



PENSION BOARD

MONDAY, 5 NOVEMBER 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

A G E N D A

- 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 Responsible Investment Policy (*Pages 15 - 22*)
- 7 Financial Reporting Council - UK Stewardship Code (*Pages 23 - 30*)
- 8 Internal Audit Report - Pension Administration (*Pages 31 - 42*)
- 9 Guaranteed Minimum Pension (GMP) Reconciliation Project update (*Pages 43 - 46*)
- 10 Annual Benefit Statement breach (*Pages 47 - 48*)
- 11 Officers' Report - Business Operations (*Pages 49 - 54*)
 - *Data Cleansing Plan*
- 12 Officers' Report - General Update (*Pages 55 - 60*)
 - Breaches log
- 13 Pension Fund - Risk Register (*Pages 61 - 76*)
- 14 Forward Plan (*Pages 77 - 108*)
- 15 Any other non-exempt items previously notified under agenda item 4
- 16 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).

- 17 Local Government Pension Scheme (LGPS) Pooling - ACCESS update (*Pages 109 - 142*)
- 18 Pension Employers update (*Pages 143 - 152*)
- 19 Any other exempt items previously notified under agenda item 4

PHILIP BAKER
Assistant Chief Executive
County Hall, St Anne's Crescent
LEWES BN7 1UE

26 October 2018

Contact Harvey Winder, Democratic Services Officer,
01273 481796
Email: harvey.winder@eastsussex.gov.uk

PENSION BOARD

MINUTES of a meeting of the Pension Board held at County Hall, Lewes on 10 September 2018.

PRESENT

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

ALSO PRESENT

Councillor David Elkin, Lead Member for Resources
Councillor Richard Stogdon, Chair of the Pension Committee
Ian Gutsell, Chief Finance Officer
Ola Owolabi, Head of Pensions
Brian Smith, Head of Business Operations
Wendy Neller, Pensions Strategy and Governance Manager
Richard Warden, Fund Actuary
Danny Simpson, Principal Auditor
Russell Wood, Principal Pensions Officer

1 MINUTES

- 1.1 The Board agreed the minutes as a correct record of the meeting held on 8 May 2018.

2 APOLOGIES FOR ABSENCE

- 2.1 Apologies for absence were received from Rezia Amin.

3 DISCLOSURE OF INTERESTS

- 3.1 There were no disclosures of interest.

4 URGENT ITEMS

- 4.1 There were no urgent items.

5 PENSION COMMITTEE AGENDA

- 5.1 The Board considered the draft agenda of the Pension Committee's next meeting.

5.2 Ola Owolabi (OO), Head of Pensions, informed the Board that the Pension Committee reports not yet available for the Board's meeting would be circulated by email to Board members ahead of the Pension Committee meeting on 24 September. The Chair, Richard Harbord, encouraged the Board members to comment on these reports.

- 5.3 The Board RESOLVED to note the report.

6 HYMANS ROBERTSON EMPLOYER ASSET TRACKER

6.1. The Board considered a presentation by Richard Warden (RW), the Fund's Actuary, about an employer asset tracker programme called HEAT.

6.2. Angie Embury (AE) asked whether HEAT was a reliable piece of software. RW confirmed that it was well developed and reliable and has been used successfully by Local Government Pension Schemes (LGPS) in Manchester, Lothian and Cheshire for several years. OO added that four of the administering authorities in the ACCESS pool including East Sussex – were considering purchasing it.

6.3. Councillor Brian Redman (BR) asked whether the ability of HEAT to create bespoke employer investment strategies and monthly employer asset reports would be used for all 140 employers in the East Sussex Pension Fund (ESPF) and whether this would be difficult to manage. OO said that HEAT would help to map out a bespoke investment strategy for an employer known to be financially risky to the Fund and that the monthly reports would then help to manage the performance of that employer, which would be very difficult to do without the up-to-date account information HEAT provides. This approach, however, would not need to be applied to all 140 employers and most would adopt the Fund's main investment strategy and receive asset reports at most quarterly. RW added that most funds have no more than three investment strategies for employers. These include the main fund; a sub-fund for cash flow negative employers that contains more income generating assets; and a sub-fund for more financially insecure employers that emphasises protective assets such as bonds.

6.4. Sue McHugh (SM) asked whether the employer asset reports could help map out an employer's potential future contribution rates to the ESPF. RW confirmed that HEAT would help to provide this information. Wendy Neller (WN), Pensions Strategy and Governance Manager, added that HEAT can assist in the provision of information for employers, with free and timely funding reports that provide valuations of assets, liabilities etc. that previously could only be provided by costly actuarial reports.

6.5. AE asked whether HEAT will help to identify employers that are making late monthly contributions. WN explained that there is already a policy in place where if an employer does not pay its contributions on the 19th of the following month ESPF will write to the employer reminding it of the need to pay and the risk of fines if it does not, but HEAT will complement this process.

6.6. Diana Pogson (DP) asked whether significant changes will need to be made to the pension administration teams or the data they collect to implement HEAT. WN confirmed that this would not be the case. OO added that the presentation would not have been brought to the Board for consideration if officers did not feel assured that the system could be implemented.

6.7. BR asked whether it was feasible to manage difficult employers if they are entitled to be in the fund regardless. RW agreed that – in the main – scheduled bodies cannot be removed from the ESPF but would hopefully see the benefit of a bespoke investment strategy; on the other hand the fund has significantly more control over admitted bodies.

6.8. The Chair asked whether employers with an alternate investment strategy had ring-fenced assets. RW confirmed that HEAT can either notionally ring-fence ESPF assets to particular sub-funds or can specifically allocate assets to particular employers. DP observed that it would depend on the risk the employer posed to the Fund whether it was worth physically separating its assets.

6.9. The Board agreed that the fee of £15 per employer per month for HEAT was not insignificant (amounting to around £25,000 per year) so recommended that officers were first of all clear how the system would be implemented, and clear of the benefits the system would bring to themselves and to employers.

6.10. The Board RESOLVED to note the report.

7 REVIEW OF MANAGERS FEE ARRANGEMENTS

7.1. The Board considered a report on the current fee levels paid by East Sussex Pension Fund (ESPF) to investment managers.

7.2. AE asked why the ESPF increased in value by 21% in 16/17 but only 1% in 17/18. OO explained that this was a reflection of the exceptional performance of the equities markets during that year.

7.3. The Chair welcomed the reduction of £0.1m in investment manager fees from 16/17 to 17/18 but said it was a relatively small amount. He suggested that the only time fees can be lowered significantly is when investment managers are first appointed. SM added that more success reducing fees could be had if officers were more candid about proposing to review arrangements with investment managers. OO said that the Fund also considers the long term returns that investment managers are able to provide, not just their investment fees, and had gotten rid of ineffective managers such as Lazards despite offers to reduce fees.

7.4. The Board RESOLVED to note the report.

8 INTERNAL AUDIT REPORT - ACCESS POOL

8.1. The Board considered a report on the outcome of Internal Audit's ACCESS Pool Governance and Structure review.

8.2. BR asked whether Internal Audit was concerned about the apparent lack of clarity of the role of pension boards in the ACCESS governance arrangements. Danny Simpson (DS), Principal Auditor, said that the role of pension boards was not yet wholly clear but is being monitored by Internal Audit. Ian Gutsell (IG), Chief Finance Officer, explained that the ACCESS Section 151 officer group and the ACCESS officer working group were aware of and were developing ways to ensure there was board representation within ACCESS.

8.3. The Chair said that the Board expects regular reports about ACCESS in order to maintain its role of assisting the Pension Committee in managing ESPF assets that have been pooled into ACCESS sub-funds. He said he expected Internal Audit reports on ACCESS would form part of this regular stream of information.

8.4. The Board RESOLVED to note the report.

9 2018 ANNUAL BENEFIT STATEMENT REPORT

9.1. The Board considered a report about the outcome of the Annual Benefit Statement exercise following the statutory deadline for completion of 31 August 2018.

9.2. Brian Smith (BS), Head of Operations, said that Gildredge House Free School had now provided its end of year return allowing for the processing of its employees' annual benefit statements.

9.3. The Chair said that it was regrettable that a breach that effects the administering authority's compliance with regulations had occurred. He was surprised that it seemed sufficient pressure at all levels was not applied to the school to get it to comply, particularly as the school's belated compliance in the last 10 days showed it did have the ability to do so. He expressed disappointment that this incident meant that the ESPF had not achieved 100% compliance with the statutory deadline despite additional effort this year.

9.4. Councillor Richard Stogdon (RS), Chair of the Pension Committee, asked what penalties could be applied to employers that fail to meet the deadline for end of year returns. RW explained that the powers of administering authorities are limited at the moment but the Pensions Regulator is lobbying Government to introduce legislation that would enable administering authorities to penalise employers.

9.5. WN and RW explained that it was clear in legislation that it was the Administering Authorities' responsibility not the employers' responsibility to make sure Annual Benefit Statements are sent out in time. In previous years, with regard to the specific issue with Gildredge House, the Fund has mitigated against the risk of breaching the annual benefit statement deadline by agreeing with the employer before the statutory deadline to issue a joint cover letter to their employees with the reasons as to why the statement has been issued with last year's data, and that an updated statement would be sent once the end of year data had been received and processed. This meant that the Fund did not breach the deadline by failing to send out Annual Benefits Statements to the particular employer who failed to send in an end of year return. BS confirmed that the Gildredge House Free School employees had been contacted prior to the deadline informing them that they could view their previous year's statement online.

9.6. BS explained that since the publication of the Board's report it was discovered that an administrative error had occurred resulting in 2,500 active members not receiving their annual benefit statements. The Business Operations team is now investigating why this error occurred and has reported the breach to the Section 151 officer and Monitoring Officer who will decide whether to report it to the Pensions Regulator. BS added that the issue was being rectified and the employees will receive their annual benefit statements by the end of September.

9.7. The Board members agreed that they were all very disappointed to hear that an admin error had occurred resulting in a failure to meet the statutory deadline despite regular assurance throughout the year that everything had been on course to meet the deadline. The Chair observed that this meant the deadline had now been missed for the fourth year in a row.

9.8. The Chair asked how this error had not been picked up. BS said that Business Operations was analysing why the failure occurred but it appeared to be a new error that has not previously occurred. Business Operations is now putting actions in place to prevent its recurrence and will do its utmost to make sure it does not happen next year.

9.9. RS asked about the identity of other administering authorities that had responded to the request for information about the percentage of their deferred members that have had their records suppressed. BS explained that they had all asked to remain anonymous but he confirmed that they were all county councils and that one is managed by Orbis.

9.10. RS asked why there was such a range in the percentage of suppressed records from 3-34% amongst these administering authorities, and why ESPF was towards the upper end of the

scale (with 25%). BS said that one authority that responded had undertaken a major piece of work to tackle the issue resulting in the reduction of suppressed records to 3%. This was the exception however and the majority had around 15% suppressed records.

9.11. The Chair said that it was surprising that 240 deferred members who were entitled to their pensions had the status of 'gone away' and were not in receipt of it. He asked whether all of the Gone Away deferred members could be identified through data sharing with HM Revenue and Customs (HMRC) which was now possible following recent changes in legislation. BS explained that there was a cost of £6 and a response time of 4 weeks for any data request to HMRC, so it was only being used for gone away members who are approaching retirement age. DP suggested that many of the 240 deferred pensioners not receiving their pension were unlikely to be entitled to significant sums as people were unlikely to forget about significant lengths of service.

9.12. AE asked whether the Pensions Regulator will fine the ESPF for this breach and who would be required to pay the fine. RW confirmed that the administering authority, East Sussex County Council, would be responsible for the fine but would recoup the money from the ESPF administration fund. The Chair observed that whilst the Regulator may be reluctant to use its powers it had fined London Borough of Barnet £1,000 for a breach and would be more inclined to fine East Sussex County Council if it continued to breach its statutory requirements. OO said that the Regulator would consider mitigating factors before issuing a fine such as what the administering authority was doing to prevent future breaches and its transparency in reporting the breach.

9.13. The Board RESOLVED to:

- 1) note the report;
- 2) express regret that the statutory deadline for Annual Benefits Statements had been breached; and
- 3) request a report at the next meeting on the outcome of reporting the breach to the Pensions Regulator.

10 OFFICERS' REPORT - BUSINESS OPERATIONS

10.1. The Board considered a report providing an update on the services provided to the Fund by Orbis Business Operations

10.2. BR expressed concern that the GMP reconciliation process has been ongoing for three years and that elements such as the suitable tolerance levels and the overall liability to the Fund were still unknown to the Board. The Chair said that failure to meet the statutory deadline for GMP reconciliation with HMRC would not be acceptable. BS assured the Board that JLT is well aware of the approaching deadline and is confident it will be met.

10.3. The Chair said that the Heywoods data analysis is necessary to mitigate against the risk of performing poorly on the Pensions Regulator's Administration and Governance survey and is relatively low cost.

