk/yourcouncil/forms/">https://www.eastsussex.gov.uk/yourcouncil/forms/</a></p>
Disclosure Regulations	Great care must also be taken to avoid breaking the Disclosure Regulations. Consequently when a retirement takes place before NPA the latest form is to be received in the Office is no later than one month after the date of retirement. Where a retirement takes place on or after NPA, the Office must receive the form no more than ten working days after the date of retirement.
Death in service	Notify the Fund within 3 working days of all the information being gathered, for example birth and marriage certificates.

The Fund's duties and responsibilities are set out in the table below:

<b>Business Operations – Pensions: Commitments / SLA</b>	
<b>Items</b>	<b>Expectations/SLA</b>
Letters/emails from members (or member's representatives) answered or acknowledged	10 working days
New starters processed	10 working days from receipt of notification.
Changes in details processed	9 working days from receipt of request.
Calls to the Pensions Administration team answered in office hours	Calls answered within 3 rings.
Retirement	Our practice is that we pay the Lump sum normally within 10 days after date of retirement. We wait until post retirement to finalise the final pay figure, to ensure any changes are picked up.
Annual benefit statements for deferred members issued	31 August of each year (Statutory deadline)
Annual benefit statements for active members issued	31 August of each year (Statutory deadline)
Year End Return queries for employers issued	30 June
Pension savings statements issued if applicable	6 October (Statutory deadline)
Changes to bank details made	9 working days from receipt of request.
Estimates for divorce processed	<ul style="list-style-type: none"> <li>• Divorce proceeding started 6 weeks from receipt of PS02 form</li> <li>• Divorce proceedings not started 3 months from receipt of PS02 form</li> </ul>
Non-LGPS transfers into ESPF processed	10 Working days
Non-LGPS transfer out quotations processed	25 Working days

Non-LGPS transfer out payments processed	25 Working days
Internal and concurrent transfers processed	22 Days to complete
Refund payments made	10 Working days
Deferred benefits calculated	25 Working days
Pension quotations calculated	7 Working days
APC/SCAPC illustrations calculated	Members are referred to LGA's online calculator.
AVC amendments noted on members record	9 Working days
New retirement benefit options sent	10 Working days
New retirements processed for payment	7 Working Days
Deferred benefits processed for payment	7 Working days
Notification of a death processed	5 working days
Dependants' pensions processed for payment	5 Working days
Death grants processed for payment	5 working days
Tax-free retirement lump sum processed by pensions/ Accounts	10 working days of retirement date.

#### PROCEDURES FOR ENSURING COMPLIANCE WITH STATUTORY REQUIREMENTS AND LEVELS OF PERFORMANCE

Ensuring compliance is the responsibility of the administering authority and scheme employers. We will work closely with all scheme employers to ensure compliance with all statutory requirements, whether they are specifically referenced in the LGPS Regulations, in overriding legislation, in this Administration Strategy Statement. We will also work with them to ensure that overall quality and timeliness is improved as part of an agreed service development plan. Various means will be employed, in order to ensure such compliance and service improvement, seeking views from as wide an audience as possible. These include:

#### EXTERNAL PROVIDERS

The administering authority or scheme employers will ensure that any external service providers with responsibility for carrying out any functions relating to the administration of the Local Government Pension Scheme are aware of the standards to be met (such as external pension administration providers, payroll and HR providers). They will also be responsible for ensuring that those standards are met.

#### AUDIT

The East Sussex Pension Fund will be subject to annual audit of its processes and internal controls. The East Sussex Pension Fund and scheme employers will be expected to fully comply with any requests for information from both internal and approved external auditors. Any subsequent recommendations made will be considered by the East Sussex Pension Fund and where appropriate duly implemented (following discussions with scheme employers where necessary).

#### PERFORMANCE MONITORING

The East Sussex Pension Fund will monitor performance against specific tasks from the event date (e.g. date of leaving/retirement, etc) to date of the completion of the task. A part of this monitoring exercise we will include the monitoring of the performance of each scheme employer in the provision of all necessary data required by the administering authority enabling completion of each task. We will also monitor the performance of the administering authority in carrying out its responsibilities in relation to the scheme.

The East Sussex Pension Fund as the administering authority will regularly monitor performance by using a variety of information available to the Fund.

## Communication

The Fund's Communications Policy Statement outlines how the Fund communicates with all stakeholders, including employers. The Communications Policy Statement can be found at: <https://www.eastsussex.gov.uk/yourcouncil/pension-fund-policies/>

The Fund routinely provides information and resources for employers using the Fund's website and the Pension pages on the ESCC website which contain an up to date list of LGPS publications, forms, newsletters, ESFOA updates and minutes from the Pensions Board and Pensions Committee meetings.

The employers and member's websites can be found at:

Employers' website: <https://www.eastsussex.gov.uk/yourcouncil/pensions/members/>

Members' website: <http://www.eastsussexpensionfund.org/>

The Fund will communicate to employers on an ad hoc basis and as required in respect of matters relating to the LGPS. The Fund will also hold at least one employer forum each year which all employers will be invited to.

The Fund will notify the employer of changes to administrative procedures that may arise as a result of changes in pension scheme regulations and update standard documentation on the Fund's website.

The Fund will issue forms, newsletters, booklets and such other materials as are necessary in the administration of the LGPS, for members and the employers.

Employers should provide contact details at least annually, and whenever a named contact changes, on the Employer Authorisation form.

Employers may provide information about members to the Fund in a variety of ways, including electronic and paper forms or via PensionsWEB. Forms used must be up to date, and are available on the Fund's website.

## Employer Contributions

Regulations 67 and 69 of the Local Government Pension Scheme Regulations 2013 require that every Scheme employer pay over both employee and employer contributions to the Fund.

Regulation 67(1) provides for employer contributions by stating that a Scheme employer must contribute to the appropriate fund the amount applicable for that authority as calculated in accordance with the actuarial valuation.

Regulation 69(1) provides for employee contributions by stating that every Scheme employer must pay to the appropriate administering authority on or before such dates falling at intervals of not more than 12 months as the appropriate administering authority may determine, all amounts received from employees.

Regulation 69(3) specifies that each payment must be accompanied by a statement and the Administering Authority may direct in what form and at what intervals. The East Sussex Pension Fund has determined the above date to be the 19th day of each calendar month, and should this be as non-working day, then the 1st working day before. Under the regulations the date on which any amount above is overdue, is the day after the date specified by the administering authority for payment. Each payment must be accompanied an LGPS31 form.

Employers can send their monthly payments by cheque to the Orbis Business Operations Accounts Receivable Team, or via BACS transfer into the Pension Fund bank Account.

Employers should send the completed LGPS31 remittance advice by email to [ESCC.accounts@sesharedservices.org.uk](mailto:ESCC.accounts@sesharedservices.org.uk) to arrive before the payment. If payment is sent by cheque the completed LGPS31 form must accompany the cheque.

An LGPS31 form (see appendix) is provided to the employer before the beginning of each tax year, or upon entry to the Fund. It contains their unique SAP cost centre number. The LGPS31 provides instructions regarding how to make payment and includes the ESPF bank account details.

East Sussex Pension Fund has determined the following charges for failure to comply with the above statutory requirements:

1. Non-receipt of payment by the deadline	1st instance	Warning
	2nd instance	£50 fine
2. Non-receipt of LGPS31 form	1st instance	Warning
	2nd instance	£50 fine
3. Multiple payments/LGPS31 forms received for a single employer, per month	£20.00 administration charge per additional payment	

Warnings for non-compliance will operate on a rolling 12 month basis, for example, should a warning have been issued and 10 months later there is a 2<sup>nd</sup> instance, a fine will apply. However, if it is 13 months later, another warning will be issued.

If an issue has not been resolved within 10 working days of a warning being issued, a fine will apply and the fund may take further action as appropriate regarding the failure to comply with the statutory requirements.

In addition to the above interest may be charged at 1% above base rate on any sum remaining unpaid for more than one month beyond the date on which it became due.

### COSTS

The Fund's Actuary determines employer contribution rates for the three years following each triennial valuation. The rates and adjustments certificate provides details of all payments which are due from employers in the fund.

The costs of administration, including actuarial fees for the triennial valuation, are charged directly to the Fund. These administration costs are taken into account by the Fund's Actuary when assessing the employers' contribution rates.

Where additional actuarial or legal services are required by, or result from the actions of, the employer, the employer will be required to reimburse the Fund for the costs involved. Where appropriate, an estimate of these costs will be provided and the employer's agreement obtained before proceeding to instruct the service provider. Typical scenarios where costs may arise are where an employer outsources a service or for accounting reports required at year end.

If the Fund incurs interest charges as a result of a late notification of retirement from the employer, it may recharge to the employer the interest incurred on the late payment of the lump sum.

Employers may also be required to pay for additional work that is outside of business as usual, such as:

- Requesting the Fund undertake non-standard work
- Estimates which are in addition to the agreed allocation
- Requesting work to be completed earlier than the normal service standards.

The employer's agreement to the charge will be obtained prior to the work being carried out.

## Consultation and review process

This administration strategy statement will be reviewed in line with each valuation cycle and the next review will be as at 1 April 2020. All scheme employers will be consulted before any changes are made to this document.

The latest version of this administration strategy statement will always be available on the ESCC website: <https://www.eastsussex.gov.uk/yourcouncil/pension-fund-policies/> and the ESPF website: <http://www.eastsussexpensionfund.org/east-sussex-pension-fund/about-us/forms-and-publications/>



## Contact details

### GOVERNANCE

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Policy for Employers  
Leaving the Fund

EAST SUSSEX PENSION FUND

Effective: 1<sup>st</sup> April 2017

# 1. INTRODUCTION

This is the policy of the East Sussex Pension Fund (“the Fund”) as regards the treatment of employers leaving the Fund.

It has been prepared by the Administering Authority to the Fund, East Sussex County Council, in collaboration with the Fund’s actuary, Hymans Robertson LLP. This policy replaces all previous policies on employer termination and is effective from 1<sup>st</sup> April 2017.

These procedures and policies apply to employers participating in the Fund.

## 1.1 Regulatory Framework

The Local Government Pension Scheme Regulations 2013 outline the general framework for employees and employers participating in the Local Government Pension Scheme in England and Wales. The regulations that are relevant to employers leaving the scheme are as follows:

- Regulation 64 (1) & (2) – these regulations state that, where an employing authority ceases to be a scheme employer, the Administering Authority is required to obtain an actuarial valuation of the liabilities of current and former employees as at the termination date. Further, it requires the rates and adjustments certificate to be amended to show the revised contributions due from the ceasing employer.
- 64 (2a), (2B & 2C) – these regulations state that, where in the reasonable opinion of the administering authority an exiting employer might be expected to have one or more active members contributing, a “suspension notice” can be issued by the administering authority to that employer. Any such notice can suspend the exiting employer’s liability to pay any exit payment for a period of up to 3 years. During the period of any such notice the exiting employer is still required to make such contributions in respect of its liabilities as the administering authority reasonably requires.
- Regulation 64 (3) – this regulation states that in instances where it is not possible to obtain additional contributions from the employer leaving the Fund or from the bond/indemnity or guarantor, the contribution rate(s) for the appropriate Scheme employer (in the case of Transferee Admission Bodies) or remaining Fund employers may be amended.
- Regulation 64 (4) – this regulation states that where it is believed a scheme employer may cease at some point in the future the Administering Authority may obtain a certificate from the Fund actuary revising the contributions for that employer, with a view to ensuring that the assets and liabilities of the employer are broadly expected to be in balance when the admission agreement ends.

These regulations relate to all employers in the Fund.

## 1.2 Reviews of Policy

This policy will be reviewed at least every three years following triennial valuations or following changes in the Regulations pertaining to employers leaving the Fund.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate. Any queries should be directed to Wendy Neller, Pensions Strategy and Governance Manager, in the first instance at [Wendy.Neller@eastsussex.gov.uk](mailto:Wendy.Neller@eastsussex.gov.uk) or on 01273 481 904.

## 2. PRINCIPLES

### 2.1 Overriding Principles

The purpose of a cessation valuation is to determine the level of any surplus or deficit in an employer's share of the Fund as at the date the employer leaves the Fund. Unless the cost of doing so is deemed to outweigh the likely recovery to the Fund, the Fund will pursue an outgoing body (including the liquidator, receiver, administrator or successor body if appropriate) for any deficit. The Fund will also pursue any bond or indemnity provider and guarantor, for payment where appropriate.

It is the Fund's policy that the determination of any surplus or deficit on termination should aim to minimise, as far as is practicable, the risk that the remaining, unconnected employers in the Fund have to make contributions in future towards meeting the past service liabilities of current and former employees of employers leaving the Fund.

Section 4 of this document sets out the bases currently in use for cessation valuations. These bases may be updated or withdrawn at the discretion of the Administering Authority on the advice of the Fund Actuary and will expire no later than 31 March 2020.

### 2.2 Interaction with Funding Policy

It is the Fund's policy that each employer is responsible for the funding of all Fund benefits of its own members, including current and previous employees. The Funding Strategy Statement sets this out in more detail and addresses the issue of cross-subsidies between employers. Whilst employer contributions may be pooled in the interests of stability and administrative ease for the purpose of triennial funding valuations under Regulation 62, the individual funding position for each employer is tracked by the Actuary at each triennial valuation. Any cessation valuation will be carried out using assets and liabilities allocated to the employer at the last triennial valuation as a starting point. This position will be updated to allow for membership movements and market conditions as at the cessation date.

Note j of section 3 of the Funding Strategy Statement sets out funding policy for admission bodies leaving the Fund.

### 2.3 Principles for Determining Payment

East Sussex County Council will determine the deficit / surplus attributable to the employer on cessation having taken actuarial advice.

If the employer is in surplus, there is currently no mechanism by which this surplus can be repaid by the Fund. If an employer is aware that it will be leaving the Fund in future, it should alert the Administering Authority and request a valuation under Regulation 64 (4). If this valuation indicates that a surplus position is likely, then the Actuary will be able to advise the Administering Authority whether a contribution reduction (before the employer ceases) is appropriate.

If it is determined that there is a deficit and the employer is required to make a payment to the Fund, East Sussex County Council will advise the employer of the amount required.

The County Council will consider issuing a "suspension notice" where in its reasonable opinion the employer is likely to have one or more active members during the period of that notice. Where this is

the case the County Council will liaise with the employer, confirming any ongoing employer contributions required during the period that any “suspension notice” is in force.

The Fund’s policy is for any deficit on cessation to be recovered through a single lump sum payment to the Fund, where possible. The Fund may consider permitting an employer to spread the payment over an agreed period where it considers that this does not pose a material risk to the solvency of the Fund.

If the payment is to be spread, East Sussex County Council will consult with the Actuary to determine the appropriate payments to be made.

In the normal course of events (i.e. where the process below has been adhered to), the outgoing body will not be exposed to interest rate, investment or other funding risks after the cessation date. However the final deficit payment may be adjusted, at the Administering Authority’s discretion, by the addition of interest at the level of the base rate between the cessation date and the final payment date(s).

### 2.3 Post cessation funding agreement

The Administering Authority may, at its discretion, agree to set up a funding agreement with the ceasing employer which would allow it to continue to pay contributions towards its cessation deficit after the date of cessation. Depending on circumstances, the Administering Authority may allow the ceasing employer to be exposed to interest rate, investment or other funding risks during the course of the agreement.

Any such agreement would be tailored to the ceasing employer’s specific circumstances and be subject to the following principles:

- Demonstrable evidence e.g. such as financial accounts and forecasts and other business planning information, which shows that the employer is unable to meet the deficit payment as a single lump sum and allows the Administering Authority to form a view on the employer’s financial covenant.
- Contingent security being lodged by the employer in a form that is satisfactory to the Administering Authority to cover the amount of the deficit in the event of the employer becoming insolvent or otherwise ceasing trading.
- An appropriate time period set by the Administering Authority based on its assessment of the risk of the cessation debt not being met in full. It is very unlikely that the time period would exceed the longest period (currently 20 years) given to Fund employers to recover deficit, as set out in the Funding Strategy Statement
- A legally binding document outlining the terms of the agreement, signed by the Administering Authority and the ceasing employer (and any guarantor, if relevant).
- All costs (e.g. legal, actuarial, administrative) associated with setting up and running the agreement to be met by the ceasing employer.

## 3. PROCESS

### 3.1 Responsibilities of ceasing employers

An employer which is aware that its participation in the Fund is likely to come to an end must:

- advise the Fund, in writing, of the likely ending of its participation (either within the terms of the admission agreement in respect of an admission body (typically a 3 month notice period is required) or otherwise as required by the Regulations for all other scheme employers). It should be noted that this includes closed employers where the last employee member is leaving (whether due to retirement, death or otherwise leaving employment);
- provide any relevant information on the reason for leaving the Fund and, where appropriate, contact information in the case of a take-over, merger or insolvency;
- provide information, where appropriate, on the likelihood that it will have one or more active members contributing to the fund within the next three years; and
- provide all other information and data requirements as requested by East Sussex County Council which is relevant, including in particular any changes to the membership which could affect the liabilities (e.g. salary increases and early retirements) and an indication of what will happen to current employee members on cessation (e.g. will they transfer to another Fund employer, will they cease to accrue benefits within the Fund, etc.).

### 3.2 Responsibilities of Administering Authority

The Administering Authority will:

- gather information as required, including, but not limited to, the following:
  - details of the cessation - the reason the employer is leaving the Fund (i.e. end of contract, insolvency, merger, machinery of government changes, etc.) and any supporting documentation that may have an effect on the cessation;
  - complete membership data for the outgoing employer and identify changes since the previous formal valuation; and
  - the likely outcome for any remaining employee members (e.g. will they be transferred to a new employer, or will they cease to accrue liabilities in the Fund).
- identify the party that will be responsible for the employer's deficit on cessation (i.e. the employer itself, an insurance company, a receiver, another Fund employer, guarantor, etc.);
- commission the Fund actuary to carry out a cessation valuation under the appropriate regulation;
- where applicable, discuss with the employer the possibility of paying adjusted contribution rates that target a 100% funding level by the date of cessation through increased contributions in the case of a deficit on the cessation basis or reduced contributions in respect of a surplus;
- where applicable, liaise with the original ceding employer or guarantor and ensure it is aware of its responsibilities, in particular for any residual liabilities or risk associated with the outgoing employer's membership;

- where applicable liaise with the employer regarding the issue of a “suspension notice” under regulation 64 (2A), confirming any ongoing contributions to be made by the employer during the period that the “suspension notice” remains in force; and
- having taken actuarial advice, notify the employer and other relevant parties in writing of the payment required in respect of any deficit on cessation and pursue payment.

DRAFT



### 3.3 Responsibilities of the Actuary

Following commission of a cessation valuation by the Administering Authority, the Fund Actuary will:

- calculate the surplus or deficit attributable to the outgoing employer on an appropriate basis, taking into account the principles set out in this policy;
- provide actuarial advice to East Sussex County Council on how any cessation deficit should be recovered or where applicable “suspension notice” be applied, giving consideration to the circumstances of the employer and any information collected to date in respect to the cessation; and
- where appropriate, advise on the implications of the employer leaving on the remaining Fund employers, including any residual effects to be considered as part of triennial valuations.

DRAFT

## 4. CESSATION VALUATION BASIS

The following bases will apply from 1 April 2017 to 31 March 2020, the date by which the next valuation is signed off, unless otherwise withdrawn or updated by the Administering Authority on the advice of the Fund Actuary.

### 4.1 Gilts Discount Rate

The annualised gross redemption yield on the FTSE Actuaries Over 15 Years UK Gilts Index as at the date of cessation, rounded to the nearest 0.1% per annum.

### 4.2 Ongoing Discount Rate

The annualised gross redemption yield on the FTSE Actuaries Over 15 Years UK Gilts Index plus 1.8% per annum (calculated geometrically) at the date of cessation, rounded to the nearest 0.1% per annum.

### 4.3 Pension Increases

The pension increase assumption is determined in line with the Consumer Prices Index (CPI). The CPI assumption is based on the assumption for the Retail Prices Index (RPI) less 1.0% per annum.

RPI is calculated as the geometric difference between the annualised gross redemption yield on the FTSE Actuaries Over 15 Years UK Gilts Index and the annualised gross redemption yield on the FTSE Actuaries Over 15 Years Index-Linked Gilts (3% Inflation) Index as at the cessation date, rounded to the nearest 0.1% per annum.