10.4. RS asked why the data cleanse ahead of the triennial valuation will not commence until November if the triennial valuation is due to begin in early 2019. BS explained that it cannot commence earlier because it needs to begin after the issuing of the annual benefit statements and the annual allowances, which will not be until November. BS advised that he would send on details to the Governance team of what Business Operations proposed data cleanse will

entail, which is planned to happen during November 2018 to January 2019 for the liaison with the Fund actuary. BS advised that the data cleanse will be undertaken in conjunction with the Governance Team and actuary to ensure that it is done to a standard that is of benefit to the triennial valuation.

10.5. The Board RESOLVED to:

- 1) note the report;
- 2) recommend that the Pension Committee approve the approach and expenditure relating to data reporting to the Pensions Regulator; and
- 3) request that the JLT report on GMP reconciliation is circulated to Board members for comment,

11 OFFICERS' REPORT - GENERAL UPDATE

11.1. The Board considered a general update on matters related to the Board's activity.

11.2. BR asked whether there is a risk that the new right of employers leaving the Fund with assets in excess of liabilities to receive a payment – as brought in by the Local Government Pension Scheme (LGPS) (Amendment) Regulations 2018 – could tempt employers to leave and receive a tax free payment. OO said that this could be a potential risk and officers need to consider with the actuary whether a leaving employer would be paid in cash or assets.

11.3. The Board RESOLVED to note the report.

12 WORK PROGRAMME

12.1 The Board considered its work programme

12.2 The Board RESOLVED to note the report.

13 EXCLUSION OF THE PRESS AND PUBLIC

13.1 The Board resolved to exclude 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).

14 LOCAL GOVERNMENT PENSION SCHEME (LGPS) POOLING - ACCESS UPDATE

14.1 The Board considered a report providing an update on the activities undertaken by the ACCESS pool group.

14.2 The Board RESOLVED to note the report

The meeting ended at 12.35 pm.

Richard Harbord
Chair

This page is intentionally left blank

Report to: Pension Board

Date of meeting: 5 November 2018

By: Chief Operating Officer

Title: Pension Committee Agenda

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

RECOMMENDATION

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

1. Background

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

1.2 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

Contact Officer: Ola Owolabi, Head of Pensions
Tel. No. 01273 482017
Email: Ola.Owolabi@eastsussex.gov.uk

Background Documents
None

This page is intentionally left blank



PENSION COMMITTEE

MONDAY, 26 NOVEMBER 2018

10.00 AM CC2, 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 - M & G Bond
- 8 Responsible Investment Policy
- 9 Financial Reporting Council UK Stewardship Code
- 10 GMP Reconciliation – update
- 11 Annual Benefit Statement Breach - update
- 12 Officers' Report - Business Operations
- 13 Officers' Report – General Update
- 14 Forward Plan
- 15 Any other non-exempt items previously notified under agenda item 4
- 16 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).

- 17 LGPS Pooling ACCESS Update
- 18 Pension Employers - Update
- 19 East Sussex Pension Fund: Independent Advisor
- 20 Any other exempt items previously notified under agenda item 4

PHILIP BAKER
Assistant Chief Executive
County Hall, St Anne's Crescent
LEWES BN7 1UE

30 October 2018

Contact Harvey Winder, Democratic Services Officer,
01273 481796
Email: harvey.winder@eastsussex.gov.uk

Report to: Pension Board
Date: 5 November 2018
By: Chief Finance Officer
Title of report: Responsible Investment Policy
Purpose of report: To consider the proposed Responsible Investment Policy before implementation.

RECOMMENDATION -

The Board is recommended to consider and comment on the report.

1. Background

1.1 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require the Pension Fund Investment Strategy Statement (ISS) to include a policy on how social, environmental or corporate governance (ESG) considerations are taken into account; in the selection, non-selection, retention and realisation of investments.

1.2 The East Sussex Pension Fund's ISS sets out how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments, and it is recognised that ESG factors can influence long term investment performance and the ability to achieve long term sustainable returns. The Pension Committee considers the Fund's approach to responsible investment (RI) in two key areas:

- a) *Sustainable investment / ESG factors – considering the financial impact of ESG factors on its investments.*
- b) *Stewardship and governance – acting as responsible and active investors/owners, through considered voting of shares, and engaging with investee company management as part of the investment process.*

1.3 Responsible investing issues can have a material impact on investment risk and return in the long term and therefore should be considered within the Fund's investment strategy. In addition, as an asset owner, the Fund has a duty to ensure it carries out its stewardship duties effectively.

1.4 The RI policy seeks to ensure the long term RI risks to which the Fund is exposed are fully incorporated into strategic and operational (i.e. the investment manager's) decision making, and that the Fund carries out its duties as a responsible investor. The proposed RI policy is appropriate, proportionate and achievable to implement within the Fund's resources and governance framework.

2. Proposed Responsible Investment Policy

2.1 The proposed RI Policy is based on the framework that was debated at the Committee meetings and advice from both the Fund Independent and Investment Consultants. Care has been taken to ensure that the policy and actions required to implement it are appropriate, proportionate and achievable to implement within the Fund's resource and governance framework.

2.2 The policy set out the underlying beliefs on which the policy is based. It demonstrates how the Fund will implement these beliefs within its strategic and operational decision-making processes. It recognises that the Fund's integrated investment strategy will develop over time as the economic outlook and expected investment risks and returns vary, and therefore allows flexibility to manage RI issues within an evolving strategy, rather than be prescriptive. The objective should not be for the strategy to reflect every RI investment approach, but to ensure RI risks and opportunities are integrated into the Fund's strategic investment.

2.3 The Fund's approach aims to ensure that consideration of ESG/RI factors is embedded in the investment process, utilising the various tools available to manage ESG risks and to harness opportunities presented by ESG factors. The Fund's core principles of responsible investment are:

- We will apply **long-term thinking** to deliver **long-term sustainable returns**.
- We will seek **sustainable returns** from **well-governed assets**.
- We will use an **evidence-based** long term investment appraisal to inform **decision-making** in the implementation of RI principles and consider the costs of RI decisions consistent with our fiduciary duties.
- We will evaluate and manage **carbon exposure in order to mitigate risks to the Fund from climate change**.

3. RI Policy Implementation

3.1 Once the responsible investment policy has been agreed, the Fund's ISS will be amended to reflect the beliefs and policy framework. Some elements of the policy that are not already in place can be implemented fairly quickly with little resource or cost implications, whereas others may require longer term structural changes to the investments structure. Because of this, the implementation timeframe for any agreed policy is over the medium term and as such the policy should be viewed as a roadmap for future activity rather than an immediate mandate for wholesale change.

3.2 A key risk to the Fund is that if the investments fail to generate the returns required to meet the Fund's future liabilities. This risk will be managed via the Asset Liability Model, which determines the appropriate risk adjusted return profile (or strategic benchmark) for the Fund.

Responsible investing issues can have a material impact on investment risk and return in the long term and therefore should be considered within the ISS.

4. Pension Committee Approval

4.1 The Committee at its 26 November 2018 meeting will be requested to approve (including publication) the Pension Fund's Responsible Investment Policy, which is attached at Appendix 1.

5. Conclusion and recommendations

5.1 The cornerstone of the Fund's policy on ethical investment – as set out in its ISS – is its interpretation of the Fund fiduciary duty and legal position regarding its duty towards ethical investment. This is an area in which further work will continue to be undertaken over the coming months.

IAN GUTSELL
Chief Finance Officer

Contact Officer: Ola Owolabi, Head of Pensions
Tel. No. 01273 482017
Email: Ola.Owolabi@eastsussex.gov.uk

BACKGROUND DOCUMENTS

None



Responsible Investment Policy

November 2018

Responsible Investment Policy

Introduction and background

Regulation 7(2) (e) The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 requires an administering authority to demonstrate that it considers any factors that are financially material to the performance of the Fund's investments, including social, environmental and corporate governance factors, depending on the time horizon over which their liabilities arise.

The East Sussex Pension Fund ("the Fund") is a long term responsible investor aiming to deliver a sustainable Pension Fund for all stakeholders. The Fund complies with and follows the principles of the UK Stewardship Code and working within the spirit of the United Nations Principles of Responsible Investment ("UNIPRI").

East Sussex County Council ("the Council") is the administering authority of the Fund and has a fiduciary duty to act in the best, long-term, interests of the Fund's employers and scheme members. The Fund believes that in order to fulfil this duty, it must have a clear policy on how it invests in a responsible manner.

Responsible Investment is a fundamental part of the Fund's overarching investment strategy as set out in its Investment Strategy Statement. That is, to maximise returns subject to an acceptable level of risk whilst increasing certainty of cost for employers, and minimising the long term cost of the scheme. The Fund believes that consideration of Environmental, Social and Corporate Governance ("ESG") factors are fundamental to this, particularly where they are likely to impact on the overarching investment objective.

The Fund's approach aims to ensure that consideration of ESG factors is embedded in the investment process, utilising the various tools available to manage ESG risks and to harness opportunities presented by ESG factors.

What is our policy on Responsible Investment?

The Fund's core principles of responsible investment are:

- a. We will apply **long-term thinking** to deliver **long-term sustainable returns**.
- b. We will seek **sustainable returns** from **well-governed assets**.
- c. We will use an **evidence-based** long term investment appraisal to inform **decision-making** in the implementation of RI principles and consider the costs of RI decisions consistent with our fiduciary duties.
- d. We will evaluate and manage **carbon exposure in order to mitigate risks to the Fund from climate change**.

What will we do to ensure that these core principles are met?

Core Principle	Associated Actions
<p>We will apply long-term thinking to deliver long-term sustainable returns</p>	<ul style="list-style-type: none"> • The Fund's long-term investment objectives will be detailed in its Investment Strategy Statement. • The Fund will set longer-term performance objectives for its investment managers. • The Fund will seek to ensure that its long term interests are aligned with that of its investment managers on all issues including on RI considerations. • Policies relating to RI will be considered at the Fund's annual investment strategy day as part of the Fund's long term investment planning process.
<p>We will seek sustainable returns from well-governed assets</p>	<ul style="list-style-type: none"> • The Fund will apply a robust approach to stewardship, linked to the Fund's belief that engagement can positively and effectively influence behaviours. • The Fund will engage with companies when we believe engagement will add value to the Fund or change corporate behaviour for the better. • The Fund is committed to compliance with the UK Stewardship Code and working within the spirit of the United Nations Principles of Responsible Investment ("UNIPRI"). • We will hold our investment managers to account to ensure compliance with this policy. • The Fund is committed to collective engagement through its membership of the Local Authority Pension Fund Forum (LAPFF), the ACCESS LGPS pool and other opportunities that arise from time to time. • The Fund will exercise its voting rights in all markets where practicable.
<p>We will use an evidence-based long term investment appraisal to inform decision-making in the implementation of RI principles and consider the costs of RI decisions consistent with our fiduciary duties.</p>	<ul style="list-style-type: none"> • The Fund will consider the potential financial impact of RI related issues on an ongoing basis (e.g. climate change or executive remuneration). • The Fund will consider the potential financial impact of investment opportunities that arise from RI related factors (e.g. investment in renewable energies or housing infrastructure). • The Fund will consider investment opportunities that have positive impacts and recognises that the changing external environment presents new opportunities i.e. Renewable energy and social impact investments.
<p>We will evaluate and manage carbon exposure in order to mitigate risks to the Fund from climate change</p>	<ul style="list-style-type: none"> • The Fund has identified climate change as a potential long-term financial risk. • The Fund will regularly review the tools and solutions available to assess and manage carbon exposure. • The Fund will review its carbon foot print annually both at the Fund and investment manager level. • The Fund will incorporate climate risk assessment as part of the annual investment strategy review (considering the Fund's investment strategy under a range of climate change scenarios, including a 2°C scenario). • The Fund will review the Fund's passive equity benchmarks and consider increasing the use of indices tilted towards low carbon.

How will we monitor our performance on Responsible Investment?

The Fund will ultimately be transparent and accountable in terms of its performance on Responsible Investment. This will be achieved through the following approach:

- The Fund will publish its Investment Strategy Statement on its website in line with the scheme regulations.
- Decisions relating to the setting of investment policy will be explained.
- The Fund will publish its RI policy on its website. We will review it on an ongoing basis, including consulting the Local Pension Board, at least every three years in line with the fund ISS.
- The Fund will monitor closely its appointed investment managers whom the Fund rely on to implement its RI policy.
- The Fund (through the Pension Board) will undertake an annual review of corporate governance, voting and engagement activity undertaken by the Fund and its underlying managers.
- The Fund will publish an annual summary of voting and engagement activity.
- The Fund will disclose the results of the Fund's equity carbon footprint.
- The Fund will ensure that its decision makers are properly trained and kept abreast of ESG issues in order to make informed decisions, including regular RI/UN Sustainable Development Goals training.
- The Fund will include RI as a standing item on Pensions Committee and the Pension Board agendas (with a view to reporting on manager performance in relation to RI investing and noting any hot topics / issues arising).
- The Fund will undertake a fundamental review of any specific RI issues considered by the Pension Committee to be of potentially material financial impact.
- The Fund actively considers RI capabilities and advice when selecting and monitoring its investment advisors.
- The Fund expects its investment advisors to proactively consider and integrate RI issues when providing investment advice to the Fund.
- The Fund will consider and respond to feedback from stakeholders in relation to issues of concern.