### 4.4 Salary Increases (Where Applicable)

As determined in the most recent valuation of the Fund, assumed salary increases will be 0.6% per annum below RPI.

### 4.5 Post-Retirement Mortality

Post-retirement mortality for all members is determined in line with Club Vita analysis which is carried out on behalf of the Fund at the triennial formal valuation. These are a bespoke set of Vita Curves that are specifically tailored to the individual membership profile of the Fund. Future improvements are in line with CMI Projections assuming the current rate of improvements has reached a 'peak' and that a long term rate of 1.25% per annum will apply.

Further details are set out in the most recent formal valuation report of the Fund.

Under the gilts cessation basis, an allowance is made for further improvements to life expectancies by adjusting the value of liabilities upwards by 5%.

### 4.6 Other Demographic Assumptions

As set and outlined in the report on the most recent formal valuation of the Fund.

**Report to:** Pension Board

**Date of meeting:** 8 May 2018

**By:** Chief Finance Officer

**Title:** Pension Fund Risk Register

**Purpose:** To consider and comment on the Pension Fund Risk Register.

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## RECOMMENDATION

**The Board is recommended to consider and comment on the updated Pension Fund Risk Register**

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### 1. Background

1.1 Risk management is the practice of identifying, analysing and controlling in the most effective manner all threats to the achievement of the strategic objectives and operational activities of the Pension Fund. It is not a process for avoiding or eliminating risks. A certain level of risk is inevitable in achieving the Fund objectives, but it must be controlled.

1.2 Effective risk management is an essential part of any governance framework as it identifies risks and the actions required to mitigate their potential impact. For a pension fund, those risks will come from a range of sources, including the funding position, Local Government Pension Scheme (LGPS) Pooling, General Data Protection Regulation (GDPR), investment performance, membership changes, benefits administration, costs, communications and financial systems. Good information is important to help ensure the complete and effective identification of significant risks and the ability to monitor those risks.

### 2. Supporting Information

2.1 The updated Risk Register (Appendix 1) highlights key risks in relation to the East Sussex Pension Fund, the current processes in place to mitigate the risk, and the planned improvements in place to provide further assurance. This incorporates the risk register of both the Investments Team and Pension Governance and Strategy.

2.2 The attached risk register has been restructured in line with the Council's risk management format.

### Assessment of Risk

2.3 Risks are assessed in terms of the potential impact of the risk event should it occur, and in terms of the likelihood of it occurring. These are then combined to produce an overall risk score. In terms of investment, the Fund has a diversified portfolio of assets to mitigate against downturns in individual markets, but market events may lead to a fluctuation in the Fund value, which demonstrates that if the markets as a whole crash, then there is little that mitigating actions can do.

2.4 The East Sussex Pension Fund, risk profile (Appendix 1), has been updated and additional identified risks have been added to the register. As is normal, there have been changes to control measures across the risk portfolio. Additional added risks are –

- The Fund has insufficient resources available to deliver the pooling proposal;
- Failure to issue Annual Benefit statements within the deadline;
- GDPR/Data Protection – Failure to secure and manage personal data held by the Pension Fund in an appropriate manner;

- ACCES FCA Submission Timeline.

2.5 The following risks have been removed -

- ACCESS - Failure to have ACS in place by government deadline of 31.03.2018 due to procurement timescales. (*Comment – ACCESS Pool is now operational and government deadline of 31.03.2018 achieved*).
- ACCESS - Challenge to procurement process from unsuccessful supplier. (*Comment – the deadline for unsuccessful supplier challenge has expired*).

2.6 In addition to the current mitigation in place, further actions are planned to provide a greater level of assurance, and the level of risk will be reviewed once these additional actions have been implemented.

2.7 Further risks are likely to arise from future decisions taken by the Pension Committee, and from changes in legislation and regulations. Where such new risks arise, they will be added to the risk register, assessed, and mitigation actions identified.

### **3. Conclusion and reasons for recommendations**

3.1 Monitoring of the Risk Register is an important role for the Pension Board, and should the Board identify specific concerns requiring policy changes, then reports will be brought to the Pension Committee for approval.

**IAN GUTSELL**  
**Chief Finance Officer**

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Background Documents  
None

The risk scores are calculated using the risk matrix below:

LIKELIHOOD	4				
	3				
	2				
	1				
		1	2	3	4
		IMPACT			

For the **likelihood**, there are four possible scores:

1 HARDLY EVER	2 POSSIBLE	3 PROBABLE	4 ALMOST CERTAIN
Has never happened No more than once in ten years Extremely unlikely to ever happen	Has happened a couple of times in last 10 years Has happened in last 3 years Could happen again in next year	Has happened numerous times in last 10 years Has happened in last year Is likely to happen again in next year	Has happened often in last 10 years Has happened more than once in last year Is expected to happen again in next year

For the **impact**, there are four possible scores, considered across four areas:

	1 NEGLIGIBLE (No noticeable Impact)	2 MINOR (Minor impact, Some degradation of non-core services)	3 MAJOR (Significant impact, Disruption to core services)	4 CRITICAL (Disastrous impact, Catastrophic failure)
<b>SERVICE DELIVERY</b> (Core business, Objectives, Targets)	Handled within normal day-today routines.	Management action required to overcome short-term difficulties.	Key targets missed.  Some services compromised.	Prolonged interruption to core service.  Failure of key Strategic project.
<b>FINANCE</b> (Funding streams, Financial loss, Cost)	Little loss anticipated.	Some costs incurred.  Minor impact on budgets.  Handled within management responsibilities.	Significant costs incurred.  Re-jig of budgets required.  Service level budgets exceeded.	Severe costs incurred.  Budgetary impact on whole Council.  Impact on other services.  Statutory intervention triggered.
<b>REPUTATION</b> (Statutory duty, Publicity, Embarrassment)	Little or no publicity.  Little staff comment.	Limited local publicity.  Mainly within local government community.  Causes staff concern.	Local media interest.  Comment from external inspection agencies.  Noticeable impact on public opinion.	National media interest seriously affecting public opinion
<b>PEOPLE</b> (Loss of life, Physical injury, Emotional distress)	No injuries or discomfort.	Minor injuries or discomfort.  Feelings of unease.	Serious injuries.  Traumatic / stressful experience.  Exposure to dangerous conditions.	Loss of life  Multiple casualties

## PENSION FUND RISK REGISTER

Reference	Risk	Pre Mitigation			Risk Control / Response	Post Mitigation		
		Impact	Likelihood	Risk Score		Impact	Likelihood	Risk Score
1	<p><b>Pension contributions:</b></p> <ul style="list-style-type: none"> <li>● Non-collection</li> <li>● Miscoding</li> <li>● Non-payment</li> </ul> <p>If not discovered results inaccurate:</p> <ul style="list-style-type: none"> <li>● employer FRS17/IAS19 &amp; Valuation calculations</li> <li>● final accounts</li> <li>● cash flow</li> </ul>	3	3	9	<ul style="list-style-type: none"> <li>● Employer contribution monitoring</li> <li>● Additional monitoring at specific times</li> <li>● SAP / Altair quarterly reconciliation</li> <li>● Improved employer contribution forms</li> <li>● Annual year end checks</li> <li>● Pensions Web</li> </ul>	3	2	6
2	<p><b>Poor or inadequate delivery of Pensions Administration by service provider (Orbis -Business Operations)</b></p> <ul style="list-style-type: none"> <li>● Members of the pension scheme not serviced</li> <li>● Statutory deadlines not met</li> <li>● Employers dissatisfied with service being provided + formal complaint</li> <li>● Complaints by members against the administration (these can progress to the Pensions Ombudsman)</li> </ul>	3	3	9	<ul style="list-style-type: none"> <li>● Key Performance Indicators</li> <li>● Internal Audit</li> <li>● Reports to Pension Board / Committee</li> <li>● Service Review meetings with business operations management</li> <li>● Awareness of the Pension Regulator Guidance</li> </ul>	3	2	6
3	<p><b>Loss of key staff both Orbis Finance &amp; Business Operations and loss of knowledge &amp; skills</b></p> <ul style="list-style-type: none"> <li>● Inability to deliver service</li> <li>● Damaged reputation</li> <li>● Pensioners not paid</li> </ul>	3	2	6	<ul style="list-style-type: none"> <li>● Diversified staff / team</li> <li>● Look at other authorities with best practices to ensure Orbis positions still desirable</li> <li>● Attendance at pension officers user groups</li> <li>● Procedural notes which includes new systems as and when</li> <li>● Section meetings / appraisals</li> <li>● Succession planning</li> </ul>	2	2	4

## PENSION FUND RISK REGISTER

Reference	Risk	Pre Mitigation			Risk Control / Response	Post Mitigation		
		Impact	Likelihood	Risk Score		Impact	Likelihood	Risk Score
4	<b>Paying pension benefits incorrectly</b> <ul style="list-style-type: none"> <li>• Damaged reputation</li> <li>• Financial loss</li> <li>• Financial hardship to members</li> </ul>	3	3	9	<ul style="list-style-type: none"> <li>• Internal control through audit process</li> <li>• Constant monitoring / checking</li> <li>• In house risk logs</li> <li>• SAP / Altair reconciliation</li> <li>• Task management</li> <li>• Vita cleansing</li> </ul>	3	2	6
5	<b>Custodian bank (Northern Trust) goes bust</b> <ul style="list-style-type: none"> <li>• Inability to trade</li> <li>• No reconciliation or accounting service</li> <li>• Losses to cash account</li> </ul>	4	1	4	<ul style="list-style-type: none"> <li>• Service level agreement with termination clause</li> <li>• Regular Meetings</li> <li>• Regular reports SAS 70/AAF0106</li> <li>• Other Custodian options - review markets</li> </ul>	4	1	4
6	<b>Poor investment performance from managers</b> <ul style="list-style-type: none"> <li>• Lower funding level</li> <li>• Increase in employer contributions</li> </ul>	3	3	9	<ul style="list-style-type: none"> <li>• Performance measurement</li> <li>• Managers report monthly</li> <li>• Reporting to pensions committee and board</li> <li>• Diversification across managers</li> <li>• Independent Advisor</li> <li>• Investment consultant</li> </ul>	3	2	6