Responsible Investment and ACCESS LGPS

The implementation of the Fund's investment strategy will be undertaken by the ACCESS Pool. These are eleven funds committed to collaboratively working together to meet the criteria for pooling and have signed an Inter Authority Agreement to underpin their partnership. It is expected that the Fund's ability to invest in a responsible way will be enhanced through the ACCESS LGPS Pool due to the inherent benefits of scale and innovation that will result from the collaboration.

Engagement versus Exclusion

East Sussex Pension Fund has never sought to implement a policy that explicitly excludes certain types of investments, companies or sectors except where they are barred by UK law. The Fund believes that its influence as a shareholder is better deployed by engaging with companies, in order to influence behaviour and enhance shareholder value. The Fund believes that this influence would be lost through a divestment or screening approach. Ultimately the Fund will always retain the right to disinvest from certain companies or sectors in the event that all other approaches are unsuccessful and it is determined that the investment is no longer aligned with the interests of the Fund or that the issue poses a material financial risk. Under pooling it is likely that any such decision will need to be made in conjunction with other members of the ACCESS pool.

The Fund's approach to engagement recognises the importance of working in partnership to magnify the voice and maximise the influence of investors as owners. The Fund appreciates that to gain the attention of companies in addressing governance concerns; it needs to join with other investors sharing similar concerns. It does this primarily through:

- Membership of representative bodies including LAPFF;
- Membership of the Pensions and Lifetime Savings Association (PLSA);
- Giving support to shareholder resolutions where these reflect concerns which are shared and affect the Fund's interests;
- Joining wider lobbying activities when appropriate opportunities arise.

Exercise of Voting Rights

The Fund continues to exercise its ownership rights by adopting a policy of actively voting stock it holds, and delegate's responsibility for voting to its appointed investment managers who are required to vote wherever the Fund has a voting interest. Wherever practicable, votes must be cast in accordance with the voting guidelines for investment managers of ACCESS ACS (Authorised Contractual Scheme).

The ACCESS Pool appointed operator, Link Fund Solutions Limited ("LFS") recognises that as the Manager of the ACCESS ACS, it has a responsibility as a shareholder, and to its investors the ACCESS funds, to promote good corporate governance and management in the companies in the ACS, which the Fund invests and it requires investment managers appointed to manage the Fund to exercise the voting rights attached to investments held in the Fund unless market circumstances make it impossible to do so. The document sets out guidelines to which LFS expects investment managers to have regard in the exercise of voting rights on behalf of the Fund however LFS recognises that in certain cases there may be good reasons not to follow the guidelines set out in this document and in those circumstances LFS expects its investment managers to exercise their discretion having regard to the long-term interests of the shareholders in the Fund and the principles of good corporate governance. LFS requires investment managers to report on voting activity monthly.

Where investment managers do not adopt the positions set out in these guidelines, it is required that they should provide a robust explanation of the position adopted. LFS also expects that investment managers will be signatories to and comply with the Financial Reporting Council's Stewardship Code (the Code) and United Nations Principles of Responsible Investment (UNPRI). If they have not signed up to either the Code or UNPRI they should be prepared to explain the reasons.

The Fund is committed to the UK Stewardship Code and has developed a statement of compliance for assessment by the Financial Reporting Council.

This page is intentionally left blank

Report to: Pension Board
Date: 5 November 2018
By: Chief Finance Officer
Title of report: Financial Reporting Council - UK Stewardship Code
Purpose of report: To consider the proposal to publish a statement regarding the Fund's compliance with the Financial Reporting Council's UK Stewardship Code.

RECOMMENDATION -

The Board is recommended to consider and comment on the report.

1. Background

1.1 The Financial Reporting Council (FRC) is the UK's independent regulator responsible for promoting high quality corporate governance and reporting. The FRC promotes high standards of corporate governance through the UK Corporate Governance Code, which sets out standards of good practice in relation to leadership and effectiveness, accountability and relations with Shareholders. The Pension Fund considers these best practice standards when exercising its voting rights.

1.2 The Government and regulators, such as the FRC, have put increasing pressure on companies to raise their standards of governance. As a consequence of the global financial crisis, the focus has moved to long term institutional investors, including pension funds, with a strong encouragement that they act as responsible and engaged corporate owners.

1.3 This report provides an update and in line with the previous Committee recommendations on the approaches to mitigate risks posed by climate change/engagement and to formulate a cost effective Responsible Investment Policy.

2. Financial Reporting Council UK Stewardship Code

2.1 The UK Stewardship Code was first published in July 2010, revised in September 2012 and will be revised again in 2018 by the FRC and is designed to lay out the responsibilities of institutional investors as shareholders and provide guidance as to how these responsibilities might be met. Whilst it is aimed in the first instance at asset managers, particularly those regulated by the Financial Conduct Authority (FCA), pension fund trustees are strongly encouraged to report if and how, they have complied with the Code.

2.2 The Code is a set of best practice principles that are intended to set out both shareholder engagement with companies and the disclosure of such activity. It is intended that shareholders adhere to the principles with the same "comply or explain" approach used with the UK Corporate Governance Code for listed companies.

2.3 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require an administering authority of an Local Government Pension Scheme (LGPS) fund to include its policy on the exercise of the rights (including voting rights) attaching to investments in its Investment Strategy Statement ("ISS"). The Guidance on Preparing and Maintaining an Investment Strategy Statement from the Ministry of Housing, Communities and Local Government (MHCLG) includes a requirement for administering authorities to explain their policy on stewardship with reference to the Stewardship Code. Administering authorities are expected to become signatories to the Code and state how they implement the seven principles and guidance of the Code, which apply on a "comply or explain" basis.

2.4 Institutional investors are encouraged to publish their Statement of Compliance with the Code on their website and also within their Annual Report and Accounts. In addition, notification of compliance should be provided to the FRC.

3. Pension Committee Approval

3.1 The Committee at its 26 November 2018 meeting will be requested to approve (including publication) the Pension Fund's Statement of Compliance with the UK Stewardship Code for Institutional Investors, which is attached at Appendix 1.

4. Conclusion and recommendations

4.1 The East Sussex Pension Fund supports the FRC Stewardship Code and seeks to apply the Principles in the Code to its investment activity. Although the Code is focused on the UK, the Fund seeks to apply the Principles of the Code to its non-UK investments subject to local practice and law.

IAN GUTSELL
Chief Finance Officer

Contact Officer: Ola Owolabi, Head of Pensions
Tel. No. 01273 482017
Email: Ola.Owolabi@eastsussex.gov.uk

BACKGROUND DOCUMENTS

None



UK Stewardship Code Statement

November 2018

Introduction

The East Sussex Pension Fund (the Fund) recognises that Environmental, Social and Corporate Governance ('ESG') issues can have a material impact on the long term performance of its investments. ESG issues can impact the Fund's returns and reputation. Given this, the Fund is committed to an ongoing development of its ESG policy to ensure it reflects latest industry developments and regulations.

The Fund's Investment Strategy Statement ("ISS") states that the investment objective of the Fund is to achieve a return on Fund assets which is sufficient, over the long-term, to meet the funding strategy objectives on an ongoing basis. One of the Fund's investment beliefs is that responsible investment can enhance long term investment performance.

The Fund recognises that through active shareholder engagement it can influence those companies it invested to improve their corporate behavior. Improvements made by these engagements can lead to an increase in the long term value of the Fund's investments. The fund believes that these can be maximized by collaborating with other like minded investors to increase the pressure for change and encourage improvements to be made.

The Stewardship Code aims to enhance the quality of engagement between investors and companies to help improve long-term risk-adjusted returns to shareholders. The Fund defines the concept of stewardship in the same way as the Financial Reporting Council (FRC):

"Stewardship aims to promote the long-term success of companies in such a way that the ultimate providers of capital also prosper. For investors, stewardship is more than just voting. Activities may include monitoring and engaging with companies on matters such as strategy, performance, risk, capital structure, and corporate governance, including culture and remuneration. Engagement is purposeful dialogue with companies on these matters as well as on issues that are the immediate subject of votes at general meetings."

This Statement of Compliance describes the East Sussex Pension Fund approach to the seven principles of the Code and sets out our compliance with the code as follows –

How the East Sussex Pension Fund addresses the Stewardship Code principles

Principle 1 – Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities

The East Sussex Pension Fund has a long-standing commitment to responsible share ownership. Stewardship is an integral part of share ownership and therefore of the investment code, and requires the same commitment from investment managers.

The Fund believes that investors with long term time horizons are more exposed to certain risks and requires that its investment managers are aware of and consider these when making investments. It is acknowledged that investment managers carry out detailed research on the prospects for individual companies and industries and have access to company management. The Committee meets with investment managers at their regular meetings and has the opportunity to discuss relevant developments in detail. All Managers are required to report on a quarterly basis to the Fund, including details of votes cast on corporate resolutions and company engagement for holdings in relevant portfolios. The Committee challenges managers to ensure these are being followed and that all relevant risks have been considered.

The practical application of the Fund's policy is achieved through a combination of activities including, but not limited to: dialogue and liaison with investment managers on key issues and through our membership of the Local Authority Pension Fund Forum (LAPFF). In addition to this Stewardship Code Statement, the Fund maintains an Investment Strategy Statement (ISS), which explains the Fund's investment beliefs in more detail.

The Committee believes that well managed companies provide long-term value creation and that the Fund's stakeholders will be beneficiaries of these companies as strong investment returns improve the Funds overall funding position, which keeps the pensions scheme affordable in terms of employer contribution rates.

The Fund has a responsibility to its membership to regularly engage with investment managers on their stewardship and it is expected to form part of their presentation(s) to the Fund.

Following the pooling of some of the Fund's assets into ACCESS Pool, the day-to-day stewardship responsibilities will pass to the Pool, with oversight by officers of the Fund and members of the Pensions Committee/Pension Board. The operator for the ACCESS Authorised Contractual Scheme (ACS) is a signatory to the UK Stewardship Code and its RI Framework sets out its approach to stewardship.

Principle 2 - Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed

The Fund encourages investment managers to have effective policies addressing potential conflicts of interest. In respect of conflicts of interest within the Fund, Pension Committee members are required to make declarations of interest prior to each quarterly meeting.

External managers are assessed on potential conflicts of interests and their written policies at the evaluation and appointment stage. Subsequent monitoring takes place by the Fund's investment consultant and independent advisor to protect the funds interests.

Principle 3 - Institutional investors should monitor their investee companies

Day-to-day responsibility for managing our equity holdings is delegated to our appointed fund managers. The Fund expects them to monitor companies, intervene where necessary, and report back regularly on activity undertaken.

The Fund has regular meetings with investment managers and will assess their effectiveness in their monitoring of investee companies as part of formal portfolio reviews either amongst fund officers or the Pension Committee. The Fund also receives quarterly reports from managers detailing their voting and engagement with companies, which are reported quarterly to the Pensions Committee.

As a member of LAPFF, the Fund also receives 'Alerts' relating to investee companies and participates in group engagement with companies.

Principle 4 - Institutional investors should establish clear guidelines on where and how they will escalate their stewardship activities

Responsibility for day-to-day interaction with companies is delegated to the Fund's investment managers, including the escalation of engagement when necessary. We expect fund managers to disclose their policies and procedures for escalation in their own Stewardship Code statement. However, the fund could escalate through LAPFF by supporting a shareholder resolution. The Fund's investment managers can escalate through engagement with the company management team, collaboration with other institutional shareholders, filing shareholder resolutions or ultimately selling the holding of company shares. Ultimately the investment manager will seek to add value to their clients through improved company share performance following such escalation.

The Fund also monitors and participates in class actions.

Principle 5 – Institutional investors should be willing to act collectively with other investors where appropriate

The Fund seeks to work collaboratively with like-minded institutional shareholders in order to maximise the influence that it can have on individual companies and would engage if it was felt that the fund and the wider Local Government Pension Scheme would benefit. This is achieved in a variety of ways including through our membership of the LAPFF and ad-hoc initiatives proposed by our investment managers or other advisors.

The Fund as a member of LAPFF intends to continue that relationship indefinitely. LAPFF engages with companies over environmental, social and governance issues on behalf of its members. The advantage of collective engagement is that there is greater leverage over the company due to the pooling of holdings. This will increase the individual power and influence of investors in order to push for change. Meetings may deal with company specific matters or broad industry concerns. Details of any collaborative engagement are brought to the attention of the Pensions Committee/Board through LAPFF newsletter/bulletin.

The majority of the Fund's assets will be under the ACCESS Pool governance. The 11 ACCESS Funds will be working together to reduce investment costs, increase investment capability and create a resource to access more asset classes. The Funds within the ACCESS Pool will also collaborate on RI activities through a unified RI Framework. ACCESS will engage with companies on a collaborative basis through LAPFF and the PRI, increasing further the Fund's collaborative activities.