## PENSION FUND RISK REGISTER

Reference	Risk	Pre Mitigation			Risk Control / Response	Post Mitigation		
		Impact	Likelihood	Risk Score		Impact	Likelihood	Risk Score
7	<b>LGPS Investment Pooling</b> <ul style="list-style-type: none"> <li>● Mandated into inappropriate investments</li> <li>● Lower funding level</li> <li>● Damaged reputation</li> <li>● Increase in employer contribution</li> <li>● Increase in investment risk taken to access higher returns</li> <li>● There can be size restrictions on certain investments</li> <li>● Funds can be too big to fulfil their target allocation,</li> <li>● Difficulty in switching in and out of the large position and possible delays in execution of investment decisions.</li> </ul>	3	3	9	<ul style="list-style-type: none"> <li>● Engagement in ACCESS asset pool group</li> <li>● Reporting to Pensions Committee and Board</li> <li>● Engagement with third party experts (e.g. Legal and Tax)</li> <li>● Creation of a detail project plan</li> </ul>	3	2	6
8	<b>Assets not enough to meet liabilities</b> <ul style="list-style-type: none"> <li>● Lower funding level</li> <li>● Increase in employer contributions</li> </ul>	3	2	6	<ul style="list-style-type: none"> <li>● Valuation</li> <li>● Annual Investment Strategy Review</li> <li>● Daily monitoring of funding level</li> <li>● Investment Advisors</li> </ul>	3	2	6
9	<b>Required returns not met due to poor strategic allocation</b> <ul style="list-style-type: none"> <li>● Damaged reputation</li> <li>● Increase in employer contribution</li> <li>● Pay Pensions</li> </ul>	4	2	8	<ul style="list-style-type: none"> <li>● Investment Advisors</li> <li>● Triennial review</li> <li>● Performance monitoring</li> <li>● Annual Investment Strategy Review</li> <li>● Reporting to Pensions Committee and Board</li> <li>● Compliance with the Statement of Investment Principles</li> <li>● Compliance with the Funding Strategy Statement</li> </ul>	3	2	6

## PENSION FUND RISK REGISTER

Reference	Risk	Pre Mitigation			Risk Control / Response	Post Mitigation		
		Impact	Likelihood	Risk Score		Impact	Likelihood	Risk Score
10	<b>Non compliance of external fund managers</b> <ul style="list-style-type: none"> <li>• Damaged reputation</li> <li>• Financial loss</li> </ul>	3	2	6	<ul style="list-style-type: none"> <li>• FCA regulated</li> <li>• Manager due diligence</li> <li>• Investment Management Agreement</li> <li>• Manager monitoring</li> <li>• Report quarterly to Pension Committee</li> <li>• Investment Advisors</li> <li>• Additional managers meetings</li> <li>• Termination clause</li> </ul>	2	2	4
11	<b>Financial/Accounting regulations (e.g. CIPFA) not adhered to / legal guidelines not followed</b> <ul style="list-style-type: none"> <li>• ESCC may incur penalties</li> <li>• Damaged reputation</li> <li>• Qualified Annual Report</li> </ul>	2	3	6	<ul style="list-style-type: none"> <li>• Regulation of Fund Managers AAF 01/06 &amp; SAS 70 &amp; equivalents</li> <li>• Contracts in place setting out parameters</li> <li>• Internal staff are appropriately qualified and aware of policies and procedures</li> <li>• Pension Fund managed in line with regulations</li> <li>• Membership of CIPFA Pensions Network, NAPF, LAPFF etc.</li> </ul>	2	2	4
12	<b>Financial decisions cannot be proven</b> <ul style="list-style-type: none"> <li>• Damaged reputation</li> <li>• Financial loss to fund from poor decision making process</li> </ul>	3	2	6	<ul style="list-style-type: none"> <li>• Performance monitoring and reporting</li> <li>• Monthly and quarterly reporting</li> <li>• Follow procurement rules</li> <li>• Decisions supported by fully costed business case</li> </ul>	2	2	4

## PENSION FUND RISK REGISTER

Reference	Risk	Pre Mitigation			Risk Control / Response	Post Mitigation		
		Impact	Likelihood	Risk Score		Impact	Likelihood	Risk Score
13	<p><b>Personal gain (internal or external) through:</b></p> <ul style="list-style-type: none"> <li>● Personal dealing</li> <li>● Fraud or misappropriation of funds</li> <li>● Fraud risk not being managed</li> <li>● Manipulating share price</li> </ul> <p>Resulting in:</p> <ul style="list-style-type: none"> <li>● Financial loss</li> <li>● Damaged reputation</li> </ul>	3	2	6	<ul style="list-style-type: none"> <li>● Protocol regarding personal dealing</li> <li>● Declaration of interests</li> <li>● Investment Management</li> <li>● Agreements with Fund Managers</li> <li>● Vetting of new Fund Managers through tender process</li> <li>● Access restricted regarding transfer of funds - authorised signatories required</li> <li>● Regulation of Fund Managers</li> <li>● Code of Conduct</li> <li>● Separation of duties</li> <li>● Internal &amp; external audit</li> <li>● Monthly reporting</li> <li>● Reconciliation procedures</li> </ul>	3	1	3
14	<p><b>Financial Statements of Pension Fund incorrect or late</b></p> <ul style="list-style-type: none"> <li>● Damaged reputation</li> <li>● Qualified accounts</li> </ul>	3	2	6	<ul style="list-style-type: none"> <li>● Agreed timetable</li> <li>● Externally audited</li> <li>● Qualified and trained staff</li> <li>● Closedown procedures</li> <li>● Compliance with CIPFA code of Practice and IFRS</li> </ul>	3	2	6
15	<p><b>Governance of the pension fund</b></p> <ul style="list-style-type: none"> <li>● Financial loss</li> <li>● Damaged reputation</li> <li>● Legal issues</li> </ul>	3	2	6	<ul style="list-style-type: none"> <li>● Governance compliance statement</li> <li>● Pension Committee and Board reporting</li> <li>● Monthly member letter</li> <li>● Statement of Investment Principles</li> <li>● Funding Strategy Statement</li> <li>● Trained Committee members and officers</li> </ul>	3	1	3

## PENSION FUND RISK REGISTER

Reference	Risk	Pre Mitigation			Risk Control / Response	Post Mitigation		
		Impact	Likelihood	Risk Score		Impact	Likelihood	Risk Score
16	<b>Communication with employers</b> <ul style="list-style-type: none"> <li>• Damaged reputation</li> <li>• Incorrect payments/receipts</li> <li>• Maladministration</li> </ul>	2	2	4	<ul style="list-style-type: none"> <li>• Employer forum</li> <li>• Annual employers meeting</li> <li>• Pensions website</li> <li>• Pension board representatives feedback</li> </ul>	2	2	4
17	<b>Maturing Fund</b> <ul style="list-style-type: none"> <li>• Cash flow issues</li> <li>• Increasing employer rates</li> <li>• liquid investments</li> </ul>	3	3	9	<ul style="list-style-type: none"> <li>• Investment strategy</li> <li>• Cash flow monitoring</li> <li>• Discourage opt outs</li> <li>• New scheme 50/50 option</li> <li>• Communication</li> </ul>	2	2	4
18	<b>Investment Manager goes bust</b> <ul style="list-style-type: none"> <li>• Inability to trade</li> <li>• No reconciliation or accounting</li> <li>• Losses to assets</li> <li>• Increase in investment risk taken to access higher returns</li> <li>• Increase in employer contributions</li> </ul>	4	1	4	<ul style="list-style-type: none"> <li>• Service level agreement with termination clause</li> <li>• Regular Meetings</li> <li>• Regular reports SAS 70/AAF0106</li> </ul>	4	1	4
19	<b>Employers unable to pay increased contributions</b> <ul style="list-style-type: none"> <li>• Lower funding level</li> <li>• Increase in employer contributions</li> <li>• Employer forced to sell assets</li> <li>• Employer forced into liquidation</li> <li>• Increase in investment risk taken to access higher returns</li> </ul>	2	2	4	<ul style="list-style-type: none"> <li>• Valuation</li> <li>• Regular communication with Employers</li> <li>• Monthly monitoring of contribution payments</li> <li>• Meetings with employers where there are concerns</li> </ul>	2	2	4

## PENSION FUND RISK REGISTER

Reference	Risk	Pre Mitigation			Risk Control / Response	Post Mitigation		
		Impact	Likelihood	Risk Score		Impact	Likelihood	Risk Score
20	<b>Cyber Security of member data - personal employment and financial data</b> <ul style="list-style-type: none"> <li>• ESCC may incur penalties</li> <li>• Damaged reputation</li> <li>• Legal issues</li> <li>• Members of the pension scheme exposed to financial loss</li> <li>• Members of the pension scheme exposed to identity theft</li> <li>• Members of the pension scheme data lost or compromised</li> </ul>	4	2	8	<ul style="list-style-type: none"> <li>• ICT defence-in-depth approach</li> <li>• Utilising firewalls,</li> <li>• Email and content scanners</li> <li>• Using anti-malware.</li> <li>• ICT performs penetration and security tests on regular basis</li> </ul>	4	1	4
21	<b>Cyber Security of third party suppliers</b> <ul style="list-style-type: none"> <li>• Damaged reputation</li> <li>• Financial loss</li> <li>• Inability to trade</li> <li>• Lower funding level</li> <li>• Increase in employer contribution</li> <li>• Increase in investment risk taken to access higher returns</li> </ul>	4	2	8	<ul style="list-style-type: none"> <li>• Service level agreement with termination clause</li> <li>• Regular Meetings</li> <li>• Regular reports SAS 70/AAF0106</li> <li>• Investment Advisors</li> <li>• Global custodian</li> </ul>	4	1	4
22	<b>Guaranteed Minimum Pension (GMP) reconciliation</b> <ul style="list-style-type: none"> <li>• Financial loss</li> <li>• Members of pensions scheme exposed to financial loss</li> <li>• Legal issues</li> <li>• Inaccurate record keeping</li> <li>• Damaged reputation</li> </ul>	3	3	9	<ul style="list-style-type: none"> <li>• Awareness of Pension Regulator Guidance</li> <li>• Public Service Pensions Act 2013</li> <li>• Internal Audit</li> <li>• Key performance indicators</li> <li>• Task Management</li> <li>• Reports to Pension Board and Committee</li> </ul>	3	2	6