The Fund's contact for any such issues is:

Ola Owolabi

Head of Pensions

Email: ola.owolabi@eastsussex.gov.uk

Principle 6 – Institutional investors should have a clear policy on voting and disclosure of voting activity

The Fund has delegated the exercise of voting rights to its investment manager(s) on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value.

The Fund expects the investment manager(s) to vote on all the shares they hold.

Accordingly, the Fund's managers have produced written guidelines of their process and practice in this regard, which is considered as part of the appointment of an investment manager process. The managers are strongly encouraged to vote in line with their guidelines in respect of all resolutions at annual and extraordinary general meetings of companies.

The policy is reviewed at least annually by officers in order to take account of regulatory developments. In the event of any changes to the policy, a revised policy would be presented to the Pension Committee for discussion and approval.

Fund voting records can be found in our Annual Reports at:

https://www.eastsussex.gov.uk/media/11782/financial-report-and-accounts-2017_18.pdf

The Fund can take part in stock lending through its global custodian (Northern Trust). Stock can be recalled in the event of a company meeting if the investment manager wishes to vote.

Within segregated mandates, the fund has absolute discretion over whether stock lending is permitted. The Authority permits stock lending in their active mandates. The manager of pooled funds may undertake a certain

amount of stock lending on behalf of unitholders in the fund. If a pooled fund engages in this activity, the extent to which it does so is disclosed by the manager. The fund has no direct control over stock lending in pooled funds.

The ACCESS Pool operator has an RI Framework and voting guidelines for investment managers, which recognises that as the Manager of the ACCESS LGPS it has a responsibility as a shareholder, and to its investors the ACCESS funds, to promote good corporate governance and management in the companies in which the Fund invests and it requires investment managers appointed to manage the Fund to exercise the voting rights attached to investments held in the Fund unless market circumstances make it impossible to do so. The document sets out guidelines to which the operator expects investment managers to have regard in the exercise of voting rights on behalf of the Fund however operator recognises that in certain cases there may be good reasons not to follow the guidelines set out in the document and in those circumstances the operator expects its investment managers to exercise their discretion having regard to the long-term interests of the shareholders in the Fund and the principles of good corporate governance. The operator requires investment managers to report on voting activity monthly and will disclose on a vote-by-vote basis for all company resolutions through the ACCESS Joint Committee and ACCESS website.

The operator expects that investment managers will be signatories to and comply with the Financial Reporting Council's Stewardship Code (the Code) and United Nations Principles of Responsible Investment (UNPRI).

Principle 7 - Institutional investors should report periodically on their stewardship and voting activities.

The Fund reports annually on stewardship activity undertaken during the year in its report and accounts.

In the event of significant engagements through any given year the voting activity would be recorded in the fund's annual report.

External active managers do vote on behalf of the fund, however fund officers engage with the governance teams at the fund manager for discussions. Managers are required to report their stewardship activities to the Fund and to seek direction where required. As described above, each manager's approach is assessed by the Fund via each manager's written report, in monitoring meetings, and at Committee meetings. The Fund assesses the approaches taken by managers alongside each other and guidance provided by the LAPFF, for consistency and alignment of interests.

It is common practice for the Fund's managers to have their voting activities reviewed by the Committee.

This page is intentionally left blank

Report to: Pension Board

Date: 5 November 2018

By: Chief Operating Officer, Business Services Department

Title of report: Internal Audit Report – Pension Fund Processes and Systems 2018/19

Purpose of report: This report provides the Board with the outcome of the Pension Fund Processes and Systems Audit

RECOMMENDATIONS

The Board is recommended to note the report

1. Background

1.1 The review of Pension Fund Processes and Systems has been completed as part of the agreed annual audit plan for 2018/19. The audit report aims to provide assurance on the overall effectiveness of the system's controls and identifies areas of concern or weakness where improvements can be made.

2. Supporting Information

2.1 The Council (East Sussex County Council) is the designated statutory administering authority of the East Sussex Pension Fund (the Fund). The Council has a statutory responsibility to administer and manage the Fund in accordance to rules of the Local Government Pension Scheme.

2.2 The governance of the Fund is the responsibility of the Chief Finance Officer for East Sussex County Council, the East Sussex Pension Committee, and the Pension Board. The day to day administration of the Fund is provided by Orbis Business Operations).

3. Conclusions and Reasons for Recommendation

3.1 The report has been written on an exception basis, whereby only control weaknesses have been reported, and the audit has been conducted in conformance with Public Sector Internal Audit Standards and internal quality assurance systems.

Kevin Foster
Chief Operating Officer

Contact Officers: Russell Banks Tel No. 01273 481447
BACKGROUND DOCUMENTS
Internal Audit Report – Pension Fund Processes and Systems 2018/19

This page is intentionally left blank



Internal Audit Report

Pensions Fund Processes and Systems

Final

Assignment Lead: Olu Abiwon, Senior Auditor

Assignment Manager: Danny Simpson, Principal Auditor

Prepared for: East Sussex County Council

Date: 22 August 2018

Report Distribution List

- Kevin Foster, Chief Operating Officer
- Simon Pollock, Assistant Director of Business Operations
- Robert Clarke, Head of Business Operations
- Ian Gutsell, Chief Finance Officer
- Ola Owolabi, Head of Accounts & Pensions
- Wendy Neller, Pensions Strategy and Governance Manager

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.

East Sussex County Council - Internal Audit Key Contact Information

Chief Internal Auditor: Russell Banks, ☎ 01273 481447, russell.banks@eastsussex.gov.uk

Audit Manager: Nigel Chilcott, ☎ 01273 481992, ✉ nigel.chilcott@eastsussex.gov.uk

Anti-Fraud Hotline: ☎ 01273 481995, ✉ confidentialreporting@eastsussex.gov.uk

1. Introduction

- 1.1. The Council (East Sussex County Council) is the designated statutory administering authority of the East Sussex Pension Fund (the Fund). The Council has a statutory responsibility to administer and manage the Fund in accordance to rules of the Local Government Pension Scheme (LGPS) which are set out in the following regulations:
 - The Local Government Pension Scheme Regulations 2013;
 - The Local Government Pension Scheme Transitional Provisions, Savings and Amendment Regulations 2014; and
 - The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.
- 1.2. As at 31 March 2018 the Fund comprised 132 scheme employers with approximately 70,000 scheme members in relation to the LGPS. The most recent actuarial valuation of the Fund, carried out under Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008, was in October 2016. The valuation found that the funding level has improved from 81% in 2013 to 92% in 2016. In particular, it found that the Fund's assets and liabilities were valued at £2.78bn and £3bn respectively, resulting in a funding deficit of £240m (down from £541m 2013).
- 1.3. The governance of the Fund is the responsibility of the Chief Finance Officer for East Sussex County Council, the East Sussex Pension Committee, and the Pension Board. The day to day administration of the Fund is provided by Orbis Business Operations.
- 1.4. During the financial 2017/18 the scheme received approximately £124.1m in contributions from members and their employers, and made pension payments of approximately £123.9m to members who are now pensioners.
- 1.5. This review is part of the agreed Internal Audit Plan for 2018/19.
- 1.6. 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:
 - 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 are both effective and clear. They help the efficient running of the service and performance of pensions administration by Orbis Business Operations is monitored.
 - Deficits for the admitted bodies are fully supported by a bond or guarantee.
 - The employer portal (PensionWeb) is used in a secure environment and administration is controlled to ensure appropriate administration of the fund.

3. Audit opinion

Reasonable Assurance is provided in respect of the Pension Fund processes and systems. 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 and what they mean and sets out management responsibilities.

Basis of Opinion

- 3.1 We have been able to provide Reasonable Assurance over the controls operating within the area under review because:
- 3.2 Systems are in place to ensure the accuracy of data entry to pension systems and the calculation of pension benefit entitlements.
- 3.3 Contributions received from employers are reconciled to employers' monthly certificates of contribution to provide assurance that income expected is received intact.
- 3.4 The roles and responsibilities of the Council (as Fund managers) and Surrey County Council (as the administration service providers) have been defined and documented.
- 3.5 Performance targets for the pension administration service provider have been set and are monitored on a regular basis.
- 3.6 The Fund has developed procedures covering the identification and escalation of breaches of statutory requirements.
- 3.7 An actuarial assessment is undertaken for all new employers and appropriate bond or guarantees are put in place before they can join the Fund.

However, a number of opportunities for improvement were identified, as follows:

- 3.8 The presence of data errors, highlighted in December 2017 data cleansing exercise, and which remain unresolved, may lead to errors in actuarial valuations or the calculation of benefit entitlements.
- 3.9 The Administrator and the Council have not set out scheme-specific data requirements to supplement statutory requirements expected for each member, as recommended by the Pension Regulator. As a result, it may be missing the opportunity to strengthen its data quality.
- 3.10 To help ensure that year end activities are completed in a timely manner, the Administrator should develop and submit a schedule of key pensions activities that it will undertake for the year to the Council for approval by the start of each calendar year.
- 3.11 To improve system access controls, the Administrator should carry out an annual access review of Altair.

Internal Audit Report – Pensions Fund Processes and Systems

- 3.12 There has been slippage in the Annual Benefit Statement production plan (as agreed by the Pension Board), but a formal management action has not been raised because the Administrator is working to a revised production plan to help ensure that the statutory deadline of 31st of August is met.

4. Action Summary

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

5. Acknowledgements

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

Internal Audit Report – Pensions Fund Processes and Systems

Ref	Finding	Potential Risk Implication	Priority	Agreed Action	
1	<p>Membership Data Cleansing</p> <p>The Pensions Regulator (TPR) recommends that members' data should be reviewed and cleansed on an annual basis. We found that a data cleansing exercise was carried out in December 2017 using the Fund's Actuary (Hymans Robertson LLP)'s data validation tool. The exercise identified a significant number of errors and warnings and these have not yet been resolved.</p> <p>For example, the data validation tool raised 14,000 queries that may be errors that would affect actuarial calculations (e.g. missing date of birth). It also raised 67,000 warnings where data may be correct but the value lies outside the expected range (e.g. where full time salary is under £10,000). These types of warnings should be investigated and the data should be amended if it is found to be incorrect.</p>	Poor data quality (e.g. inaccurate or incomplete scheme member information) may result in errors in valuations, calculations and payments.	Medium	All errors and/or warnings from the membership data cleansing exercise will be investigated and the data will be amended, if it is found to be incorrect.	
Responsible Officer:		Head of Business Operations	Target Implementation Date:	31/12/2018	

Internal Audit Report – Pensions Fund Processes and Systems

Ref	Finding	Potential Risk Implication	Priority	Agreed Action	
2	<p>Record Keeping</p> <p>TPR has set out 11 common data items that it expects all schemes to hold for its members. We found that 99.9% of members have all the common data items present on Altair; the small exception relates to 105 out of 73,521 members that have a missing address and/or postcode. It should be noted that presence of the data does not imply accuracy (see ref 1).</p> <p>In addition to the common data items, TPR requires each scheme to have developed a set of scheme specific data items that should be present for each member. However, we were unable to measure the presence of scheme-specific data because the Council and/or the administrators have not set these out. It is worth noting that the Fund will have to report on the percentage of common data set and scheme specific data set that have been assessed as present in its annual scheme return to TPR.</p>	Poor data quality (e.g. inaccurate or incomplete scheme member information) may result in errors in valuations, calculations, and payments. In addition, failing to measure the presence of scheme specific data set may hinder the Fund's ability to complete its statutory return.	Medium	We will submit a proposal to the Pension Board, setting out the scheme-specific data set that will be measured and the associated cost of the exercise, for approval.	
Responsible Officer:		Head of Business Operations	Target Implementation Date:	12/10/2018	

Internal Audit Report – Pensions Fund Processes and Systems

Ref	Finding	Potential Risk Implication	Priority	Agreed Action	
3	<p>Annual Schedule</p> <p>Surrey County Council (as the pension administration service provider) is responsible for developing an annual schedule of tasks that will be agreed by East Sussex County Council. The annual schedule sets out a timetable of key pension activities that should be completed by the service provider, including statutory activities such as submitting tax returns and issuing annual benefit statements. However, the annual schedule for 2018 has not yet been developed by the service provider despite requests from the Council. A review of the annual schedule for 2017 found that some statutory reports had not been included. These includes submitting:</p> <ul style="list-style-type: none"> the Pension Fund's annual accounts (SF3) to the DCLG; and the annual event report to HMRC. 	The failure to meet statutory reporting responsibilities may result in reputational damage and financial penalties for the Council.	Low	We shall develop and submit an annual schedule of key pension activities to the Council for approval by the start of each calendar year. We shall ensure that the schedule includes all statutory returns and reports.	
Responsible Officer:		Head of Business Operations	Target Implementation Date:	31/12/2018	

Internal Audit Report – Pensions Fund Processes and Systems

Ref	Finding	Potential Risk Implication	Priority	Agreed Action	
4	<p>Annual Review of System Access</p> <p>A review of systems access identified an employer (Eastbourne Home) who has left the Fund but can still gain access to the employer portal (Pensions Web). In addition, five out of the 32 users who currently have access to the pension management system (Altair) have left the Council.</p>	Failure to secure and manage personal data held by the Pension Fund if officers who do not need access have access to the data, this may result in reputational damage and financial penalties for the Council.	Low	The user accounts for the employer and employees identified have been deleted, we will write to employers with access to Pensions Web to positively confirm their employees who need access to the system on an annual basis. We will also review user access to Altair at least on an annual basis.	
Responsible Officer:		Head of Business Operations	Target Implementation Date:	31/12/2018	

Appendix A

Audit Opinions and Definitions

Opinion	Definition
Substantial Assurance	Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Reasonable Assurance	Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Partial Assurance	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.
Minimal Assurance	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.