## PENSION FUND RISK REGISTER

Reference	Risk	Pre Mitigation			Risk Control / Response	Post Mitigation		
		Impact	Likelihood	Risk Score		Impact	Likelihood	Risk Score
23	<p><b>ACCESS Decision making - Chairs do not agree on key decisions around asset pools/governance etc.</b></p> <ul style="list-style-type: none"> <li>• Damaged reputation</li> <li>• Increase in investment risk taken to access higher returns</li> <li>• Difficulty in switching in and out of the large position and possible delays in execution of investment decisions</li> </ul>	3	2	6	<ul style="list-style-type: none"> <li>• Robust drafting/review/sign off process,</li> <li>• Regular meetings where funds can share thoughts.</li> </ul>	3	1	3
24	<p>The Fund has insufficient resources available to deliver the pooling proposal within the required timescale, without impacting the day-to-day management of the fund.</p> <p>The management of the Pension Fund is adversely affected due to existing resources concentrating on the pooling proposal, resulting in underperformance and failure to meet statutory obligations.</p>	3	2	6	<ul style="list-style-type: none"> <li>• An interim project manager has been appointed to oversee the creation of the Pool and will monitor progress against timescales to ensure that deadlines are achieved.</li> <li>• Officers from each fund involved with the pooling project are monitoring the amount of time spent on the project.</li> <li>• Additional staffing resources may be required if it becomes apparent that insufficient resources exist to take forward the proposal without impacting the day-to-day management of the fund.</li> </ul>	3	2	6
28	<p>Asset transition costs are greater than forecast. Failure to control operational risks and transaction costs during the transition process may lead to an increase in the initial set-up costs forecast by the pooling proposal.</p>	3	2	6	<p>A consultant has analysed the creation of sub-fund and transitioning of our current assets into the pool, under a variety of scenarios. There may also be the opportunity to transfer securities in 'specie', that is to transfer a security directly from an existing portfolio into the new portfolio. A transition manager will be appointed, with the objective of preserving asset values, managing risk and project managing the transition process to ensure that costs are monitored and controlled.</p>	4	1	4

## PENSION FUND RISK REGISTER

Reference	Risk	Pre Mitigation			Risk Control / Response	Post Mitigation		
		Impact	Likelihood	Risk Score		Impact	Likelihood	Risk Score
26	Failure to issue <b>Annual Benefit statements</b> to active and deferred members by 31st August: <ul style="list-style-type: none"> <li>• Reputational risk and complaints</li> <li>• Fines</li> </ul>	3	3	9	<ul style="list-style-type: none"> <li>• Project management approach</li> <li>• Regular contact with employers to get data.</li> <li>• Monthly interfacing to reduce workload at year end</li> <li>• Statements to employers in time to allow time for distribution to staff prior to 31/8/17.</li> <li>• Considerations of employer take up of monthly interfaces system. Many leavers are not being notified until year end.</li> </ul>	3	3	9
27	GDPR/Data Protection – Failure to secure and manage personal data held by the Pension Fund in an appropriate manner and in line with statutory responsibilities. Implications and impact of upcoming EU General Data Protection Regulations (GDPR) - ensure systems and processes in place to comply with legislation - required May 2018	3	2	6	<ul style="list-style-type: none"> <li>• All staff undertake to share personal data with 3rd parties through controlled framework;</li> <li>• Awareness of potential risk in not doing so.</li> <li>• Members including pensioner members are informed regularly (via payslips &amp; newsletters) that data is provided to third parties for the detection / prevention of fraud in accordance with National Fraud Initiative. (On-going)</li> <li>• Further staff training to be undertaken to reinforce awareness.</li> <li>• The Fund is also working with the Council's corporate project team to ensure they are updated of progress.</li> </ul>	4	1	4
28	FCA Submission Timeline - The aggressive timeline to complete the initial submission to the FCA will require approvals and decisions to be made in accordance with the milestones	3	3	9	<ul style="list-style-type: none"> <li>• Ensure all activities on the critical path are understood, tracked and reported on a weekly basis.</li> <li>• Early escalation to the Steering committee of any slippage, options and recommendation to bring delivery back on track</li> </ul>	3	3	9

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**Report to:** Pension Board

**Date of meeting:** 8 May 2018

**By:** Chief Finance Officer

**Title:** Forward Plan

**Purpose:** The updated report sets out the Pension Fund Forward plan for 2018-19. The Plan includes key objectives for the Fund, training strategy/plan for the Fund and Member training log.

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## RECOMMENDATION

**The Board is recommended to note the report.**

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### 1. Introduction

1.1 The Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom recommends the forward plan set out formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective acquisition and retention of public sector pension scheme finance knowledge and skills for those in the organisation responsible for financial administration, scheme governance and decision-making.

### 2. Report Overview

2.1 This report contain an updated 2018/19 Forward Plan, which will assists members with the Fund Governance arrangement, so that the Council is able to perform its role as the administering authority in a structured way, and an updated training plan, with a summary of both external and internal training events that Members and Officers can undertake in 2018/19.

### 3. Pensions Regulator Training Toolkit

3.1 The Pensions Regulator has provided an online training resource to assist those involved with the public sector pension schemes. This is accessed via a "Trustee Toolkit" link on its website. It provides a set of seven modules covering the key themes in the Code of Practice on governance and administration of public service schemes.

### 4. Joint Pension Board and Committee Training Session

4.1 The topics to be covered are detailed within the Pension Board and Committee Forward/Training plan. Following the successful joint training session covering '*ACCESS Pool Governance - Pension Committee/Board Roles; Pantheon Global Infrastructure; and Responsible Investment under the LGPS Pooling Agenda*' on 21st March 2018, the next joint training session is scheduled to take place during September 2018. The proposed topic for the session will be on *Pension Administration - Understanding Best Practice and Interaction with HMRC*.

### 5. Conclusion and reasons for recommendations

5.1 The Board is recommended to note the Pension Board/Committee Forward Plan 2018/19.

**IAN GUTSELL**

**Chief Finance Officer**

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# **EAST SUSSEX PENSION FUND**

## **PENSION COMMITTEE/BOARD FORWARD PLAN 2018-19**

**April 2018**

## Contents

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## Business Plan

### 1 Introduction

- 1.1 Under the Local Government Pension Scheme (LGPS) (Administration) Regulations 2013, the East Sussex County Council administers the Pension Fund for approximately 71,000 individuals employed by 130 different organisations. Underpinning everything we do is a commitment to putting our members first, demonstrating adherence to good practices in all areas of our business and controlling costs to ensure we provide outstanding value for money.
- 1.2 This Business Plan (BP) provides an overview of the Fund's key objectives for 2017/18. The key high level objectives of the fund are summarised as:
- Optimise Fund returns consistent with a prudent level of risk
  - Ensure that there are sufficient resources available to meet the investment Fund's liabilities, and
  - Ensure the suitability of assets in relation to the needs of the Fund.
- 1.3 A bespoke training strategy and plan for this administration was added to the BP after agreement by Members at the Pension Committee in July.
- 1.4 The governance of the Fund is the responsibility of the Chief Finance Officer for the East Sussex County Council, the East Sussex Pension Committee, and the Pension Board. The day to day management of the Fund is delegated to Officers with specific responsibility delegated to the Head of Accounts and Pensions. He is supported in this role by the Pensions Strategy and Governance Manager, and the Finance Manager (Pension Fund Investment).
- 1.5 The Pensions Committee aims to ensure the maximising of investment returns over the long term within an acceptable level of risk. Performance is monitored by asset performance being compared with their strategic benchmarks. This includes reviewing the Fund Managers' quarterly performance reports and discussing their strategy and performance with the Fund Managers.

### 2. KEY DOCUMENTS TO BE CONSIDERED BY THE PENSION BOARD

- 2.1 There are a number of key policy and strategy documents (Appendix 1) which the Local Government Pension Scheme (LGPS) Regulations require to be kept under regular review. These are listed below:

#### 2.2 Annual Report

This report sets out the Pension Fund activities for the previous financial year. The Council is required to publish the report by December of each year to accompany an audited financial statement. Within the Annual Report are the following documents: Statement of Investment Principles, Funding Strategy Statement, Governance Compliance Statement, Communications Policy and Pension Fund accounts.

### 2.3 Funding Strategy Statement

This sets out the strategy for prudently meeting the Fund's future pension liabilities over the longer term, including the maintenance, as far as possible, of stable levels of employer contributions. It also identifies the key risks and controls facing the Fund and includes details of employer contribution rates following the Fund's triennial valuation.

### 2.4 Investment Strategy Statement (ISS)

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 were published and came into force on 1 November 2016. This requires the administering authority to have in place an Investment Strategy Statement (ISS), which replaces the current Statement of Investment Principles (SIP).

The ISS is a document that, under the new regulations, replaces and largely replicates, the previous SIP. Authorities are required to prepare and maintain an ISS which documents how the investment strategy for the Fund is determined and implemented. The ISS is required to cover a number of areas, specifically:

- The requirement to invest money across a wide range of investments.
- An assessment of the suitability of particular investments and investment types.
- The maximum percentage authorities deem should be allocated to different asset classes or types of investment, although limits on allocations to any asset class are not prescribed as is currently the case under the 2009 Regulations.
- The authority's attitude to risk, including the measurement and management of risk.
- The authority's approach to investment pooling.
- The authority's policy on social, environmental and corporate governance considerations.
- The authority's policy with regard to stewardship of assets, including the exercise of voting rights

The East Sussex Pension Committee has drawn up the Investment Strategy Statement (ISS) to comply with the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and the accompanying Guidance on Preparing and Maintaining an Investment Strategy Statement. The Fund consulted its Actuary and Independent Financial Adviser in preparing this statement, which was implemented from April 2017.

The ISS is subject to periodic review at least every three years and more frequently if there are any developments that impact significantly on the suitability of the ISS currently in place. Investment performance is monitored by the Committee on a quarterly basis and may be used to check whether actual results are in-line with those expected under the ISS.

### 2.5 **Communications Policy**

This details how the Fund provides information and publicity about the Pension scheme to its existing members and their employers and methods of promoting the Pension scheme to prospective members and their employers. It also identifies the format, frequency and method of distributing such information or publicity.

### 2.6 **Governance Compliance Statement**

This is a written statement setting out the administering authority's compliance with good practice governance principles. These principles are grouped within eight categories and are listed within the statement. The Fund's compliance against each of these principles is also detailed, including evidence of compliance and, if appropriate, reasons if there is not full compliance.