Report to: Pension Board

Date: 5 November 2018

By: Chief Operating Officer

Title: Guaranteed Minimum Pension (GMP) Reconciliation Project update

Purpose: Provide the Board with an update on the progress of this important project

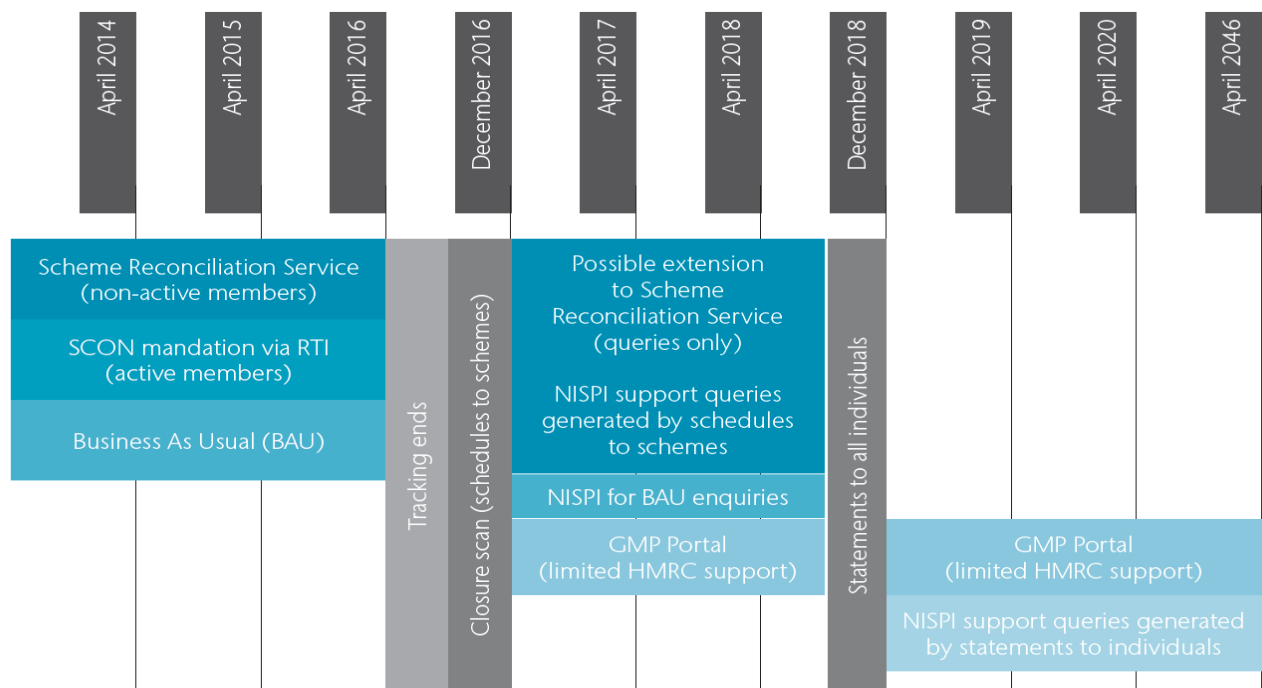
RECOMMENDATIONS

The Board is recommend to consider and comment on the report

1. Background

1.1. The abolition of contracting out for defined benefit (DB) schemes in April 2016 requires all pension schemes to reconcile their Guaranteed Minimum Pension (GMP) liabilities. A GMP reconciliation is a project to ensure that the GMP liability on the scheme records agrees with that held by HMRC. The GMP reconciliation involves comparing the scheme's GMPs information with that held by HMRC and investigating any discrepancies between the two sets of figures. The original end of contracting out timeline is shown below:-

Timeline: The ending of contracting out



2. Progress to Date

2.1. Phase 1 was completed as previously reported where 12,910 records were successfully reconciled following an accelerated project undertaken by data specialists ITM, with a further 6,513 cases referred back to HMRC.

2.2. Subsequent to phase 1 the Orbis Procurement and Business Operations teams completed a mini tender exercise and identified a preferred provider to deliver the remainder of the reconciliation exercise. Bids were received from four providers, JLT, ITM, KPMG and Equiniti, with JLT being appointed at a fixed price of £25,500 for the reconciliation exercise plus up to £15,000 to ensure an efficient and automated data exchange between the administration systems (Heywoods) and JLT. Worthy of note is that the contracted work required JLT ***“to deliver a complete reconciliation exercise to meet statutory deadlines.”***

2.3. Instruction was given to the winning bidder on 26th April that we wished to proceed, however, contracts were not signed until the 3rd August 2018 to enable the work to commence as a result of extended GDPR contractual negotiations. The indicative project milestones are set out below:-

No	Task	Start Date	End Date	Status
1	Initial Analysis - Phase 1	13/08/2018	20/09/2018	Completed
2	Bulk Analysis & HMRC Responses Analysis - Part 1	22/09/2018	05/10/2018	Completed
3	Bulk Analysis & HMRC Responses Analysis - Part 2	08/10/2018	12/10/2018	In Progress
4	Data Gathering	09/10/2018	30/10/2018	In Progress
5	Queries to HMRC - Round 1 for non-queried cases	08/10/2018	31/10/2018	In Progress
6	Queries to HMRC - Round 2 for data gathering cases	08/10/2018	31/10/2018	In Progress
7	Referrals to Client (Guidance or decision making)	30/10/2018	31/12/2018	Not yet started
8	Responses from HMRC Due back	01/11/2018	05/04/2019	Not yet started
9	Analysis of responses	01/11/2018	30/04/2019	Not yet started
10	Referrals to Client (Guidance or decision making)	18/01/2019	15/05/2019	Not yet started
11	Updates to Master Control of Decisions made	25/01/2019	20/05/2018	Not yet started
12	Final SRS Data Cut from HMRC Closedown output	01/06/2019	01/06/2019	Not yet confirmed by HMRC
13	Final Analysis of Scheme Data v's HMRC	10/06/2019	21/06/2019	Dependent on above
14	Rectification of Records	tbc	tbc	Dependant on above

2.4. The Board will note that it will be necessary for JLT to engage with the Pension Board and Committee outside of the normal cycle of meetings during November and December (previously October/ November) in order to secure decisions: Typically decisions will be required in the following areas:

- 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 Contribution Equivalent Premium (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?
- Whether to attempt to trace ‘Not on Admin’ members whose position cannot be resolved following a review of all records?
- 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?

3. Current Status

3.1. Although the contract was signed later than hoped the automated submission to HMRC (NISPI) of the scheme data has commenced with the number of GMP discrepancies reducing. As at the 5th October 68,009 members have been identified as having a GMP to reconcile of which

51,075 have been matched at a scheme membership level with 16,934 needing further investigation.

3.2. Worthy of note is that HMRC are expecting a large number of queries to be registered with them from a wide range of schemes by the 31st October deadline set for queries to be with them. They as a consequence have allowed themselves a 3 to 4 month window in which to respond to those queries with further “toing and froing” issue resolution taking place through to April 2019.

3.3. JLT our supplier has a 12 strong team working on this project across all the Orbis administered funds until 31st December 2018 and we have been verbally reassured via conference calls on the 12th and 24th October of the progress being made and of the knowledge they have of GMPs and the positive relationship they have built up with HMRC.

3.4. At the time of writing this paper we anticipate a written progress update will be received from JLT on the 31st October for circulation to the Board that day that will reflect the latest position at the point of the HMRC deadline for submitting queries. Indeed, senior level verbal updates (see 3.3 above) with JLT have occurred in October to ensure good progress is being made and emphasising the importance of completing this work in line with statutory deadlines.

3.5. The financial implications of rectifying GMP liabilities is unknown at this point of time as the data gathering process and query resolution with HMRC is ongoing. It is anticipated that the financial implications will be better understood in Q1 2019 once HMRC have had a chance to responded to the queries raised with them up to the 31st October 2018 deadline.

3.6. As mentioned above JLT will require some decisions to be made by the scheme from the 30th October onwards on how to progress certain matters. We anticipate these questions will be presented in small batches with some notes on how other schemes have progressed similar issues/ queries.

3.7. In summary, the project is now being progressed by a knowledgeable team at JLT. As stated above we have emphasised the importance of this work to JLT, but realise they still have much to do between the time of writing this paper and the 31st October statutory deadline for submitting queries to HMRC. Indeed, we have offered to give as much support as they need to hit the significant 31st October deadline for submitting queries to HMRC.

4. Current Project Risks

4.1. The project team are cognisant of and managing the following project risks which should be noted:-

- A reliance on JLT to resource and conduct the exercise to statutory timescales under contract.
- Members may receive inaccurate GMP entitlement information from HMRC if the exercise is not completed on time.
- Some members may have been under or overpaid as a consequence of an incorrect GMP entitlement.
- Until the GMP reconciliation has been completed, there is a risk that the scheme is carrying GMP liabilities that have been transferred back to the State Pension Scheme, another provider or more worryingly, are not holding details of GMP liabilities that HMRC believe still sit with the scheme. Inaccurate GMPs can have an impact on overall scheme liabilities.
- Inaccurate GMPs can delay the use of automated calculations. Member events (retirement quotes etc.) can require GMP data to be confirmed with HMRC. This can delay the provision of information and settlement of benefits.
- It is anticipated that the Department of Work and Pensions (DWP) will publish legislation or guidance following the ending of contracting out, which will require schemes to equalise GMP benefits. It is important that these exercises are only undertaken using fully reconciled GMP data.

5. Next Steps

- 5.1. Obtain an up to date status report from JLT as at the 31st October at which time all queries need to have been submitted to HMRC. The status report will confirm exactly what has and has not been delivered for this major milestone.
- 5.2. Ensure we receive and actively manage the regular progress reports from JLT moving forward.
- 5.3. Be prepared and give guidance to JLT on GMP reconciliation matters that are not easily resolved or are at an impasse point with HMRC. We can prepare some principles in advance.
- 5.4. Have new internal administration resource dedicated to resolving issues as they arise and in partnership with JLT.
- 5.5. Review the JLT delivery plan as the reconciliation process using the latest HMRC processing dates will now continue through the first quarter of 2019 (see 2.3 above) rather than being completed by 31st December 2018 as originally planned.

Kevin Foster

Chief Operating Officer

Contact Officer: Michael Mann Telephone number 07779 967758 | 01483 404748

Email: michaelmann@surreycc.gov.uk

Report to: Pension Board

Date: 5 November 2018

By: Chief Operating Officer

Title: Annual Benefit Statement breach

Purpose: Provide the Board with a summary of the circumstances which led to a breach

RECOMMENDATIONS

The Board is recommended to consider and comment on the report

1 Introduction

1.1 This report has been prepared to inform the Board of the breach which occurred as a result of failing to produce and deliver all annual benefits statements prior to the statutory deadline of 31 August 2018.

2 Context

2.1 The East Sussex Pension Fund (ESPF) is required to produce an annual benefit statement before the 31st of August each year for all active and deferred members. As at 31 March 2018, the date the statement is based on, the number of active members in the scheme is 25,064 and there are 29,386 deferred members. The number of members who were due to receive an ABS but we failed to issue prior to the deadline was 1,288 – all active members.

2.2 With the exception of one employer, Gildredge Free School, the Administration team had successfully secured all employer returns this year in good time to enable the team to update records and produce the ABS in advance of the deadline.

Member statements were produced in late July for those able to access their statement online with paper statements issued w/c 20 August for the remaining.

3 Cause of breach, effect and rectification

3.1 Following the production, it was understood that all members had been issued with a statement.

3.2 On 29th August, the Administration became aware of an issue with a member who contacted the Governance team to query why they had not received their statement.

3.3 Upon review of this member record and the other staff of this employer, an error was identified in the processing of the record to the “complete” status where actions to correct queries or errors on the record were still outstanding. This meant such records were unable to have an Annual Benefit Statement (ABS) generated despite the complete status.

A member of the Administration team had failed to action corrections required, partly as a consequence of inexperience, partly due to the fact no reconciliation control is in place to relate the actual number of statements produced are in line with that expected.

3.4 Upon learning of the issue relating to the individual member not receiving their ABS, immediate action commenced to identify the cause and what needed to take place to rectify. Corrections were made to records affected across this employer and as a consequence ABS's were issued for the 56 members prior to the statutory deadline of 31 August.

3.5 Whilst this action successfully dealt with the known errors relating to this employer, further analysis across the Fund was required to understand if further member records were similarly affected. This analysis was completed on 6th September and it was identified that up to 2,500 active member records were also affected by this error.

3.6 An immediate programme of correction was undertaken which resulted in 3 team members being dedicated to resolve the records identified and correct where appropriate. During this exercise over 1,000 records were identified as un-notified leavers and as a consequence would be omitted from an ABS being issued, a not un-common status where employers fail to supply leaver forms to the Pension administration.

3.7 The total number of members affected was finalised at 1,288. All statements were issued by 20 September 2018.

4. Action taken

4.1 A breach report was issued and submitted to the Monitoring officer and Section 151 officer. Upon review of the report, it was instructed that a formal breach report would be submitted to the regulator which was completed on 16th October 2018.

4.2 The Pensions lead manager is carrying out a full review of the process of ABS planning, preparation and production and will include the following key actions in preparation for the annual exercise;

- Revised training for all team members involved in the employer return processing and completion.
- Introduction of controls to reconcile the number of statements due for production.
- Improved communications with employers and internal stakeholders.
- Internal audit commissioned by Chief Operating Officer.

Kevin Foster
Chief Operating Officer

Contact Officer: Brian Smith Tel. No. 07791 423476

Email: brian.smith@eastsussex.gov.uk

Report to: Pension Board

Date of meeting: 5 November 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

RECOMMENDATIONS

The Board is recommended to consider and comment on the report

1 Introduction

1.1 Business Operations within Orbis have prepared this summary of topical administration activities, projects and improvements that may have an impact on members of the pensions scheme. 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 administration tasks for the 6 months leading to September 2018.

2.2 The performance in general has been positive with most key indicators met. September experienced a dip in performance in certain areas which was due to the exceptional workload as a result of Annual Benefit Statement (ABS) distribution and the subsequent query handling that inevitably occurs as a result from distributing c 45,000 statements. As referred to in the ABS breach report, there was also the requirement for resource to be utilised solely for record corrections identified which meant business as usual activities were somewhat negatively impacted. Furthermore, administration resource was also required to achieve the Annual Allowance exercise as described in section 4. It is expected that October results will show an improved performance.

3 Data cleanse plan

3.1 The Board will recall that Officers provided an update previously with regards to a Data Cleanse due to be carried out in advance of the 2019 Funding Valuation. This project will commence in November and a high level plan can be found at **Appendix 2**.

3.2 The plan also includes a timeframe for the work being carried out by Heywoods for the Common and Conditional data scoring as required for tPR Administration and Governance survey.

3.3 Once the results of the both data cleanses are known, a more detailed plan will be drafted and shared with the Board. This will include using the address tracing data analysis previously referred to as provided by specialist agency call credit.

4 Annual Allowance

4.1 The Board may be aware of the requirement for the Administration to provide relevant scheme members with Pension Saving Statements on an annual basis. The deadline for this in 2018 was 6th October and we are pleased to report this statutory deadline was met with all 78 high earning members receiving their information prior to this date.

5 Resources & Training

5.1 We are pleased to advise that two new key appointments have been made to the Pensions Administration team.

5.2 Michael Mann joined as Pensions lead manager on 1st October and will take responsibility for the Administration of all Orbis Pension schemes, splitting his time between Lewes and Kingston. Michael will be formally introduced to the Board at this meeting.

5.3 In the newly created role of Service Support and Development Manager, Tom Lewis will take on responsibility for much of the planning aspects of Pensions Administration as well as the development of processes, people and technology. Tom will be predominately based in the Kingston offices.

5.4 A development plan will be produced and shared with the Board at a future meeting. A key focus area will be increased member and employer engagement with a focus on education of the LGPS. In response to a specific request, employee presentations have already been delivered as a pilot for Brighton and Hove City Council (BHCC) active scheme members which was delivered across a number of sites. These presentations were well received by attendees and BHCC HR who requested this to take place.

5.5 A further focus will be to explore the benefits of a new online training and education centre developed by Heywoods due to be launched in November 2018. This online tool will allow staff to undertake courses in their own time and at their own pace with a training plan able to be set and progress tracked by team leaders and managers.

Kevin Foster
Chief Operating Officer

Contact Officer: Brian Smith Tel. No. 07791 423476

Email: brian.smith@eastsussex.gov.uk

East Sussex Pensions Administration - Key Performance Indicators 2018_19

	Activity	Measure	Impact	Target	Apr-18		May-18		Jun-18		Jul-18		Aug-18		Sep-18	
	Scheme members	Pensioners, Active & Deferred			74232		74378		74788		76344		75052		75113	
	New starters set up				423		413		419		332		599		258	
					Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score
1a	Death notification acknowledged, recorded and documentation sent	within 5 days	M	95%	13	100%	12	100%	7	100%	13	100%	5	100%	8	100%
1b	Award dependent benefits (Death Grants)	within 5 days	H	95%	3	100%	11	100%	13	100%	12	100%	6	83%	6	83%
2a	Retirement notification acknowledged, recorded and documentation sent	within 5 days	M	95%	81	93%	143	99%	122	97%	127	99%	137	99%	126	88%
2b	Payment of lump sum made	within 5 days	H	95%	123	95%	91	98%	112	96%	109	99%	98	98%	138	96%
3	Calculation of spouses benefits	within 5 days	M	90%	13	92%	20	100%	15	93%	20	95%	8	100%	8	100%
4a	Transfers In - Quote (Values)	within 10 days	L	90%	27	100%	34	100%	13	100%	29	93%	21	100%	24	100%
4b	Transfers In - Payments	within 10 days	L	90%	21	100%	32	97%	17	94%	13	100%	19	95%	9	100%
5a	Transfers Out - Quote	within 25 days	L	90%	18	100%	37	97%	26	100%	15	100%	23	100%	16	94%
5b	Transfers Out - Payments	within 25 days	L	90%	9	100%	7	100%	5	100%	6	100%	6	100%	11	82%
6a	Employer estimates provided	within 7 days	M	95%	121	93%	41	100%	53	96%	26	96%	26	96%	22	77%
6b	Employee projections provided	within 10 days	L	95%	31	100%	49	100%	54	96%	41	95%	30	93%	33	85%
7	Refunds	within 10 days	L	95%	32	100%	49	98%	60	100%	38	97%	47	100%	49	100%
8	Deferred benefit notifications	within 25 days	L	95%	138	100%	168	98%	185	100%	196	100%	168	99%	166	100%
9	Complaints received- Admin					3		1		0		0		0		2
	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					5		4		1		2		1		0

OVERDUE CASES RED-AMBER		APR	MAY	JUNE	JULY	AUGUST	SEPT
2a	Retirement notification acknowledged, recorded and documentation sent	6 Cases overdue by avge of 4 days. Longest overdue 8 days.					
1b	Award dependent benefits (Death Grants)					1 Case overdue by 1 day.	1 Case overdue by 1 day.
2a	Retirement notification acknowledged, recorded and documentation sent						15 Cases overdue by avge of 4 days. Longest overdue 7 days.
5b	Transfers Out - Payments						2 Cases overdue by avge of 2.5 days. Longest overdue 4 days.
6a	Employer estimates provided	9 Overdue by avge of 6 Days. Longest overdue 15 Days					5 Cases overdue by avge of 4 days. Longest overdue 9 days.
6b	Employee projections provided					2 Tasks over due by avg of 1.5 Days. Longest overdue 2 Days	5 Cases overdue by avge of 8 days. Longest overdue 24 days.

Annual Data Cleanse Schedule of Works

Annual Data Cleanse

Phase

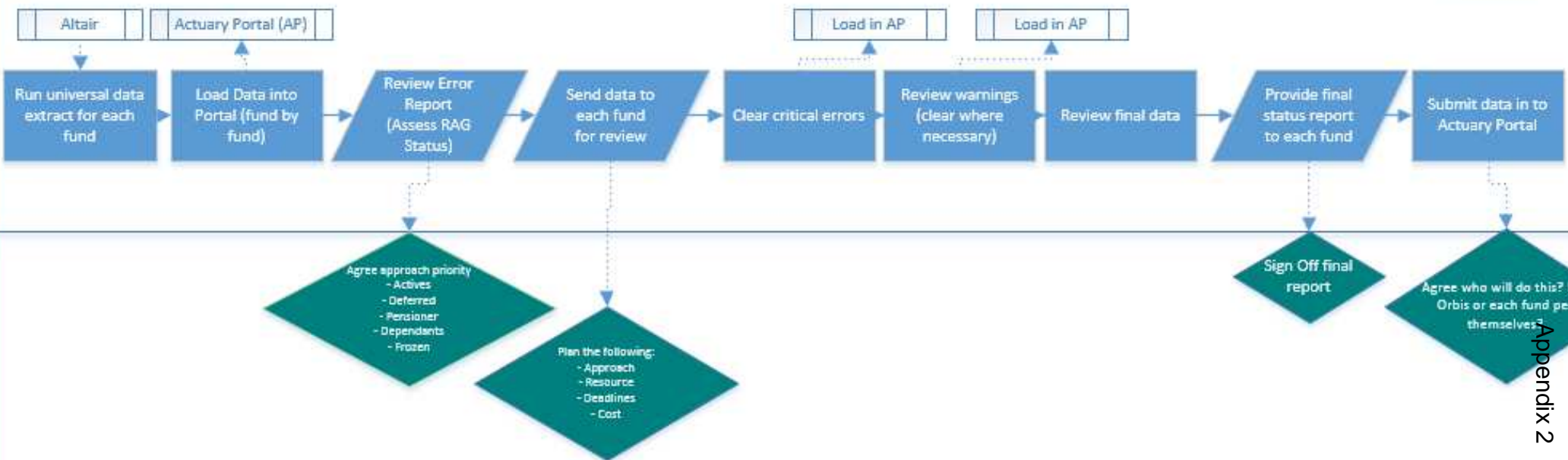
November 2018

March 2019

Data

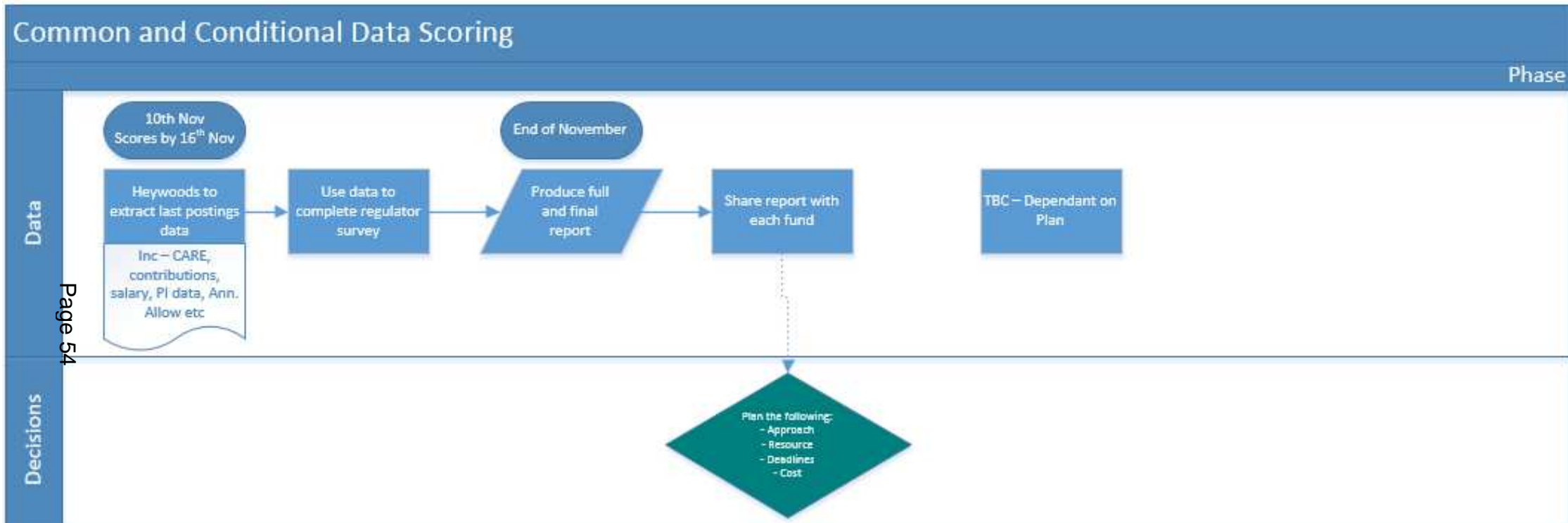
Page 53

Decisions



Appendix 2

Common and Conditional Data Scoring – Phase 1 Plan



Report to: Pension Board

Date: 5 November 2018

By: Head of Pensions

Title of report: General Update

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

RECOMMENDATION – The Board is recommended to note the report

1. Background

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

2. Report Overview

Cash Flow Forecast and Summary

2.1 The East Sussex Pension Fund invests any surplus cash with the Fund's custodian, Northern Trust. Over the past 6 years, the East Sussex fund has been broadly cash flow 'neutral'. The estimate for the fiscal year 2018/19 is that the fund will generate a surplus of £3.7m; the estimated cash flow position will be helped by higher employer pension contribution rates set at the last triennial valuation and payable since 1 April 2016. The current/quarter two projected outturn is a surplus of £3.8m, i.e., a variation from estimate of £0.1m. Table 1 below shows the cash projection to 30 September 2018.