### 2.7 **Valuation Reports**

The Fund's actuary reviews and amends employer contribution rates every 3 years. The last actuarial valuation was based on Fund membership as at 31 March 2016.

### 2.8 **Administration Strategy**

Sets out standards and guidelines agreed between employers and ESCC to make sure the LGPS runs smoothly. The strategy is reviewed every 12 months and employers are informed of any revisions, which they can also comment on.

### 2.9 **Employers' Discretions Policy**

Regulations allow the County Council as the administering authority to choose how or whether to apply certain discretions for administering the scheme and the Pension Fund.

### 2.10 **Myners Compliance Statement**

Sets out the extent to which the fund complies with best practice principles.

**1. PENSION COMMITTEE – FORWARD/BUSINESS PLAN**

<b>PENSION COMMITTEE FORWARD/BUSINESS PLAN</b>					
<b>Date</b>	<b>November 2017</b>	<b>February 2018</b>	<b>May 2018</b>	<b>July 2018</b>	<b>September 2018</b>
<b>Item</b>					
1	LGPS Pooling – ACCESS Pool Update	LGPS Pooling – ACCESS Pool Update	LGPS Pooling – ACCESS Pool Update	External Audit and Annual Report Approval	LGPS Pooling – ACCESS Pool Update
2	Asset Pooling – Passive Investment Procurement	Communications policy statement	Discretionary policy statement	Investment Strategy review day	Annual review of the Fund’s ESG approach
3	ACCESS Operator Procurement	Reporting Breaches	External Assurance Reports from Third Parties		Review on the investment strategy and Manager benchmarking
4	Annual Benefit Statement - update/ GMP Reconciliation update	Investment Strategy Statement	Cessations and Admission policies		
5	Environmental, Social and Governance (ESG) – update				
6	Option appraisal of services offered by other administration system providers.	Pension Committee/Board Training Plan			
7.	East Sussex Pension Fund: Independent Advisor				

**Recurring items**

<b>Item</b>	
1	Pension Board Minutes
2	Quarterly Performance Report - Hymans Robertson
3	Fund Performance – Fund Manager Presentation
4	Officers' Report - Business Operations
5	Officers' Report - General Update
6	Forward Plan



**2. PENSION BOARD – FORWARD/BUSINESS PLAN**

PENSION BOARD FORWARD/BUSINESS PLAN				
Date	November 2017	February 2018	May 2018	September 2018
Item				
1	Pension Committee Agenda	Pension Committee Agenda	Pension Committee Agenda	Pension Committee Agenda
2	LGPS Pooling – ACCESS Pool Update	LGPS Pooling – ACCESS Pool Update	LGPS Pooling – ACCESS Pool Update	LGPS Pooling – ACCESS Pool Update
3	Proposals for Vice Chair position	Polices of the administering Authority · conflicts of interests · record-keeping/meeting attendance; · data protection and freedom of information	Pension Fund 2017/18 Annual Report	Third party contracts
4	ESG report considered by the Committee in September	Risk register	Draft Internal Audit Pension Fund Strategy and Internal Audit Reports	Review on fee arrangements
5	Meeting the Training Requirements - Board Members	Communications policy statement	2018 Annual Benefit Statement Exercise – update	
6	Annual Benefit Statement - update		Pension Fund Policies – Discretionary Policy Statement, Administration Strategy Statement, and Pension Fund Cessation Policy.	
7	ESPF Customer Survey results		Pension Fund – Risk Register	
8	GMP Reconciliation - update			

**Recurring items**

Item	
1	Officers' Report - Business Operations
2	Officers' Report - General Update
3	Forward Plan

# East Sussex Pension Fund (ESPF)

## Pension Board and Committee Training Strategy

### 1. Introduction - Target audience

#### 1.1 Pensions Committee:

East Sussex County Council (Scheme Manager) operates a Pensions Committee (the “Pensions Committee”) for the purposes of facilitating the administration of the East Sussex Pension Fund, i.e. the Local Government Pension Scheme that it administers. Members of the Pensions Committee owe an independent fiduciary duty to the members and employer bodies in the Funds and the taxpayer. Such members are therefore required to carry out appropriate levels of training to ensure they have the requisite knowledge and understanding to properly perform their role.

#### 1.2 Pension Board:

The Scheme Manager is also required to establish and maintain a Pension Board, for the purposes of assisting with the ongoing compliance of the Fund. The Pension Board is constituted under the provisions of the Local Government Pension Scheme (Governance) Regulations 2015 and the Public Service Pensions Act 2013. Members of the Pension Board should also receive the requisite training and development to enable them to properly perform their compliance role. This strategy sets out the requirements and practicalities for the training of members of both the Pensions Committee and the Pension Board. It also provides some further detail in relation to the attendance requirements for members of the Pension Board and in relation to the reimbursement of expenses.

The East Sussex Pension Funds’ objectives relating to knowledge and skills should be to:

- Ensure the pension fund is managed and its services delivered by Officers who have the appropriate knowledge and expertise;
- Ensure the pension fund is effectively governed and administered;
- Act with integrity and be accountable to its stakeholders for decisions, ensuring they are robust and are well based and regulatory requirements or guidance of the Pensions Regulator, the Scheme Advisory Board and the Secretary of State for Communities and Local Government are met.

To achieve these objectives:-

#### 1.3 The East Sussex Pension Fund’s Pension Committee require an understanding of:

- Their responsibilities in exercising their delegated decision making power on behalf of East Sussex County Council as the Administering Authority of the East Sussex Pension Fund;
- The fundamental requirements relating to pension fund investments;
- The operation and administration of the pension fund;

- Controlling and monitoring the funding level; and
- Taking effective decisions on the management of the Fund.

**1.4 East Sussex Pension Fund's Local Pension Board members** must be conversant with-

- The LGPS Regulations and any other regulations governing the LGPS
- Any document recording policy about the administration of the Fund

And have knowledge and understanding of:

- The law relating to pensions; and
- Such other matters as may be prescribed

To achieve these objectives, the Fund will aim for full compliance with the CIPFA Knowledge and Skills Framework (KSF) and Code of Practice to meet the skills set within that Framework. Attention will also be given to any guidance issued by the Scheme Advisory board, the Pensions Regulator and guidance issued by the Secretary of State. Ideally, targeted training will also be provided that is timely and directly relevant to the Committee's and Board's activities as set out in the Fund's business plan.

Board members will receive induction training to cover the role of the East Sussex Pension Fund, Pension Board and understand the duties and obligations for East Sussex County Council as the Administering Authority, including funding and investment matters.

Also those with decision making responsibility in relation to LGPS pension matters and Board members will also:

- Have their knowledge assessed;
- Receive appropriate training to fill any knowledge gaps identified; and
- Seek to maintain their knowledge.

### **1.5 The Knowledge and Skills Framework**

In an attempt to determine what constitutes the right skill set for a public sector pension finance professional the Chartered Institute of Public Finance and Accounting (CIPFA) has developed a technical knowledge and skills framework. This is intended as a tool for organisations to determine whether they have the right skill mix to meet their scheme financial management needs, and an assessment tool for individuals to measure their progress and plan their development.

The framework is designed so that elected members and officers can tailor it to their own particular circumstances. In total, there are six main areas of knowledge and skills that have been identified as the core technical requirements for those working in public sector pension finance or for Members responsible for the management of the Fund. These have been outlined in some detail in Appendix 1 and summarised below –

1. Pension Legislation & Governance Context
2. Pensions Accounting & Auditing Standards
3. Financial Services Procurement & Relationship Management
4. Investment Performance & Risk Management
5. Financial Markets & Products Knowledge
6. Actuarial Methods, Standards & Practices

### 1.6 Scheme Employers now have a greater need –

- Of being kept up to date of their increased responsibilities as a result the introduction of the CARE Scheme in the LGPS and the timeliness of providing data and scheme member information
- Of appreciating some of the determinations being made by the Pensions Ombudsman that impact directly on their decisions concerning ill-health retirement cases
- To be aware of the importance of having written discretion policies in place
- Of their representation role on the East Sussex Pension Board.

### 1.7 Application of the training strategy

This Training Strategy will set out how ESCC will provide training to representatives with a role on the Pension Committee, Pension Board members and Employers. Officers involved in the management and administration of the Fund will have their own sectional and personal training plans and career development objectives.

### 1.8 Purpose of training

The purpose of training is to:

- Equip members with the necessary skills and knowledge to be competent in their role;
- Support effective and robust decision making;
- Ensure individuals understand their obligation to act, and to be seen to act with integrity;
- Ensure that members are appropriately skilled to support the fund in achieving its objectives.

### 1.9 Summary

Officers will work in partnership with members to deliver a training strategy that will:

- Assist in meeting the East Sussex Pension Fund objectives;
- Support the East Sussex Pension Fund's business plans;
- Assist members in achieving delivery of effective governance and management;
- Equip members with appropriate knowledge and skills;
- Promote ongoing development of the decision makers within the East Sussex Pension Fund;
- Demonstrate compliance with the CIPFA Knowledge and Skills Framework;
- Demonstrate compliance with statutory requirements and associated guidance

## **2. Delivery of Training**

### **2.1 Training plans**

To be effective, training must be recognised as a continual process and centred on 3 key points

- The individual
- The general pensions environment
- Coping with change and hot topics

The basis of good training for a Fund is to have in place a training plan complemented by a training strategy or policy.

The training strategy supported by the plan will set out how, what and when training will be carried out.

Officers will with members conduct reviews of training, learning and development processes and identify gaps versus best practice.

### **2.2 Training resources**

Public bodies such as the Local Government Association (LGA) and Actuarial, Benefit Consultants and Investment Consultants have been carrying out training sessions for LGPS Funds for many years. This means there is a vast readily available library of material to cover many different topics and subjects and the appropriate expert to deliver it.

### **2.3 Appropriate Training**

As mentioned in 2.1 above it is best practice for a Fund to have in place a training strategy and training plan. This will help identify the Fund's objectives and indicate what information should be contained in the training material and presentation. For example, if the East Sussex Pension Fund records its aim for full compliance with the CIPFA Knowledge and Skills Framework (KSF) and Code of Practice to meet the skill set within the Framework, the content of training will meet the requirements of the KSF. This is particularly important if the East Sussex Pension Fund is monitoring the knowledge levels of Committee members of Board members, in which case the training must cover any measurement assessment being applied by the Fund in the monitoring knowledge levels.

### **2.4 Flexibility**

It is recognised that a rigid training plan can frustrate knowledge attainment if it does not adapt for a particular purpose, there is a change in pension's law or new responsibilities are required of board members. Learning programmes will therefore include some flexibility so they can deliver the appropriate level of detail required.

**2.5 E-Learning**

The Pensions Regulator has available an online e-learning programme for those involved in running public service pension schemes. This learning programme is aimed at all public service schemes and whilst participation is to be encouraged, taking this course alone is very unlikely to meet with knowledge and understanding requirements of LGPS local pension board members.

**3. Training deliverables**

**3.1 Suitable Events**

It is anticipated that at least 1 day’s annual training will be arranged and provided by officers to address specific training requirements to meet the Committee’s forward business plan, all members will be encouraged to attend this event.

A number of specialist courses are run by bodies such as the Local Government Employers and existing fund manager partners, officers can provide details of these courses. There are a number of suitable conferences run annually, officers will inform members of these conferences as details become available. Of particular relevance are the National Association of Pension Funds (NAPF) Local Authority Conference, usually held in May, the LGC Local Authority Conference, usually held in September, and the Local Authority Pension Fund Forum (LAPFF) annual conference, usually held in December.

**3.2 Training methods**

There are a number of methods and materials available to help officers prepare and equip members to perform their respective roles. Consideration will be given to various training resources available in delivering training to members of Committee, Board, and officers in order to achieve efficiencies. These may include but are not restricted to:-

<b>For Pension Committee and Pension Board Members</b>	<b>For Officers</b>
<ul style="list-style-type: none"> <li>• On site or off site</li> <li>• Using an Online Knowledge Portal or other e-training facilities</li> <li>• Attending courses, seminars and external events</li> <li>• Internally developed training days</li> <li>• Short sessions on topical issues or scheme-specific issues</li> <li>• Informal discussion and One to one</li> <li>• Shared training with other Funds or Frameworks</li> <li>• Regular updates from officers and/or advisors</li> <li>• A formal presentation</li> </ul>	<ul style="list-style-type: none"> <li>• Desktop/work based training</li> <li>• Using an Online Knowledge Portal or other e-training facilities</li> <li>• Attending courses, seminars and external events</li> <li>• A workshop with participation</li> <li>• Short sessions on topical issues or scheme-specific issues</li> <li>• Informal discussion and One to one</li> <li>• Training for qualifications from recognised professional bodies (e.g. CIPFA, ACCA, etc.)</li> <li>• Internally developed sessions</li> <li>• Shared training with other Funds or Framework</li> </ul>

### 3.3 Training material

Officers will discuss with members the material they think is most appropriate for the training. Officers can provide hand outs and other associated material.

## 4. Monitoring and Reporting

Each member of the Pensions Committee and Pension Board will inform the Scheme Manager of relevant training attended from time to time. A report will be submitted to the Pensions Committee annually highlighting the training and attendance of each member of the Pensions Committee and Pension Board.

Where the Scheme Manager has a concern that a member of the Pension Board is not complying with the requisite training or attendance requirements it may serve a notice on the Pension Board, requiring the Pension Board to take necessary action. The Pension Board shall be given reasonable opportunity to review the circumstances and, where appropriate, liaise with the Scheme Manager with a view to demonstrating that such member will be able to continue to properly perform the functions required of a member of the Pension Board.

This training strategy will be reviewed on an ongoing basis by the Scheme Manager, taking account of the result from any training needs evaluations and any emerging issues. The Committee/Board will be updated with events and training opportunities as and when they become available and relevant to on-going pension governance

## 5. Risk

### 5.1 Risk Management

The compliance and delivery of a training strategy is a risk in the event of-

- Frequent changes in membership of the Pension Committee or Pension Board
- Poor individual commitment
- Resources not being available
- Poor standards of training
- Inappropriate training plans

These risks will be monitored within the scope of the training strategy to be reported where appropriate.

## 6. Budget

### 6.1 Cost

A training budget will be agreed and costs fully scoped.

### 6.2 Reimbursement of expenses

All direct costs and associated reasonable expenses for attendance of external courses and conferences will be met by the fund.

All reasonable expenses properly incurred by members of the Pensions Committee, and the Pension Board necessary for the performance of their roles will be met by the Funds, provided that the Scheme Manager's prior approval is sought before incurring any such expenses (other than routine costs associated with travelling to and from Pensions Board/Committee meetings) and appropriate receipts are sent to the Scheme Manager evidencing the expenses being claimed for.

### **7. Pensions Regulator Training Toolkit**

The Pensions Regulator has provided an on-line training resource to assist those involved with the public sector pension schemes. This is accessed via a "Trustee Toolkit" link on its website.

It provides a set of seven modules covering the key themes in the Code of Practice on governance and administration of public service schemes. Each module provides an option to complete an interactive tutorial online and an assessment to test knowledge. The modules are:

- Conflicts of interest
- Managing risk and internal controls
- Maintaining accurate member data
- Maintaining member contributions
- Providing information to members and others
- Resolving internal disputes
- Reporting breaches of the law.

The Regulator suggests that each module's tutorial should take no more than 30 minutes to complete. The modules will assist with meeting the minimum knowledge and understanding requirements in relation to the contents of the Code of Practice, but would not meet the knowledge and skills requirements in other areas such as Scheme regulations, the Fund's specific policies and the more general pension's legislation. Therefore, this toolkit should be used to supplement the existing training plans.



**Proposed Members Training Plan for 2017-2018**

The proposed Training Plan for East Sussex Pension Fund Committee/Board Members incorporate the ideas, themes and preferences identified in the Self Assessment of Training Needs along with upcoming areas where the Board/Committee will require additional knowledge. The Plan aims to give an indication of the delivery method and target completion date for each area. On approval, officers will start to implement this programme, consulting with Members as appropriate concerning their availability regarding appropriate delivery methods.

	PROPOSED DELIVERY METHODS							
TRAINING NEED	One-to-One Briefing with an officer	Members' Briefing Notes	Short Seminars (before Committee meeting)	Training Events (Internal & External Speakers)	External Conferences & Training Seminars	E-Learning (e.g. Webcasts, Videos)	KSF area (s)	COMPLETION TARGET DATE
<b>GENERAL TRAINING</b>								
General overview of LGPS - Induction <ul style="list-style-type: none"> <li>Member's Role</li> </ul>	✓						1	Completed
Members individual needs on specific areas arising during the year <ul style="list-style-type: none"> <li>Advisory Board e-learning</li> </ul>	✓	✓			✓	✓ ✓	1,3,4	As required – notify Head of Accounts and Pensions
Pre- committee meeting/agendas <ul style="list-style-type: none"> <li>Specific investment Topics</li> <li>Services and providers</li> <li>Procurement process for</li> </ul>		✓ ✓ ✓	✓ ✓ ✓				2,3,4,5	

	PROPOSED DELIVERY METHODS							
TRAINING NEED	One-to-One Briefing with an officer	Members' Briefing Notes	Short Seminars (before Committee meeting)	Training Events (Internal & External Speakers)	External Conferences & Training Seminars	E-Learning (e.g. Webcasts, Videos)	KSF area (s)	COMPLETION TARGET DATE
services provided externally <ul style="list-style-type: none"> <li>• Performance measurement</li> <li>• Accounts and audit regulations</li> <li>• Role of internal and external audit</li> <li>• Fund responsibilities/ policy</li> <li>• Pension Discretions</li> <li>• Safeguarding the Fund's Assets</li> </ul>		✓ ✓ ✓ ✓ ✓ ✓ ✓	✓ ✓ ✓ ✓ ✓ ✓					
Pension Fund Forum <ul style="list-style-type: none"> <li>• Valuation Process</li> <li>• Knowledge of the valuation process and the need for a funding strategy</li> <li>• Implications for employers of ill health and outsourcing decisions</li> <li>• Importance of monitoring asset returns relative to liabilities</li> </ul>				✓			1,4,6	

	PROPOSED DELIVERY METHODS							
TRAINING NEED	One-to-One Briefing with an officer	Members' Briefing Notes	Short Seminars (before Committee meeting)	Training Events (Internal & External Speakers)	External Conferences & Training Seminars	E-Learning (e.g. Webcasts, Videos)	KSF area (s)	COMPLETION TARGET DATE
<b>SPECIFIC ISSUES IDENTIFIED FROM MEMBERS SELF ASSESSMENTS</b>								
General Pension Framework <ul style="list-style-type: none"> <li>• LGPS discretions &amp; policies</li> <li>• Implications of the Hutton Review</li> </ul>		✓	✓	✓	✓		1,6	
Pensions Legislation & Governance: <ul style="list-style-type: none"> <li>• Roles of the Pension Regulator, Pension Advisory Service &amp; Pension Ombudsman in relation to the scheme</li> <li>• Review of Myners principles and associated CIPFA &amp; SOLACE guidance</li> </ul>		✓		✓			1,2,	
Pension Accounting & Auditing standards: <ul style="list-style-type: none"> <li>• Accounts &amp; Audit regulations and the legislative requirements</li> </ul>			✓				1,2	

## East Sussex Pension Fund

	PROPOSED DELIVERY METHODS							
TRAINING NEED	One-to-One Briefing with an officer	Members' Briefing Notes	Short Seminars (before Committee meeting)	Training Events (Internal & External Speakers)	External Conferences & Training Seminars	E-Learning (e.g. Webcasts, Videos)	KSF area (s)	COMPLETION TARGET DATE
Financial Services procurement: <ul style="list-style-type: none"> <li>• Current public procurement policy &amp; procedures</li> <li>• UK &amp; EU procurement legislation</li> </ul>				✓ ✓			3,5,6	
Investment Performance & Risk Management: <ul style="list-style-type: none"> <li>• Monitoring asset returns relative to liabilities</li> <li>• Myners principles of performance management</li> <li>• Setting targets for committee and how to report against them</li> </ul>				✓ ✓ ✓	✓		3,5,6	Invite to be circulated to when relevant
Financial markets & products knowledge: <ul style="list-style-type: none"> <li>• Refresh the importance of setting investment strategy</li> <li>• Limits placed by regulation on investment activities in</li> </ul>			✓	✓	✓		4 1 4	

	PROPOSED DELIVERY METHODS							COMPLETION TARGET DATE
	One-to-One Briefing with an officer	Members' Briefing Notes	Short Seminars (before Committee meeting)	Training Events (Internal & External Speakers)	External Conferences & Training Seminars	E-Learning (e.g. Webcasts, Videos)	KSF area (s)	
the LGPS <ul style="list-style-type: none"> <li>Understanding of the operations of the fixed income manager</li> <li>Understanding of Alternative asset classes</li> </ul>				✓			4,5,6	
Pension Administration - <ul style="list-style-type: none"> <li>Shared service</li> </ul>		✓	✓	✓			2,6	
Actuarial methods, standards and practices: <ul style="list-style-type: none"> <li>Considerations in relation to outsourcings and bulk transfers</li> <li>Triennial Valuation refresher</li> </ul>		✓ ✓					1 6	
<b>CHAIRMAN TRAINING</b>								
<ul style="list-style-type: none"> <li>Fund Benchmarking</li> <li>Stakeholder feedback</li> <li>Appreciation of changes to scheme rules</li> </ul>	✓ ✓				✓		2 4 1,5	

	PROPOSED DELIVERY METHODS							
TRAINING NEED	One-to-One Briefing with an officer	Members' Briefing Notes	Short Seminars (before Committee meeting)	Training Events (Internal & External Speakers)	External Conferences & Training Seminars	E-Learning (e.g. Webcasts, Videos)	KSF area (s)	COMPLETION TARGET DATE
<b>EXTERNAL SEMINARS AND CONFERENCES</b>								
NAPF Local Govt Conference <ul style="list-style-type: none"> <li>• Refresher training</li> <li>• Keeping abreast of current development</li> </ul>					✓ ✓		1,3,4,5	
LGC Investment Conference <ul style="list-style-type: none"> <li>• Fund Manager events and networking</li> </ul>					✓ ✓		1,2,3,4,5,6	

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**Key**

**The six areas covered within the CIPFA Knowledge and Skills Framework (KSF):**

- |   |             |
|---|-------------|
| 1. Pension Legislation & Governance Context                 | <b>KSF1</b> |
| 2. Pensions Accounting & Auditing Standards                 | <b>KSF2</b> |
| 3. Financial Services Procurement & Relationship Management | <b>KSF3</b> |
| 4. Investment Performance & Risk Management                 | <b>KSF4</b> |
| 5. Financial Markets & Products Knowledge                   | <b>KSF5</b> |
| 6. Actuarial Methods, Standards & Practices                 | <b>KSF6</b> |

**EAST SUSSEX PENSION BOARD – TRAINING LOG**

**Member/Representative Name:** .....

Subject/Description of training	Date completed	Suggested Further Action?
<b>Benefit Structure</b>		
Joining	22 February 2016	
Contributions	22 February 2016	
Benefits	22 February 2016	
Transfers	22 February 2016	
Retirement	22 February 2016	
Increasing benefits	22 February 2016	
<b>Code of Practice</b>		
About the code	22 February 2016	
Governing your scheme	22 February 2016	
Risk	22 February 2016	
Administration	22 February 2016	
Resolving issues	22 February 2016	
<b>LGPS – Legislative and Governance context</b>		
A recap on who does what in the LGPS focusing on the roles of;	14 June 2016 & 21st March 2018	
The administering authority	14 June 2016 & 21st March 2018	
The employers	14 June 2016 & 21st	

<i>Member/Representative Name: .....</i>		
Subject/Description of training	Date completed	Suggested Further Action?
	March 2018	
The Committee	14 June 2016 & 21st March 2018	
The LPB	14 June 2016 & 21st March 2018	
S151 officer	14 June 2016 & 21st March 2018	
Conflicts of Interest and Reporting Requirements	14 June 2016	
Consideration of the Committee and Pension Board's responsibilities in the areas of;	14 June 2016 & 21st March 2018	
<b>Conflicts of interest</b>		
Reporting breaches of the law	14 June 2016	
<b>2016 Triennial Valuation refresher</b>		
Funding principles and preparing for the 2016 valuation;	14 June 2016	
Valuation basics	14 June 2016	
Role of the PC & LPB	14 June 2016	
Purpose of the valuation / Funding Strategy Statement	18 July 2016	
2013 valuation overview	18 July 2016	
Whole fund and employer results	18 July 2016	
Contribution stability / Like for like results	18 July 2016	
Funding strategy	18 July 2016	
Employer risk / Employer specific funding objectives	18 July 2016	



<b>Member/Representative Name:</b> .....		
Subject/Description of training	Date completed	Suggested Further Action?
Experience from 2013 to 2016	18 July 2016	
Markets (asset returns and yields)	18 July 2016	
Longevity experience	18 July 2016	
<b>TPR's Public Sector Online Toolkit (7 modules)</b>		
Conflicts of Interest		
Managing Risk and Internal Control		
Maintaining Accurate Records		
Maintaining Member Contributions		
Providing Information to Members and Others		
Resolving Internal Disputes		
Reporting Breaches of the Law		
<b>TPR Code of Practice no. 14</b>		
Governing Your Scheme	26 September 2017	
Managing Risks	26 September 2017	
Administration	26 September 2017	
Resolving Issues	26 September 2017	
<b>Pensions Legislation</b>		
The Legislative Framework for Pensions in the UK	26 January 2017	
LGPS Regulations and Statutory Guidance	26 January 2017	

<b>Member/Representative Name:</b> .....		
Subject/Description of training	Date completed	Suggested Further Action?
LGPS Discretions	26 January 2017	
Other Legislation	26 January 2017	
<b>Member/Representative Name:</b> .....		
Subject/Description of training	Date completed	Suggested Further Action?
<b>Pensions Governance</b>		
Understanding National and Local Governance Structure	21st March 2018	
Knowledge of Pension Fund Stakeholders		
Knowledge of Pension Fund Stakeholder Consultation and Communication		
Governance Policies	21st March 2018	
<b>Pension Administration</b>		
Understanding Best Practice		
Interaction with HMRC		
Additional Voluntary Contributions	3 November 2017	
The Role of the Scheme Employer		
Stewardship Report		
<b>Pensions Accounting and Auditing Standards</b>		
Understanding the Accounts and Audit Regulations		
The Role of Internal and External Audit		

<b>Member/Representative Name: .....</b>		
<b>Subject/Description of training</b>	<b>Date completed</b>	<b>Suggested Further Action?</b>
Third Party Contracts		
<b>Investment Performance and Risk Management</b>		
Monitoring Assets and Assessing Long-Term Risk		
Myners Principles of Performance Management		
Awareness of Support Services		
Understanding Risk and Return of Fund Assets	18 July 2016	
Understanding the Financial Markets	3 November 2017	
LGPS (Management and Investment of Funds) Regulations		
HMRC and Overseas Taxation		
<b>Procurement and Relationship Management</b>		
Public Procurement Policy and Procedures		
Brief Overview of UK and EU Procurement Legislation		
How the Pension Fund Monitors and Manages its Outsourced Providers	13 June 2017	
<b>Additional Training</b>		
LGPS discretions & policies	26 January 2017	
Safeguarding the Fund's Assets	26 January 2017	
Developing Investment Strategies Statement	26 January 2017	
Role of the Global Custodian – Northern Trust	26 January 2017	
Pensions legislative & Governance	26 October 2016	

<b>Member/Representative Name: .....</b>		
<b>Subject/Description of training</b>	<b>Date completed</b>	<b>Suggested Further Action?</b>
Environmental, Social and Governance (ESG)	13 June 2017	
The role of the Board/Committee within the ACCESS LGPS Pool;	26 September 2017	
Updates from the Pension Fund Regulator.	26 September 2017	
ACCESS Pool Governance - Pension Committee/Board Roles	21st March 2018	
Pantheon Global Infrastructure	21st March 2018	
Responsible Investment under the LGPS Pooling Agenda.	21st March 2018	

AVAILABLE TRAINING AND CONFERENCES 2018 – 2019

Date	Conference/Event	Run By	Delegates/Cost
	Investment Summit	Local Government Chronicle (LGC)	TBC
	Annual Local Government Pension Investment Forum	Informal	TBC
	LAPFF Business meeting	Local Authority Pension Fund Forum (LAPFF)	Free
	Local Authority Forum	Pension and Lifetime Savings Association (PLSA)	Free
	LAPFF Annual Conference	Local Authority Pension Fund Forum (LAPFF)	Free
	LAPFF AGM And Business meeting	Local Authority Pension Fund Forum (LAPFF)	Free
<b>On-Line Training</b>			
<a href="http://www.thepensionsregulator.gov.uk">www.thepensionsregulator.gov.uk</a>	Pension Education Portal	Pensions Regulator	Free on-line
<a href="http://www.lgpsregs.org/">http://www.lgpsregs.org/</a>	LGPS Regulations and Guidance	LGPS Regulations and Guidance	Free on-line
<a href="http://www.lgps2014.org/">http://www.lgps2014.org/</a>	LGPS 2014 members website	LGPS 2014 website	Free on-line
<a href="http://www.local.gov.uk">www.local.gov.uk</a>	LGA website	Local Government Association	Free on-line

## Joint Pension Committee and Pension Board Training Session Members Training - Forward Plan

JOINT PENSION COMMITTEE AND PENSION BOARD - FORWARD PLAN					
Date	13 June 2017	26 September 2017	24 January 2018	21 March 2018	Xx September 2018
Topics	<ul style="list-style-type: none"> <li>Environmental, Social and Governance (ESG) Training Day</li> </ul>	<ul style="list-style-type: none"> <li>The role of the Board/Committee within the ACCESS LGPS Pool;</li> <li>Updates from the Pension Fund Regulator.</li> </ul>	<ul style="list-style-type: none"> <li>Pension Fund Governance;</li> <li>Fund Assets - Carbon Footprint Measurement;</li> <li>Environmental, Social and Governance (ESG).</li> </ul>	<ul style="list-style-type: none"> <li>ACCESS Pool Governance - Pension Committee/Board Roles</li> <li>Pantheon Global Infrastructure</li> <li>Responsible Investment under the LGPS Pooling Agenda.</li> </ul>	<ul style="list-style-type: none"> <li>Pension Administration –</li> <li>Understanding Best Practice and</li> <li>Interaction with HMRC.</li> </ul>



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