PENSION FUND DEALINGS WITH MEMBERS AND EMPLOYERS

Employees Contributions

Employers Contributions

Deficit Recovery

Transfers In

TOTAL INCOME

Pensions Benefits Paid

Pensions Lump Sum Paid

Administration expenses

Transfers Out (excluding College transfer)

TOTAL EXPENDITURE

SURPLUS CASH

Original 2018/19 £m	Projected Outturn 2018/19 £m	Variance £m
29.3	30.2	0.9
82.6	87.4	4.8
17.6	15.6	(2.0)
7.4	6.2	(1.2)
136.9	139.4	2.5
(105.0)	(108.2)	(3.2)
(22.7)	(22.0)	0.7
(1.8)	(1.8)	0.0
(3.7)	(3.6)	0.1
(133.2)	(135.6)	(2.4)
3.7	3.8	0.1

3. National Development - updates

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

4. Exit Credits

4.1 The Local Government Pension Scheme (Amendment) Regulations 2018 amended the LGPS 2013 Regulations to provide for the payment of an exit credit to an exiting employer where, at the exit date, that employer's assets in the fund exceed the liabilities.

4.2 The introduction of exit credits has an immediate consequence for the way that the Fund manages employers through participation and at cessation. In order to prepare and comply with the regulation changes there are a range of factors the Fund needs to consider in terms of its funding strategies, policies, and communications with stakeholders. Under particular consideration will be on the Fund's current approach to admit new contractors. The Fund is currently drafting the changes to the Funding Strategy Statement (FSS), applicable policies and admission agreements to reflect this change.

5. Reporting Breaches Log

5.1 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, and the 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.

5.2 The updated breaches log (Appendix 1) has been updated with the following breaches –

- a. *Employer, Gildredge House failed to provide EOY return by 31/8/18 preventing ability to issue ABS.*
- b. *Some Active member annual benefit statements were not issued prior to the statutory deadline of 31/8/2018.*

5.3 These breaches have now been reported to the Pension Regulator (tPR) in compliance with the Fund Breaches Policy, and in consultation with the Monitoring Officer and the S151 Officer.

6. 2018 Employer Forum

6.1 The East Sussex Pension Fund (ESPF) Employer Forum is scheduled for 23rd November 2018 at the American Express Community Stadium, Falmer. The draft itinerary has been circulated to all employers.

7. Pension Board Agenda – February 2019

7.1 The draft agenda for the February 2019 Pension Board meeting include the following

- LGPS Pooling – ACCESS Pool Update;
- Discretionary policy statement;
- Pension Committee Agenda
- ESPF Customer Survey results
- Meeting the Training Requirements - Board Members
- Officers' Report - Business Operations
- Officers' Report - General Update
- Forward Plan
- Pension Fund – Risk Register
- Policies of the administering Authority
- Administration system procurement plan/update
- Communications policy statement.

8. Conclusion and reasons for recommendations

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

Contact Officers:

Ola Owolabi, Head of Pensions, 01273 482017
ola.owolabi@eastsussex.gov.uk

This page is intentionally left blank

Breaches Log

Appendix 1

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
6 th August 2018	Pensions Admin	Aug 18	Upon submission of a data sheet to the charity "give as you earn" to inform them of payments being made on behalf of scheme members, details of additional unrelated individuals were erroneously included in the spreadsheet. This monthly return included 61 people's details who pay for private healthcare through same pension sacrifice mechanism with name, payroll number and NI numbers and were copied in error into this sheet sent to the charity.		The charity were emailed explaining the error asking them to delete the previous email and a further email has been sent with the correct information. The charity has confirmed by email that all data has been deleted (email dated 16/08/18). Preventative action taken has been to implement a new checking process by a different team member prior to submission.	None	Closed	N	N	Brian Smith
31 Aug 2018	Employer	31 st August 2018	Employer, Gildredge House failed to provide EOY return by 31/8/18 preventing ability to issue ABS.		Gildredge House data received 30 August, and once queries were resolved was completed 6 September. ABS for all 40 members affected was produced on 20 th September. Employees written to on 29 th August informing them they will not receive an ABS until later in September.	None	Closed	Y – 24 Sep	Y – 10 Sep	Brian Smith
03 Sep 2018	Pensions Admin	31 st August 2018	Some Active member annual benefit statements ranging over a number of employers were not issued prior to the statutory deadline of 31/8/2018. Failure to complete validation on certain records was identified after the deadline		Since identification was made, immediate and urgent action was taken to correct the affected records. This was completed on 20 th Sept and the 1,500 ABS's were produced on 21 st Sept by a mix of on line invitations to those members registered for self serve and by paper copies for the	None	Closed	Y – 24 Sep	Y – 10 Sep	Brian Smith

			resulting in approx. 1,500 records being incomplete which meant these individuals ABS failed to be produced.		remainder.					
--	--	--	--	--	------------	--	--	--	--	--

Report to: **Pension Board**

Date: **5 November 2018**

By: **Chief Finance Officer**

Title of report: **Pension Fund Risk Register**

Purpose of report: **To consider the Pension Fund Risk Register**

RECOMMENDATION –

The Board is recommended to note the updated Pension Fund Risk Register.

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. Risk Register.

2.1 The updated Risk Register (Appendix 1) highlights key risks in relation to the East Sussex Pension Fund (ESPF), 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.

3. Assessment of Risk

3.1 Risks are assessed in terms of the potential impact of the risk event should it occurs, 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.

3.2 The ESPF risk profile, 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 –

- Significant rises in employer contributions due to increases in liabilities or fall in assets;
- The decision to leave the European Union results in significant economic instability and slowdown, and as a consequence lower investment returns resulting in Financial loss, and/or failure to meet return expectations;
- The decision to leave the European Union results in changes to the regulatory and legislative framework within which the Fund operates;
- Data Cleansing – failure to provide timely and accurate member data.
- ACCESS Pool Governance – Resourcing.

3.3 The following risks have been reviewed and post mitigation risk score amended -

- Guaranteed Minimum Pension (GMP) reconciliation;
- Asset transition costs are greater than forecast.

3.4 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.

3.5 Further risks are likely to arise from future decisions taken by the Pension Committee, ACCESS Joint 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.

4. Conclusion and reasons for recommendations

4.1 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

Contact Officers: Ola Owolabi, Head of Pensions, 01273 482017
ola.owolabi@eastsussex.gov.uk

Local Member(s): All
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 NEGLECTIBLE (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)
SERVICE DELIVERY (Core business, Objectives, Targets)	Handled within normal day-to-day 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.
FINANCE (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.
REPUTATION (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
PEOPLE (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

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

EAST SUSSEX PENSION FUND - RISK REGISTER

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

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

EAST SUSSEX PENSION FUND - RISK REGISTER

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

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

EAST SUSSEX PENSION FUND - RISK REGISTER

Reference	Risk	Pre Mitigation			Risk Control / Response	Post Mitigation		
		Impact	Likelihood	Risk Score		Impact	Likelihood	Risk Score
16	Communication with employers <ul style="list-style-type: none"> • Damaged reputation • Incorrect payments/receipts • Maladministration 	3	2	6	<ul style="list-style-type: none"> • Employer forum • Annual employers/forum meeting • Pensions website • Pension board representatives feedback 	2	2	4
17	Maturing Fund <ul style="list-style-type: none"> • Cash flow issues • Increasing employer rates • liquid investments 	3	2	6	<ul style="list-style-type: none"> • Investment strategy • Cash flow monitoring • Discourage opt outs • New scheme 50/50 option • Communication 	2	2	4
18	Investment Manager goes bust <ul style="list-style-type: none"> • Inability to trade • No reconciliation or accounting • Losses to assets • Increase in investment risk taken to access higher returns • Increase in employer contributions 	3	2	6	<ul style="list-style-type: none"> • Service level agreement with termination clause • Regular Meetings • Regular reports SAS 70/AAF0106 	4	1	4
19	Employers unable to pay increased contributions <ul style="list-style-type: none"> • Lower funding level • Increase in employer contributions • Employer forced to sell assets • Employer forced into liquidation • Increase in investment risk taken to access higher returns 	2	3	6	<ul style="list-style-type: none"> • Valuation • Regular communication with Employers • Monthly monitoring of contribution payments • Meetings with employers where there are concerns 	2	2	4

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

EAST SUSSEX PENSION FUND - RISK REGISTER								
Reference	Risk	Pre Mitigation			Risk Control / Response	Post Mitigation		
		Impact	Likelihood	Risk Score		Impact	Likelihood	Risk Score
23	ACCESS Decision making - Chairs do not agree on key decisions around asset pools/governance etc. <ul style="list-style-type: none"> Damaged reputation Increase in investment risk taken to access higher returns Difficulty in switching in and out of the large position and possible delays in execution of investment decisions 	3	2	6	<ul style="list-style-type: none"> Robust drafting/review/sign off process, Regular meetings where funds can share thoughts. 	3	1	3
24	The Fund has insufficient resources available <ul style="list-style-type: none"> To deliver the pooling proposal within the required timescale, without impacting the day-to-day management of the fund. 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. 	3	2	6	<ul style="list-style-type: none"> 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. Officers from each fund involved with the pooling project are monitoring the amount of time spent on the project. 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. 	3	2	6
25	Asset transition costs <ul style="list-style-type: none"> Asset transition costs are greater than forecast. Failure to control operational risks and transaction costs during the transition process An increase in the initial set-up costs forecast by the pooling proposal. 	4	3	12	<ul style="list-style-type: none"> Consultant has analysed the creation of sub-funds 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'. 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. 	4	2	8

EAST SUSSEX 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 Annual Benefit statements 31st August <ul style="list-style-type: none"> • Reputational risk and complaints • Fines 	3	3	9	<ul style="list-style-type: none"> • Project management approach • Regular contact with employers to get data. • Monthly interfacing to reduce workload at year end • Statements to employers in time to allow time for distribution to staff prior to 31/8/17. • Considerations of employer take up of monthly interfaces system. Many leavers are not being notified until year end. 	3	3	9
27	EU General Data Protection Regulations (GDPR)/Data Protection <ul style="list-style-type: none"> • Failure to secure and manage personal data held by the Pension Fund in an appropriate manner and in line with statutory responsibilities. • Ensure systems and processes in place to comply with legislation • Reputational damage • Fines 	3	2	6	<ul style="list-style-type: none"> • All staff undertake to share personal data with 3rd parties through controlled framework; • Awareness of potential risk in not doing so. • Members including pensioner members are informed regularly (via payslips & newsletters) that data is provided to third parties for the detection / prevention of fraud in accordance with National Fraud Initiative. (On-going) • Further staff training to be undertaken to reinforce awareness. • The Fund is also working with the Council's corporate project team to ensure they are updated of progress. 	4	1	4
28	Access Support Unit Recruitment <ul style="list-style-type: none"> • Failure to appoint appropriate staff to run the business as usual work for the Pool • Increased use of Fund Resources to cover the work required • Reputational damage 	3	3	9	<ul style="list-style-type: none"> • Detail job description • Section 151 officers input • Joint Committee input • Use of Host Authorities recruitment specialists 	3	2	6

EAST SUSSEX PENSION FUND - RISK REGISTER

Reference	Risk	Pre Mitigation			Risk Control / Response	Post Mitigation		
		Impact	Likelihood	Risk Score		Impact	Likelihood	Risk Score
29	Significant rises in employer contributions due to increases in liabilities or fall in assets <ul style="list-style-type: none"> Scheme liabilities increase disproportionately as a result of increased longevity or falling bond yields. Poor economic conditions, incorrect investment strategy, poor selection of investment managers. Poor / negative returns leading to potential increase in employer's costs. 	4	2	8	<ul style="list-style-type: none"> Use expert actuary who makes significant possible assumptions and recommends appropriate recovery period and strategy; Quarterly monitoring of investment managers by Pension Committee ; Diversified Strategic Asset Allocation; 	3	2	6
30	The decision to leave the European Union results in significant economic instability and slowdown, and as a consequence lower investment returns, resulting in: <ul style="list-style-type: none"> Financial loss, and/or failure to meet return expectations. Increased employer contribution costs. 	4	2	8	<ul style="list-style-type: none"> Diversification of the Fund's investments across the world, including economies where the impact of "Brexit" is likely to be smaller. The long term nature of the Fund's liabilities provides some mitigation, as the impact of "Brexit" will reduce over time. 	3	2	6
31	The decision to leave the European Union results in changes to the regulatory and legislative framework within which the Fund operates	4	2	8	<ul style="list-style-type: none"> The Government is likely to ensure that much of current EU regulation is enshrined in UK law. Officers receive regular briefing material on regulatory changes and attend training seminars and conferences, and ensure any regulatory changes are implemented. 	3	2	6
32	Data Cleansing – failure to provide timely and accurate member data. <ul style="list-style-type: none"> Risk of financial loss and damage to reputation. Incorrect employers contribution calculations Delays to triennial actuarial valuations process. 	3	3	9	<ul style="list-style-type: none"> Annual data cleansing carried out by pension administration to highlight gaps; Administration Strategy in place; Employing authorities are contacted for outstanding information when it is identified that information is missing or contains errors; Regular meeting with administration services re updates, when required. 	3	2	6

EAST SUSSEX PENSION FUND - RISK REGISTER

Reference	Risk	Pre Mitigation			Risk Control / Response	Post Mitigation		
		Impact	Likelihood	Risk Score		Impact	Likelihood	Risk Score
33	ACCESS Pool Governance – Resourcing <ul style="list-style-type: none"> Establishment phase resource - a substantial amount of officer resource will be required to support the project plan workstreams / tasks etc. Increased demand on officer time could result in delays if progress is slowed due to resource constraints or increased costs if there is a requirement to outsource. 	4	2	8	<ul style="list-style-type: none"> Interim ACCESS Support Unit function to provide support. Gap analysis to be undertaken to identify officer resource requirements. Workstreams to be allocated Officer sub-groups to co-ordinate work. Increasing the frequency of OWG meetings - fortnightly joint OWG / Link Steering Group meetings and fortnightly Link Project calls. 	3	2	6

This page is intentionally left blank

Report to: **Pension Board**

Date: **5 November 2018**

By: **Head of Pensions**

Title of report: **Pension Fund Board/Committee Forward Plan 2018/19**

Purpose of report: **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.**

RECOMMENDATION – The Board is recommended to note the content of this report.

1. Background

1.1 The Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom recommend 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 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.

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, and the next joint training session is scheduled to take place on 22 January 2019. The proposed topics for the session will be on the *Knowledge of Pension Fund Stakeholders*, *Pension Fund Consultation and Communication*, *ACCESS Pool Governance*, etc.

4.2 Following the successful joint training session on 17 October 2018, covering ‘Pension Administration - Understanding Best Practice; Interaction with HMRC; ESG; Merits and Dangers of Index Funds’. Few pension administration best practice areas for the Board consideration include –

- Administration and Communication Strategies;
- Target turnaround times for associated Key Performance Indicators (KPIs);
- Style of communications - level of focus on electronic / on-line services;
- Consideration of in-house, shared service, and third party administration provider;
- Key costs - systems/drive for efficiencies;
- Focus on quality - following best practice;
- Approach to charging employers for poor performance;
- Workload and volume of activity;
- What do your scheme members and employers think;
- Approach for scoring conditional data and systems availability, etc.

5. Conclusion and reasons for recommendations

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

Contact Officers: Ola Owolabi, Head of Pensions, 01273 482017
ola.owolabi@eastsussex.gov.uk

EAST SUSSEX PENSION FUND

PENSION COMMITTEE/BOARD FORWARD PLAN 2018-19

November 2018

Contents

Introduction	Page 3
Key documents to be considered	Page 3
Forward /Business Plan	Page 6
Pension Board/Committee Training Strategy	Page 10
Pension Board/Committee Training Plan	Page 17

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 73,000 individuals employed by 136 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 2018/19. 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.
- 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 Pensions. He is supported in this role by the Pensions Strategy and Governance Manager, and the Pensions Investment Manager.
- 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 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: Investment Strategy Statement, 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.

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

PENSION COMMITTEE FORWARD/BUSINESS PLAN					
Date	September 2018	November 2018	February 2019	May 2019	July 2019
Item					
1	LGPS Pooling – ACCESS Pool Update	LGPS Pooling – ACCESS Pool Update	LGPS Pooling – ACCESS Pool Update	LGPS Pooling – ACCESS Pool Update	External Audit and Annual Report Approval
2	Annual review of the Fund's ESG approach	Annual Benefit Statement	Communications policy statement	Discretionary policy statement	Investment Strategy review day
3	Review on the investment strategy and Manager benchmarking	East Sussex Pension Fund: Independent Advisor	Reporting Breaches	External Assurance Reports from Third Parties	
4	Annual Benefit Statement - update/ GMP Reconciliation update/Data Cleansing	Responsible Investment Policy	Investment Strategy Statement	Cessations and Admission policies	
5		Financial Reporting Council - UK Stewardship Code	Pension Committee/Board Training Plan		
6		GMP Reconciliation – update	Option appraisal of services offered by other administration system providers.		

Recurring items

Item	
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
7	Pension Employers- Update

2. PENSION BOARD – FORWARD/BUSINESS PLAN

PENSION BOARD FORWARD/BUSINESS PLAN				
Date	September 2018	November 2018	February 2019	May 2019
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	Internal Audit Report - ACCESS Pool	Annual Benefit Statement	Policies of the administering Authority <ul style="list-style-type: none"> · conflicts of interests · record-keeping/meeting attendance; · data protection and freedom of information 	Pension Fund 2018/19 Annual Report
4	Review on fee arrangements	Responsible Investment Policy	ESPF Customer Survey results	Draft Internal Audit Pension Fund Strategy and Internal Audit Reports
5	Annual Benefit Statement - update/ GMP Reconciliation update/Data Cleansing	Financial Reporting Council - UK Stewardship Code	Communications policy statement	2019 Annual Benefit Statement Exercise – update
6		GMP Reconciliation – update	Meeting the Training Requirements - Board Members	Pension Fund Policies – Discretionary Policy Statement, Administration Strategy Statement, and Pension Fund Cessation Policy.

Recurring items

Item	
1	Officers' Report - Business Operations
2	Officers' Report - General Update
3	Forward Plan
4	Pension Fund – Risk Register

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 are 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 or 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:-

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

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 2018-2019

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
GENERAL TRAINING								
General overview of LGPS - Introduction <ul style="list-style-type: none"> Member's Role 	✓						1	Completed
Members individual needs on specific areas arising during the year <ul style="list-style-type: none"> Advisory Board e-learning 	✓	✓			✓	✓ ✓	1,3,4	As required – notify Head of Accounts and Pensions
Pre- committee meeting/agendas <ul style="list-style-type: none"> Specific investment Topics Services and providers Procurement process for services provided externally Performance measurement Accounts and audit 		✓ ✓ ✓ ✓ ✓	✓ ✓ ✓ ✓ ✓				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
regulations <ul style="list-style-type: none"> • Role of internal and external audit • Fund responsibilities/ policy • Pension Discretions • Safeguarding the Fund's Assets 		✓ ✓ ✓ ✓ ✓	✓ ✓ ✓ ✓ ✓					
Pension Fund Forum <ul style="list-style-type: none"> • Valuation Process • Knowledge of the valuation process and the need for a funding strategy • Implications for employers of ill health and outsourcing decisions • Importance of monitoring asset returns relative to liabilities 				✓			1,4,6	
SPECIFIC ISSUES IDENTIFIED FROM MEMBERS SELF ASSESSMENTS								

	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
General Pension Framework <ul style="list-style-type: none"> LGPS discretions & policies Implications of the Hutton Review 		✓	✓	✓	✓		1,6	
Pensions Legislation & Governance: <ul style="list-style-type: none"> Roles of the Pension Regulator, Pension Advisory Service & Pension Ombudsman in relation to the scheme Review of Myners principles and associated CIPFA & SOLACE guidance 		✓		✓			1,2,	
Pension Accounting & Auditing standards: <ul style="list-style-type: none"> Accounts & Audit regulations and the legislative requirements 			✓				1,2	
Financial Services procurement: <ul style="list-style-type: none"> Current public procurement policy & procedures UK & EU procurement 				✓			3,5,6	

	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
legislation								
Investment Performance & Risk Management: <ul style="list-style-type: none"> Monitoring asset returns relative to liabilities Myners principles of performance management Setting targets for committee and how to report against them Page 96				✓ ✓ ✓	✓		3,5,6	Invite to be circulated to when relevant
Financial markets & products knowledge: <ul style="list-style-type: none"> Refresh the importance of setting investment strategy Limits placed by regulation on investment activities in the LGPS Understanding of the operations of the fixed income manager Understanding of Alternative asset classes 			✓	✓ ✓	✓		4 1 4 4,5,6	

	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
Pension Administration - • Shared service		✓	✓	✓			2,6	
Actuarial methods, standards and practices: • Considerations in relation to outsourcings and bulk transfers • Triennial Valuation refresher		✓ ✓					1 6	
CHAIRMAN TRAINING								
• Fund Benchmarking • Stakeholder feedback • Appreciation of changes to scheme rules	✓ ✓				✓		2 4 1,5	
EXTERNAL SEMINARS AND CONFERENCES								
NAPF Local Govt Conference • Refresher training • Keeping abreast of current development					✓ ✓		1,3,4,5	
LGC Investment Conference					✓		1,2,3,4,5,6	

	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
<ul style="list-style-type: none"> Fund Manager events and networking 					✓			

Key

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

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

EAST SUSSEX PENSION BOARD – TRAINING LOG

Member/Representative Name:		
Subject/Description of training	Date completed	Suggested Further Action?
Benefit Structure		
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	
Code of Practice		
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	
LGPS – Legislative and Governance context		
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 March 2018	
The Committee	14 June 2016 & 21st	

Member/Representative Name:		
Subject/Description of training	Date completed	Suggested Further Action?
	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	
Conflicts of interest		
Reporting breaches of the law	14 June 2016	
2016 Triennial Valuation refresher		
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	
Experience from 2013 to 2016	18 July 2016	
Markets (asset returns and yields)	18 July 2016	

Member/Representative Name:		
Subject/Description of training	Date completed	Suggested Further Action?
Longevity experience	18 July 2016	
TPR's Public Sector Online Toolkit (7 modules)		
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		
TPR Code of Practice no. 14		
Governing Your Scheme	26 September 2017	
Managing Risks	26 September 2017	
Administration	26 September 2017	
Resolving Issues	26 September 2017	
Pensions Legislation		
The Legislative Framework for Pensions in the UK	26 January 2017	
LGPS Regulations and Statutory Guidance	26 January 2017	
LGPS Discretions	26 January 2017	
Other Legislation	26 January 2017	
Member/Representative Name:		

Subject/Description of training	Date completed	Suggested Further Action?
Pensions Governance		
Understanding National and Local Governance Structure	21st March 2018	
Knowledge of Pension Fund Stakeholders		22 January 2019
Knowledge of Pension Fund Stakeholder Consultation and Communication		22 January 2019
Governance Policies	21st March 2018	
Pension Administration		
Understanding Best Practice	17 October 2018	
Interaction with HMRC	17 October 2018	
Additional Voluntary Contributions	3 November 2017	
The Role of the Scheme Employer		
Stewardship Report		
Pensions Accounting and Auditing Standards		
Understanding the Accounts and Audit Regulations		20 March 2019
The Role of Internal and External Audit		20 March 2019
Third Party Contracts		
Investment Performance and Risk Management		
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	

Member/Representative Name:		
Subject/Description of training	Date completed	Suggested Further Action?
LGPS (Management and Investment of Funds) Regulations		
HMRC and Overseas Taxation		
Procurement and Relationship Management		
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	
Additional Training		
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	
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	21 March 2018	
Pantheon Global Infrastructure	21 March 2018	
Responsible Investment under the LGPS Pooling Agenda.	21 March 2018	
Sustainable Investing/ESG	17 October 2018	
Merits and Dangers of Index Funds	17 October 2018	

AVAILABLE TRAINING AND CONFERENCES 2018 – 2019

Date	Conference/Event	Run By	Delegates/Cost
30 October 2018	LGPS Governance Training Fundamental – Day 2	Local Government Pensions Committee (LGPC) - LGA	£260
2 November 2018	Schroders Trustee Training 2018 – Part 2	Schroders	Free
4 December 2018	LGPS Governance Training Fundamental – Day 3	Local Government Pensions Committee (LGPC) - LGA	£260
	Investment Summit	Local Government Chronicle (LGC)	TBC
	Annual Local Government Pension Investment Forum	Informal	TBC
	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
On-Line Training			
www.thepensionsregulator.gov.uk	Pension Education Portal	Pensions Regulator	Free on-line

East Sussex Pension Fund

Date	Conference/Event	Run By	Delegates/Cost
http://www.lgpsregs.org/	LGPS Regulations and Guidance	LGPS Regulations and Guidance	Free on-line
http://www.lgps2014.org/	LGPS 2014 members website	LGPS 2014 website	Free on-line
www.local.gov.uk	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	17 October 2018	22 January 2019	20 March 2019	12 June 2019	25 September 2019
Topics	<ul style="list-style-type: none"> Pension Administration – Understanding Best Practice and Interaction with HMRC. Merits and Dangers of Index Funds ESG 	<ul style="list-style-type: none"> Knowledge of Pension Fund Stakeholders Pension Fund Consultation and Communication ACCESS Pool Governance 	<ul style="list-style-type: none"> Pensions Accounting and Auditing Standards Understanding the Accounts and Audit Regulations The Role of Internal and External Audit 	<ul style="list-style-type: none"> Investment Performance and Risk Management Pension Fund Governance; Environmental, Social and Governance (ESG). 	<ul style="list-style-type: none"> Updates from the Pension Fund Regulator. Fund Assets - Carbon Footprint Measurement;

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank