PENSION COMMITTEE

MONDAY, 1 MARCH 2021

10.00 AM CC2, COUNTY HALL, LEWES

++Please Note That This Meeting Will Be Taking Place Remotely++

MEMBERSHIP - Councillor Gerard Fox (Chair)
Councillors Nigel Enever, Andy Smith, David Tutt and Trevor Webb

A G E N D A

1 Minutes *(Pages 3 - 10)*

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 *(Pages 11 - 20)*

6 PRI Presentation *(Verbal Report)*

7 Investment Report *(Pages 21 - 128)*

8 East Sussex Pension Fund (ESPF) quarterly budget report and 2021/22 Pension Fund Business Plan and Budget *(Pages 129 - 152)*

9 Communications Review Report *(Pages 153 - 178)*

10 Governance and Employer Engagement Report *(Pages 179 - 186)*

11 Pensions Administration report *(Pages 187 - 204)*

12 Internal Audit Report: Pension Fund: Compliance with Regulatory Requirements 2020/21 *(Pages 205 - 216)*

13 Risk Register *(Pages 217 - 226)*

14 Work programme *(Pages 227 - 238)*

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 Investment Report *(Pages 239 - 288)*

18 Breaches Log *(Pages 289 - 292)*

19 Employer Admissions and Cessations *(Pages 293 - 306)*

20 Any other exempt items previously notified under agenda item 4

PHILIP BAKER
Assistant Chief Executive
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19 February 2021

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NOTE: *As part of the County Council's drive to increase accessibility to its public meetings, this meeting will be broadcast live on its website and the record archived. The live broadcast is accessible at: www.eastsussex.gov.uk/yourcouncil/webcasts/default.htm*

PENSION COMMITTEE

MINUTES of a meeting of the Pension Committee held at County Hall, Lewes on 30 November 2020.

++Please note that the Members joined the meeting remotely++

PRESENT	Councillor Gerard Fox (Chair) Councillors Nigel Enever, Andy Smith, David Tutt and Trevor Webb
ALSO PRESENT	Ian Gutsell, Chief Finance Officer Sian Kunert, Head of Pensions Russell Wood, Pensions Manager: Investment and Accounting Paul Punter, Head of Pensions Administration Dave Kellond, Compliance and Local Improvement Manager Nigel Chilcott, Audit Manager Danny Simpson, Principal Auditor William Bourne, Independent Adviser Paul Potter, Hymans Robertson Robert McInroy, Hymans Robertson Ian Colvin, Hymans Robertson Philip McCloy, Northern Trust Harvey Winder, Democratic Services Officer Martin Jenks, Senior Democratic Services Adviser

42 MINUTES

42.1 The minutes of the meeting held on 21 September 2020 were agreed as a correct record.

43 APOLOGIES FOR ABSENCE

43.1 There were no apologies for absence.

44 DISCLOSURE OF INTERESTS

44.1 Cllr David Tutt declared a personal, non-prejudicial interest in item 20 as the Leader of Eastbourne Borough Council, which is involved in an ongoing admission agreement with a sub-contractor. Cllr Tutt did not take part in the discussion during that item.

45 URGENT ITEMS

45.1 There were no urgent items.

46 PENSION BOARD MINUTES

46.1 The Committee considered the minutes of the Pension Board meeting held on 16 November 2020.

46.2 The Committee RESOLVED to note the minutes.

47 INVESTMENT REPORT

47.1 The Committee considered a report providing an update on the investment activities undertaken by the East Sussex Pension Fund (ESPF).

47.2 The Committee's discussion included the following key issues:

- Passive equity funds are the source of around 75% of the Fund's exposure to fossil fuels. The recent equity changes are expected to reduce holdings in fossil fuel companies from 4% to 2% of the value of the Fund.
- The ESPF retains 10% of its assets, or 25% of its holdings in equities, in several passive regional equity funds managed by UBS. These are standard market index tracking funds and so are not weighted against fossil fuel companies, unlike the majority of the ESPF's equity funds. Discussions about what to do with these remaining assets will take place with the new investment adviser, ISIO, once they are appointed in February 2021.
- Any decision about divestment from index tracking funds needs to account for the loss of cash to the Fund from divestment in established fossil fuel companies that tend to pay dividends to shareholders.
- The Fund's active managers – Newton and Ruffer – are members of the Institutional Investors' Group on Climate Change (IIGCC), which pushes companies to align with the Paris Agreement. The IIGCC encourages its members to submit motions at shareholder meetings for action on climate change and has been very aggressive in this regard (investment managers are shareholders on behalf of the ESPF). Most Environmental, Social and Governance (ESG) consultants are in favour of this approach rather than blanket divestment from a sector.

47.3 The Committee RESOLVED to:

1) note the Action Log and Investment Workplan (Appendix 1);

2) note the Quarterly Investment Report from the Investment Advisor, Hymans Robertson (Appendix 2);

3) agree the revised Investment Strategy Statement (Appendix 4); and

4) note the content of this report

5) Agree to ask the new investment advisors to review the remaining 10% of assets held in regional index equities.

48 INDEPENDENT AUDITORS REPORT ON THE PENSION FUND ACCOUNT AND ANNUAL REPORT AND ACCOUNTS 2019/20

48.1 The Committee considered a report presenting the Independent Auditor (Grant Thornton) report to those charged with governance, and reporting on anticipated unqualified audit opinion on the 2019/20 Pension Fund Annual Report.

48.2 It was clarified that there has been a delay in the Independent Auditor, Grant Thornton, issuing its audit opinion, but this is due to their own internal processes and not the ESPF.

48.3 The Committee RESOLVED to:

1. note the draft Independent Auditor's (Grant Thornton - GT) report to those charged with governance on Pension Fund Annual Report 2019/20;

2. approve the draft Pension Fund Annual Report for publication.

49 GOVERNANCE AND EMPLOYER ENGAGEMENT REPORT

49.1 The Committee considered a report providing an update on various governance and employer engagement work completed and changes affecting the Local Government Pension Scheme (LGPS) generally and ESPF specifically.

49.2 It was clarified that the new governance structure of the ESPF has been based on best practice published by the Scheme Advisory Board. It is hoped it will be effective, but any areas that are not currently addressed – for example, whether it is a conflict of interest for the Section 151 officer to be both the responsible officer for the administering authority of the Fund and a Chief Finance Officer of an employer of the Fund – could be revisited in the future.

49.3 The Committee RESOLVED to:

(1) Approve the ACCESS Pool Amended and Re-stated Inter- Authority Agreement (IAA) (Appendix 1);

(2) Note the update to the ACCESS link operator agreement;

(3) Approve the Pension Fund Conflict of Interests Policy (Appendix 2);

(4) Note the update on the McCloud Working Group;

(5) Approve Option 3 approach for classification and inclusion of employers for ill health insurance implementation as set out in 2.16 and Appendix 6;

(6) Note the draft Employer Forum agenda (Appendix 7);

(7) Note the progress in recruitment to the Pension Fund team and initiation of review of communications (Appendix 8); and

(8) thank Russell Wood for his work over the past 18 months whilst the new Pension Fund Team has been developed.

50 PENSIONS ADMINISTRATION REPORT

50.1 The Committee considered a report providing an update to the Pension Committee on matters relating to Pensions Administration activities.

50.2 It was clarified that this year 1,296 Annual Benefit Statements (ABS) were not produced compared to 15k last year and the figure is now comparable to other administering authorities. The reduction in unproduced statements is largely as the result of a member tracing exercise that found addresses for a large number of gone away deferred members. There will be a repeat tracing exercise on a bi-annual basis from now on to help ensure the number stays low.

50.3 The Committee RESOLVED to:

1) Note the updates;

2) Note the progress of management in implementing the agreed actions arising from the internal audit report (Appendix 7);

3) Note the proposed Pension Administration Team (PAT) structure and estimated costs following transition from share service arrangements (Appendix 3).

51 INTERNAL AUDIT REPORT: PENSION FUND: GOVERNANCE, STRATEGY AND INVESTMENTS 2019/20

51.1 The Committee considered a report on the outcome of the Internal Audit report: Governance, Strategy and Investments 2019/20

51.2 The Committee RESOLVED to note the report.

52 EAST SUSSEX PENSION FUND QUARTERLY BUDGET REPORT

52.1 The Committee considered a report on the 2020/21 business plan at Quarter 2 for the ESPF.

52.2 The Committee RESOLVED to:

1. note the revised forecast outturn position; and

2. note the update on deliverables from the Business Plan in Appendix 1

53 ANNUAL TRAINING PLAN 2020/21

53.1 The Committee considered a report on the Annual Training Plan for the Pension Board and Pension Committee.

53.2 The Committee RESOLVED to:

1. Note the report from Hymans on the Knowledge Assessment results;

2. note the suggested training areas for the Annual training plan;

3. recommend that training is delivered in one-hour slots, three times per quarter; and

4) request that individual scores are provided to members who are interested in receiving them.

54 RISK REGISTER

54.1 The Committee considered the Risk Register for the ESPF

54.2 It was discussed that there appeared to be a number of risks that continued to appear red after mitigations had been put in place. The risk register is in the process of being reviewed to ensure that the strategy for risk mitigation is effective, the format of the risk register is appropriate, and the scores of different risks are correct.

54.3 The Committee RESOLVED to:

1) note the Risk Register; and

2) note that the Risk Register is being reviewed.

55 WORK PROGRAMME

55.1 The Committee considered its work programme.

55.2 The Committee discussed the benefit of holding an additional meeting each year due to the large volume of items considered at each meeting.

55.3 The Committee RESOLVED to:

1) agree the work programme; and

2) request an additional meeting is held for the 2021/22 calendar year.

56 EXCLUSION OF THE PUBLIC AND PRESS

56.1 The Committee 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).

57 INVESTMENT WORKING GROUP UPDATE

57.1 The Committee considered a report providing an update on the activities of the Investment Working Group.

57.2 A summary of the discussion is set out in an exempt minute.

57.3 The Committee RESOLVED to note the report

58 PROCUREMENT OF PENSIONS ADMINISTRATION SOFTWARE

58.1 The Committee considered a report on the procurement of Pension Administration Software.

58.2 A summary of the discussion is set out in an exempt minute.

58.3 The Committee RESOLVED to agree actions which are set out in an exempt minute.

59 EAST SUSSEX PENSION FUND BREACHES LOG

59.1 The Committee considered the ESPF breaches log.

59.2 The Committee RESOLVED to note the report.

60 EMPLOYER ADMISSIONS AND CESSATIONS

60.1 The Committee considered a report on the latest admissions and cessations of employers within the ESPF.

60.2 The Committee RESOLVED to note the report.

61 INDEPENDENT ADVISOR TO THE PENSION FUND

61.1 The Committee considered a report on the Independent Advisor to the Pension Fund.

61.2 The Committee RESOLVED to agree the recommendations as set out in the report.

The meeting ended at 1.55 pm.

Councillor Gerard Fox (Chair)

Appendix 1

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

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PENSION BOARD

MINUTES of a meeting of the Pension Board held at County Hall, Lewes on 15 February 2021.

++Please note that Members attended the meeting remotely++

PRESENT	Ray Martin (Chair), Councillor Chris Collier, Councillor Tom Druitt, Stephen Osborn, Diana Pogson, Niki Palermo and Lynda Walker
ALSO PRESENT	Ian Gutsell, Chief Finance Officer Sian Kunert, Head of Pensions Russell Wood, Pensions Manager: Investment and Accounting Paul Punter, Head of Pensions Administration Nigel Chilcott, Audit Manager Danny Simpson, Principal Auditor Martin Jenks, Senior Democratic Services Adviser Harvey Winder, Democratic Services Officer

56 MINUTES

56.1. The minutes of the previous meeting were agreed as a correct record.

57 APOLOGIES FOR ABSENCE

57.1. There were no apologies for absence.

58 DISCLOSURE OF INTERESTS

58.1. There were no disclosures of interest.
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59 URGENT ITEMS

59.1. The Chair noted that the £95k cost cap on public sector bodies had been revoked prior to the March judicial reviews which impacted exit package payments (including pension strain costs) and that the Board would receive a verbal update of the outcome under the Pension Administration item.

60 PENSION COMMITTEE AGENDA

60.1. The Board considered a report containing the draft agenda of the Pension Committee meeting for 1st March 2021.

60.2. The Board RESOLVED to note the report.

61 EMPLOYER CONTRIBUTIONS REPORT

61.1. The Board considered a report providing an update on the Employer contributions due in respect of the period April to November 2020, highlighting any late payments.

61.2. The Chair observed that the pandemic had not appeared to have affected the ability of many employers to pay on time. He asked how long those who did not pay on time took to pay.

61.3. Sian Kunert (SK), Head of Pensions, said the majority of late payments were by just a few days, however, one employer was having difficulties and the Fund is investigating further.

61.4. The Board RESOLVED to:

1) note the report; and

2) request that employer contribution updates are provided at future meetings on an ongoing basis.

62 EAST SUSSEX PENSION FUND (ESPF) QUARTERLY BUDGET REPORT AND 2021/22 PENSION FUND BUSINESS PLAN AND BUDGET

62.1. The Board considered a report providing the 2020/21 Quarter 3 budget report and the business plan and budget for 2021/22.

62.2. Stephen Osborn (SO) asked for confirmation why the in-house Pension Administration Team (PAT) would cost the Fund £625k more per year in 2021/22 than the Orbis PAT cost.

62.3. SK explained that bringing the service in house would invariably cost more, as it would involve paying the Heywoods Aquila (pension administration software) license upfront and the PAT would no longer benefit from economies of scale. The advantage, however, would be that the East Sussex Pension Fund (ESPF or the Fund) would have more control over the PAT and there would be greater transparency of costs. She explained that at the moment the Orbis PAT costs are best guess, it is difficult to estimate accurately what they will charge for the 2020/21 year. This difficulty in calculating the PAT cost also meant that the outturn figure may be different to the current forecast and the difference in cost of the in-house service may therefore be less than £625k. SK said this will be confirmed at the next meeting.

62.4. SO asked whether there is any indication that fees from investment managers have decreased since the assets were moved to the ACCESS Pooled Fund.

62.5. Russell Wood (RW), Pensions Manager: Investment and Accounting, said the actual management fees for 2019/20 were about £15m and the majority were taken from source by investment managers, some of which were from the assets invested in ACCESS. Whilst the Fund’s absolute return managers have transferred to ACCESS over the past year, it is difficult to make comparative value for money estimations on whether ACCESS has reduced their fees from the outturn report. This is because the asset value of the Fund increased significantly over the past year, meaning the fee taken by investment managers will have gone up too. The Fund is working on getting greater transparency around the investment fees taken within the ACCESS pool and plans to report this to the Pension Board and Committee in due course, but it is understood that pooling assets has driven down costs.

62.6. The Chair agreed it would be helpful to see a schedule of what fees are paid directly to managers and what are extracted from source.

62.7. Councillor Tom Druitt (TD) asked whether the variance between the forecast and outturn investment management fee for 2020/21 was an issue and asked whether the higher than expected costs would be incorporated into the forecast budget for 2021/22.

62.8. SK explained that the outturn was higher than the forecast investment manager fee during 2020/21 because of the change in the investment strategy made in June 2020, which involved the disinvestment from UBS passive equity fund into the four new impact investment and smart BETA funds. These new fund managers are paid direct whereas UBS was taking its fee from the funds. This decision was made during the year, which is why the outturn is higher than forecast costs. The 2021/22 budget takes account of the increase in direct management fees and is expected to be a more accurate reflection. The Chair added that it is difficult to know the most efficient charging structure until a fund manager is appointed.

62.9. The Chair asked who the Fund's custodian is and what the length of contract with them was, as holding assets via a pooled structure might not be as complex as holding them directly. This could mean there may be value in reviewing the custodian arrangements.

62.10. SK confirmed that it was Northern Trust and that it was a standard not a fixed term contract. Cllr Gerard Fox (GF), the Chair of the Pension Committee, said he understood the Pensions Team now has the capacity to undertake a piece of work to look at whether the Fund is receiving best value from its custodian.

62.11. The Chair asked how the Pensions Team recruitment was progressing.

62.12. SK said it was progressing well and a new Compliance and Governance Manager had joined that day, with a training officer due to be appointed within their team. RW is also interviewing for an investment analyst and an accountant.

62.13. The Chair asked whether the 2021/22 budget of £7.025m was likely to be the regular budget amount or whether it would increase more.

62.14. SK said it was a realistic base but there may be a few additional costs, for example, further resources required to implement the recommendations of the Communications Review and consultancy work resulting from the McCloud Judgement.

62.15. The Board RESOLVED to note the report.

63 COMMUNICATIONS REVIEW REPORT

63.1. The Board considered a report on the outcomes of the Communications review completed by the Head of Communications and Marketing.

63.2. TD welcomed the Communications Review but asked for reassurance that in future people who submit questions will be given sufficient answers to them and not just pointed to the website for answers.

63.3. SK said that a correspondence policy would be an important step in setting out what people who contact the Fund can expect in the form of a response. Any responses beyond referral to any online resource would need to be proportionate and manageable within the resources of the Fund, for example, people may receive a response to a question but not necessarily be given the opportunity to engage in a long conversation with officers where there is a disagreement over a position on pension investment. Any correspondence policy would also need to define whether members of the Fund can expect a different response to members of the public or journalists.

63.4. TD asked what the evidence was for the comment in the Communication Review "*there's no evidence that most ESPF members or other stakeholders consider divestment from fossil fuel companies a pressing issue".*

63.5. SK said that she would clarify how the Head of Communications reached that conclusion. SK argued that the Fund does not receive many questions from its members relating to issues such as divestment, despite the size of the Fund, and that most questions appear to be from local residents, although there is an overlap between the two groups. SK said the Fund has not sought to ask its members for its views on subjects such as this, which it could potentially do. It would be, however, extremely difficult for the Fund to act on the views of its membership where it could have a negative financial impact on the Fund. This is because it is a defined benefit scheme with fiduciaries (the Pension Committee) who have a legal duty to act in the best interests of the members (not in their own interest or of others) and should aim to receive a return on investment that can provide the benefits for its members. A defined contribution scheme, such as a private pension, may have greater scope as members can have a choice over where there contributions are invested and the financial return they receive is based on their selected investment strategy.

63.6. TD felt that any correspondence policy should take into account that local residents are council tax payers and therefore have a right to comment on how the Fund's assets are invested and that the Fund should consider their views and respond to them when appropriate to do so. He also asked whether there is an annual survey to members asking their views of the Fund.

63.7. SK explained that the Fund does conduct an annual questionnaire, but it has until now been reliant on Orbis PAT setting the questions. The results were received last week and are currently being analysed. Now that the PAT will be coming in-house, there is no reason why the questions could not be amended and cover different topics. She added that many private pensions provide annual updates to Members on key information – including investments, administration updates, and regulation changes – and this could also be considered in future for ESPF members.

Diana Pogson (DP) commented that the Communications Review was timely and welcomed the correspondence policy as a very good idea that the Fund should develop. She said that it was important the website is clear but cautioned against spending much effort branding the Fund, as people are more concerned about finding information they need rather than seeing a new logo.

63.8. SK agreed and said the existing logo is good, albeit it may need a colour change. She said it was more important that there is consistent branding, for example, re-branding administrative services as they move out of Orbis and back in-house. SK said there is a need for a website with sections for both members and employers and that people who contact the Fund receive a timely response that is clear and consistent.

63.9. Lynda Walker (LW) said the Fund was right to prioritise issues such as resourcing and governance, but she was glad to see it now turns its attention to communications, which have been inadequate for some time. She reiterated DP's view that any rebranding need not be too glossy but should meet the needs of people seeking information on their pensions and must be in plain English, given the complexity of the pension arrangements She advised that online access is a major problem for people with visual impairments and other disabilities and that too much information can make it difficult for people to access. The Board members could help advise officers whether draft documents produced in response to the Communications Review met the needs of users. LW observed that it is often difficult for the Pensions team to separate out whether people contacting the Fund are local residents or members, so it may not be worthwhile giving them separate communication channels so that questions are responded to appropriately, particularly those relating to investment.

63.10. The Board RESOLVED to:

1) note the report;

2) make the following comments to the Committee on the Communications Review:

- The Board is very supportive of the review and its recommendations, including the proposal for a correspondence policy and the proposal to recruit a communications manager for the Pensions Team; and
- The Board observes that there appears to be two different audiences who need to be communicated with – the Fund members and the wider population, including the press – and it should be decided whether any new communications officer will focus on just members, with the Press Office retaining responsibility for wider communications or whether the new person is responsible for effective communications to both audiences.

3) agree to establish a working group, comprising all Members of the Board, to comment on draft webpages, branding, and other documents arising from the Communications Review; and

4) request a future report containing the draft terms of reference of the working group.

64 GOVERNANCE AND EMPLOYER ENGAGEMENT REPORT

64.1. The Board considered a report providing an update on various governance and employer engagement work completed and changes effecting the Local Government Pension Scheme (LGPS) and the Fund.

64.2. The Chair asked what impact the Government's recent response to the McCloud judgement would mean for the Fund.

64.3. SK said the McCloud Working Group will meet in February to discuss how it will affect LGPS, however, the initial understanding is that it will mainly affect public sector unfunded pension arrangements.

64.4. SO asked whether letters to employers about ill health retirement had also been emailed, as it was unlikely many people are in office to pick up physical letters.

64.5. SK confirmed that they had been emailed.

64.6. The Board RESOLVED to note the report.

65 PENSIONS ADMINISTRATION REPORT

65.1. The Board considered a report providing an update on matters relating to Pensions Administration activities.

£95k Exit Cap

65.2. The Chair asked what effect the revoking by the Government of the £95k exit cap would have on Key Performance Indicators (KPIs) given the potential issues it was causing to calculating pension benefits and strain costs.

65.3. Paul Punter (PP), Head of Pensions Admin, said the removal of these regulations would make it easier to carry out pension benefits and strain costs, as the system is already designed to do them under the old regulations. The PAT will, however, retain Barnett Waddingham's pension strain cost calculator and continue using Government Actuaries Department (GAD) unisex strain factors, rather than create a new set of Fund specific unisex factors, as both are seen as best practice. The only concern is that a lot of employers may now begin redundancies who had previously been holding off until the judicial review had been completed, although it is hoped that the additional work will not effect KPIs significantly.

PAT Transfer

65.4. The Chair asked whether the Orbis Helpdesk will answer ESPF calls as if the person is contacting the ESPF directly.

65.5. PP explained that the helpdesk would not transfer in-house and ESPF calls would continue to be answered by the Orbis Helpdesk. He confirmed that, in keeping with the Communications Review, there would be a dedicated helpline within the Orbis Helpdesk that the helpdesk employees will answer as if it is an East Sussex phone line.

65.6. LW asked how the helpdesk will achieve its objectives, for example, whether there would need to be an increased workload for staff.

65.7. PP said that there are some reservations about achieving the objectives of the Helpdesk but Orbis would be supported to do so through recruitment of additional staff, the availability of "bank reserve staff", the availability of overtime, support from other helpdesks and as a last resort, the ability of the PAT to pick up calls on their laptops to act as an overflow. PP said there is a quarterly meeting with Orbis to discuss the transition to the new structure to proactively ensure that all parts are in place.

65.8. LW asked how long the contract with Orbis helpdesk is for.

65.9. PP said it is for three years with a six-month notice period for both sides.

65.10. The Chair asked whether there are any concerns about the 1 April deadline for the transition of the PAT from Orbis back in-house.

65.11. PP said the 1 April has always been an ambitious target date but is achievable. PAT is working closely and collaboratively with Orbis and Aquila Heywood to deliver on time. Some less critical aspects of the transition will be undertaken post go live, such as a review of processes and procedures, to help minimise the risk of missing the target date. The project has a strong governance and reporting structure in place to identify any issues early.

65.12. The Chair asked how the work will be divided between the two pensions admin sub-teams within the structure chart.

65.13. PP said that it would have been too large a team to have managed by a single manager so needed to be divided. There will be no specialisation between the two teams and the administrators on both will be trained to do all necessary tasks, although work will be assigned based on the skill and experience of individuals within the teams. Both team managers have good overall pensions knowledge and experience, working with the Fund for many years.

Employer Year End Returns

65.14. The Chair advised the Board that the Pension Regulator had been in contact the Fund in relation to the two employers reported for failure to provide full year end returns. One has since provided the outstanding data but the other was still having issues. The Pensions Regulator has indicated it is still interested in the issue being resolved and asked for further details on this and a separate breach which had been reported by SK.

65.15. The Board RESOLVED to:

1) note the report;

2) express its support for the moving of the Pensions Administration Team in-house.

66 INTERNAL AUDIT REPORT: PENSION FUND: COMPLIANCE WITH REGULATORY REQUIREMENTS 2020/21

66.1. The Board considered a report providing an outcome on the Internal Audit's report: Pension Fund: Compliance with Regulatory Requirements 2020/21.

66.2. The Chair welcomed the 'substantial assurance' over the controls in place.

66.3. Nigel Chilcott, Audit Manager, advised the Board that despite COVID-19 the Internal Audit team was on course to deliver all work in its pension fund strategy by the end of the financial year. He advised that an updated pension fund strategy will be presented to the Board, along with four additional audit reports, at the next meeting in June.

66.4. The Board RESOLVED to note the report.

67 PENSION FUND RISK REGISTER

67.1. The Board considered the Fund's Risk Register.

67.2. The Chair welcomed the new format for the Risk Register. DP also expressed thanks for the new format and welcomed the fact it showed how mitigation reduces risk.

67.3. The Chair queried whether it is owned by officers or the Pension Committee.

67.4. SK said it was owned by the Committee according to the East Sussex County Council's Constitution. This means it is for the Committee to determine whether further action is needed against any of the risks. However, there is no standalone risk management policy, which makes it difficult to determine what actions should be taken in relation to risks. This policy will be produced in due course. RW clarified that the current policy towards risk management is only found in part in the annual report and in the Investment Strategy Statement, in relation to investment.

67.5. The Board RESOLVED to note the report.

68 WORK PROGRAMME

68.1. The Board considered its work programme.

68.2. DP informed the Board she had attended an LGPS course on cyber security by AON and found it interesting.

68.3. The Board RESOLVED to agree the work programme subject to the addition of the following reports:

1) the External Audit Plan to the June meeting; and

2) a report at a future meeting on the Communications Strategy, including feedback from the Communications Working Group.

69 EXCLUSION OF THE PUBLIC AND PRESS

69.1 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).

70 PENSION FUND BREACHES LOG

70.1 The Board considered the Funds Breaches Log.

70.2 A summary of the discussion is set out in an exempt minute.

70.3 The Committee RESOLVED to agree actions which are set out in an exempt minute.

71 EMPLOYER ADMISSIONS AND CESSATIONS REPORT

71.1. The Board considered a report providing an update on the latest admissions and cessations of employers.

71.2. The Board RESOLVED to note the report.

The meeting ended at 12.30 pm.

Ray Martin (Chair)

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

Appendix 1

Document is Restricted

Report to:	**Pension Committee**
Date of meeting:	**1 March 2021**
By:	**Chief Finance Officer**
Title:	**Investment Report**
Purpose:	**This report provides Pension Committee with an update on the investment activities undertaken by the East Sussex Pension Fund.**

RECOMMENDATION

The Pension Committee is recommended to:

1. **note the Action Log and Investment Workplan (Appendix 1);**
2. **note the Quarterly Investment Report from the Investment Advisor, Isio (Appendix 2);**
3. **agree a strategic equity allocation approach for the equity mandate to replace the current passive market capitalisation investment as set out in Paragraph 2.10 and Appendix 3;**
4. **delegate implementation to the Chief Finance Officer of the preferred strategic allocation for the equity mandate;**
5. **note the Pension Minister update (Appendix 4); and**
6. **note the Local Authority Pension Fund Forum (LAPFF) quarterly engagement report (Appendix 5)**

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1. Background

1.1 Under the Local Government Pension Scheme (LGPS) Regulations, East Sussex County Council is required to maintain a pension fund, known as the East Sussex Pension Fund (ESPF or 'the Fund'), for its employees and other 'scheduled bodies' as defined in the Regulations. The Pension Committee, as the scheme manager, is required to maintain an Investment Strategy Statement (ISS) to govern the Funds' investments, and it receives a quarterly investment monitoring report from its investment consultant, Isio, to monitor its investments.

1.2 The ACCESS Joint Committee has been established to facilitate the arrangements relating to the collective investment vehicles to allow the administering authorities to pool their respective investments and meets quarterly.

2. Supporting information

Action Log and Investment Workplan

2.1 Isio, the Fund's Investment Consultant, has taken over from the former adviser Hymans Robertson. Isio has provided a Workplan which will act as a reference point of all actions agreed at Pension Committee meetings. Unless otherwise stated, items in the Workplan are to be considered by the Committee or a comment provided explaining why the item is not to be covered at this time. This is included as **Appendix 1.**

2.2 Isio has included actions agreed at the November 2020 Committee meeting. The Investment Workplan details the areas of work that are anticipated over the next 12 months, with corresponding ownership and estimated timescale for completion.

Quarterly Performance Report

2.3 The Quarterly Performance Report is attached as **Appendix 2**. Since the last quarter, the valuation of the Fund increased from £3.847bn as at 30 September 2020 to £4.110bn as at 31 December 2020 (an increase of £0.263bn); The Fund's equity mandates performed strongly over the quarter as announcements over COVID 19 vaccines improved the outlook for global economies. M&G Alpha Opportunities, Newton and Ruffer all performed strongly over the quarter.

2.4 During the quarter, the Fund completely disinvested from both the UBS Fundamental Index Fund and the UBS Climate Aware Fund, with the proceeds being re invested with four new mandates; WHEB Sustainability Fund, ATLAS Global Infrastructure Equity Fund, Wellington Global Impact Fund and Storebrand ESG Plus Fund.

Fossil Fuel Exposure

2.5 The Fund's fossil fuel exposure at 31 December 2020 stood at £76.4m or 1.9% (compared with £134.6m or 3.5% as at 30 September 2020) of assets under management, Table 1 below refers. The top five contributions come from the Fund's holding in the Ruffer Absolute Return (24.3% of the funds exposure), M&G Corporate Bonds (18.6%), M&G Alpha Opportunities (11.5%), Passive UBS - UK (10.3%), and Passive UBS – North America (6.1%). This is a function of both the Fund's strategic allocation to these holdings and the higher fossil fuel exposure within these funds themselves.

Table 1 Fossil Fuel Exposure by Manager

Fund	Actual Fossil Fuel Exposure (%)	Actual Fossil Fuel Exposure (£m)	Benchmark Fossil Fuel Exposure (%)	Relative (%)	Management Style
UBS – Japan	4.7%	£1.5	4.7%	0.0%	Passive
UBS - Europe	5.3%	£4.4	5.3%	0.0%	Passive
UBS - UK	12.4%	£7.9	12.4%	0.0%	Passive
UBS – Pacific (ex Japan)	9.2%	£3.0	9.3%	0.0%	Passive
UBS – North America	4.3%	£6.1	4.2%	0.0%	Passive
UBS – Emerging Markets	9.0%	£5.5	9.1%	0.0%	Passive
Longview - Global Equity	0.0%	£0.0	-	-	Active
WHEB - Sustainability Fund	0.0%	£0.0	-	-	Active
ATLAS Global Infrastructure Equity Fund	3.5%	£2.8	15.0%	-11.5%	Active
Wellington – Global Impact Fund	0.0%	£0.0	-	-	Active
Storebrand – Global ESG Plus Fund	0.0%	£0.1	-	-	Passive – Smart Beta
Harbourvest – Private Equity[1]	1.4%	£1.6	-	-	Active
Adams Street – Private Equity[1]	1.5%	£1.9	-	-	Active
Newton – Absolute Return	0.0%	£0.0	-	-	Active
Schroders – Property	0.0%	£0.0	-	-	Active
Pantheon - Infrastructure	0.0%	£0.0	-	-	Active
M&G Infrastructure	0.0%	£0.0	-	-	Active
M&G -Private Debt	0.0%	£0.0	-	-	Active
M&G -UK Financing Fund	0.0%	£0.0	-	-	Active
M&G -Alpha Opportunities	3.2%	£8.8	9.5%	-6.4%	Active
Ruffer -Absolute Return	4.0%	£18.6	-	-	Active
M&G -Corporate Bonds	8.4%	£14.2	9.7%	-1.4%	Active
UBS -Over 5 Year IL Gilt Fund	0.0%	0.0%	-	-	Passive
Cash	0.0%	0.0%	-	-	Passive
Total Assets	**1.9%**	**£76.4m**	-	-	

Totals may not sum precisely due to rounding.

All asset valuations have been provided by Northern Trust.

Benchmark data where available has been provided by investment manager.

[1]. Data provided as at 30 September 2020.

Source: Investment Managers, Northern Trust, Link, Isio calculations.

Equity Review

2.6 Since the meeting of Committee in November 2020, the Fund has finalised the transition of its equity mandates to the new structure. The Committee requested that a review was taken to understand the implications that the changes have had on the strategic objectives. As part of this, Isio has been requested to review the remaining passive equity mandates with UBS. The results are attached as **Appendix 3**.

2.7 The main points Isio has identified are that the current equity portfolio is split equally between active and passive management (including the 'smart beta' exposure). This offers a good balance between overall management cost and diversification whilst enabling the Fund to implement a robust policy in relation to addressing wider Environmental, Social and Governance (ESG) risks and capturing opportunity from the anticipated transition in economies towards a lower carbon future.

2.8 The current structure provides good diversification by region, market capitalisation and manager style. The UBS portfolio is the most diversified in terms of underlying holdings.

2.9 Overall, Isio believes that the Fund should seek to retain a balance between active and passive management but believe that there are better alternatives to structure the passive allocation given the Fund's ESG objectives. Isio suggests that the active managed allocation sits in the range of 50% to 65% with the remainder invested in passive mandates that align with Funds objectives.

2.10 Isio has suggested three alternative equity allocations for consideration. Within all suggested options, Isio has suggested the retention of some aspect of the existing emerging market index exposure, as this is unlikely to be captured sufficiently elsewhere within the equity portfolio

- **Alternative 1** retains the 50:50 split between active and passive management by introducing exposure to a resource efficient index. The option would see the removal of the Developed markets index and replaced with 5% in a resource efficient index and a 2.5% increase in the Storebrand index.
- **Alternative 2** provides an increased exposure to active management through a new Core manager from the ACCESS pool of sub funds plus an allocation to a resource efficient index to provide increased diversification. Isio believes that this approach is appealing, particularly if Osmosis can be accessed via UBS cost effectively and as a result remain within the ACCESS pooled investments. The passive emerging market exposure has been moved towards market capitalisation and Isio would propose a small reduction in the Longview mandate to balance the active mandates.
- **Alternative 3** provides an approach where there is no new passive manager required, which may be simpler if the resource efficient mandate is not available via UBS and the ACCESS pool. This alternative increases the active management of the equity portfolio to 62.5% with the addition of a core equity manager from the ACCESS pool. Isio believe a 15% allocation to Storebrand is the maximum the Fund should consider given this remains a relatively new approach for the Fund.

2.11 It is recommended Pension Committee consider the alternative options above along with the retention of the existing strategy and delegate implementation to the Chief Finance Officer of the preferred strategic allocation for the equity mandate.

Private Equity commitments

2.12 Isio, the Fund's Investment Consultant, has undertaken a review of the Fund's private equity portfolio. As at 30 September 2020, the Fund was marginally overweight to private equity (6.3% vs 5.5% benchmark).

2.13 The Funds allocation to private equity is expected to decline over time, as the distribution of sale proceeds from the current investments progresses this is expected to exceed the drawdown of agreed commitments and any capital growth. To maintain exposure to private equity, the Committee is recommended to make additional commitments to their private equity managers. This should be implemented in order to achieve diversification over different vintages of funds through time. The Committee should then review this on an annual basis.

2.14 The recommendation for investment in private equity managers is set out in an exempt report later in the agenda.

ACCESS update

Illiquid assets

2.15 ACCESS appointed bfinance to conduct an initial review of existing illiquid (private market) assets, future requirements and to advise on the most appropriate implementation models going forward to meet the needs of the ACCESS pool members. This was known as 'Phase 1'.

2.16 This review included advice from Squire Patton Boggs on the legal structures required for the proposed solutions and their appropriateness within current pooling guidelines. This paper has also been reviewed by the legal advisor for consistency with their original advice.

2.17 The illiquid assets included in the scope of the review are:

- Private Equity;
- Private Debt;
- Infrastructure (potentially including other real assets e.g. timberland); and
- Real Estate (excluding direct property portfolios where administering authorities had stated it was their intention not to pool these allocations).

2.18 bfinance has now provided their advice on the appropriate solution(s) for each of the asset classes listed in paragraph 2.14. These continue to provide optionality to administering authorities where flexibility of approach was deemed appropriate based on the requirements communicated by each authority.

2.19 The proposed solutions do not require existing illiquid assets to be either re-housed or sold with proceeds then re-invested.

2.20 With the exception of real estate and potentially open ended infrastructure funds, the proposed solutions are geared primarily towards new strategic allocations that administering authorities may wish to make but will also enable new investments to maintain existing allocations where deemed appropriate in line with their own strategic allocation decisions and requirements.

2.21 The ACCESS Joint Committee agreed the proposed structures at its meeting on the 13 January 2021 and has agreed that ACCESS appoint an Investment Management Consultancy Service to support the implementation of the proposed illiquid asset pooling structures and manager/fund/allocator procurements as required.

ESG Adviser procurement

2.22 The appointment panel has concluded the procurement process for the ESG adviser and the ACCESS Joint Committee agreed the appointment of Minerva to provide external advice to support ACCESS's approach to ESG/Responsible Investment. The Officer Task & Finish Group has met with Minerva and are working with them to develop the project plan to deliver the revised guidelines for ACCESS.

ACCESS Joint Committee

2.23 The Joint Committee met on 13 January 2021. The agenda and public papers are on the Kent County Council website.

2.24 After the meeting, the Joint Committee received a presentation from Hymans Robertson on the current pooling solutions that have been implemented by LGPS Pools. To help the Joint Committee set criteria to evaluate these models when reviewing the future direction of ACCESS.

Sub Fund Progress

2.25 As reported previously to the Committee, Link, on behalf of ACCESS Authorities, is launching a series of sub-funds representing those mandates which met criteria set by the Joint Committee relating to scale, commitment and value for money. The table below shows the progress made:

Tranche Asset class	T1	T2	T3	T3a	T4	T5a	T4a	T5b	T6	On hold	Total
Global equities	1	5	1	1		4	1		1		14
UK equities		2				1				1	4
EM Equities									1		1
Fixed income			1		1		1	3	1	1	8
Diversified growth					3						3
Total	1	7	2	1	4	5	2	3	3	2	30

2.26 Tranches 1 – 5a are live as ACCESS pooled funds with £20.4bn of assets within the live sub-funds. Tranche 5b is due to launch during June, the ESPF does not have any assets within the tranches currently transitioning.

Pension Minister speech to Professional Pensions Investment Conference

2.27 On the 27 January 2021, the Pensions Minister, Guy Opperman MP, delivered a speech to the Professional Pensions Investment Conference. On pension schemes and climate-related risks. A copy of the speech has been provided in **Appendix 4**.

2.28 Some of the main points from the speech are listed below:

- Triennial Scenario Testing of Climate Risks with annual interim reviews
- Adoption of absolute & intensity based Greenhouse Gas metrics
- Strong emphasis on improving engagement
- Clear opposition to blanket divestment from high carbon sectors

LAPFF quarterly engagement report

2.29 The Local Authority Pension Fund Forum (LAPFF) promotes the highest standards of corporate governance to protect the long-term value of local authority pension funds.

2.30 For LAPFF, corporate responsibility and long-term shareholder engagement is a fundamental to securing the value of pension fund assets. LAPFF issues a quarterly engagement report detailing the actions that it has undertaken during the quarter. The latest edition is attached as **Appendix 5.**

3. Conclusion and reasons for recommendation

3.1 Investments are regularly monitored to ensure that the Fund's strategic asset allocation set out in the Fund's Investment Strategy Statement is being complied with and to keep the Committee informed of any significant concerns with the investment managers, retained to implement the Fund's strategic asset allocation.

3.2 It is recommended Pension Committee consider and agree an alternative strategic allocation option as set out in 2.10 for the equities mandate, along with the retention of the existing strategy, and delegate implementation to the Chief Finance Officer of the preferred strategic allocation for the equity mandate.

IAN GUTSELL
Chief Finance Officer

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2021 Workplan

East Sussex Pension Fund

February 2021

2021 workplan

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Q1 Committee Meeting
- Q4 2020 monitoring report
- Equity allocation recap, strategic options & recommendations
- Private equity allocation & cashflow assessment
- PRI presentation
- Consideration of currency hedging

Q3 Committee Meeting
- Q2 2021 monitoring report
- Strategic asset allocation review
- UN SDG strategy mapping and responsible investment reporting framework
- RI Implementation Statement
- Infrastructure equity allocation recommendation
- 2020 Stewardship code submission statement

Jan 2021 | Feb 2021 | Mar 2021 | Apr 2021 | May 2021 | Jun 2021 | Jul 2021 | Aug 2021 | Sep 2021 | Oct 2021 | Nov 2021 | Dec 2021

Q2 Committee Meeting
- Q1 2021 monitoring report
- Committee training on investment strategy
- Responsible investment impact assessment
- Private equity implementation recommendation
- Schroders property fee review (to be done in house)
- Fixed income / credit allocation and Fund cashflow assessment
- Carbon benchmarking

Q4 Committee Meeting
- Q3 2021 monitoring report
- Climate change scenario analysis modelling
- Infrastructure equity implementation

Thank you

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East Sussex Pension Fund

Investment Performance
Quarter to 31 December 2020

Isio Investment Advisory

Contents

Highlights

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Executive Summary – 31 December 2020

The Fund's assets delivered a positive return of 6.8% over the quarter, which was broadly in line with the benchmark.

Equities posted strong returns over the quarter as markets continued to rally strongly.

Over the quarter, the Fund completely disinvested from both UBS Fundamental Index Fund and the UBS Climate Aware Fund, with the proceeds being invested with four new mandates.

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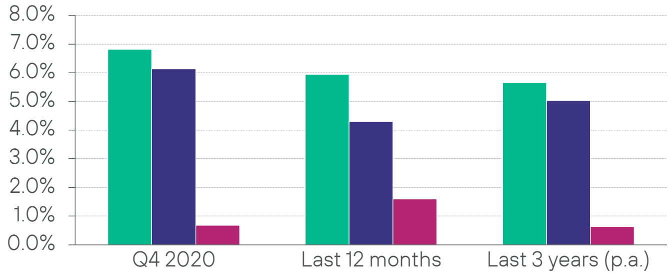
Access Pool	Fund	Q4 2020 Performance			Value at quarter end	
		Fund	Benchmark	Relative	30-Sep-20	31-Dec-20
Yes	UBS – Regional Equities	8.7%	9.1%	-0.4%	£345.1m	£350.6m
Yes	UBS - Fundamental Index	10.5%	10.6%	-0.1%	£403.9m	-
Yes	UBS - UK Equity	12.6%	12.6%	-0.0%	£240.5m	£63.4m
Yes	UBS - Climate Aware	6.7%	6.6%	+0.1%	£179.1m	-
Yes	Longview - Global Equity	9.9%	8.5%	+1.4%	£392.3m	£430.5m
No	WHEB - Sustainability Fund	1.1%	0.9%	+0.2%	-	£221.3m
No	Wellington – Global Impact Fund	3.4%	0.4%	+3.0%	-	£223.3m
No	Storebrand – Global ESG Plus Fund	2.1%	1.4%	+0.7%	-	£439.3m
No	Harbourvest – Private Equity[1,2]	3.6%	8.7%	-5.1%	£114.2m	£114.2m
No	Adams Street – Private Equity[1,2]	5.2%	8.7%	-3.5%	£128.2m	£129.9m
Yes	Newton – Absolute Return	5.1%	0.6%	+4.5%	£462.9m	£486.6m
No	Schroders – Property	2.1%	2.1%	-0.0%	£338.9m	£343.4m
No	UBS – Infrastructure[2]	-5.1%	0.6%	-5.7%	£22.1m	£38.4m
No	Pantheon – Infrastructure[2]	2.4%	0.6%	+1.9%	£25.7m	£31.0m
No	M&G Infrastructure[2]	-1.1%	0.6%	-1.7%	£25.6m	£28.2m
No	ATLAS Global Infrastructure Equity Fund	-0.5%	-2.6%	+2.1%	-	£79.0m
No	M&G -Private Debt[2]	1.8%	1.0%	+0.8%	£42.0m	£38.3m
No	M&G - Alpha Opportunities	4.3%	0.8%	+3.5%	£268.4m	£279.9m
Yes	Ruffer -Absolute Return	6.6%	0.6%	+6.0%	£442.0m	£470.9m
Yes	M&G -Corporate Bonds	5.1%	4.5%	+0.5%	£161.7m	£170.0m
Yes	UBS - Over 5 Year IL Gilt Fund	1.4%	1.4%	0.0%	£219.7m	£138.4m
	Total Assets	**6.8%**	**6.1%**	**0.7%**	**£3,847m**	**£4,110m**

Period returns – to 31 December 2020



	Q4 2020	Last 12 months	Last 3 years (p.a.)
Scheme Return	6.8%	6.0%	5.7%
Benchmark Return	6.1%	4.3%	5.0%
Investment Objective	0.7%	1.6%	0.6%

Commentary

- The Fund's assets delivered a positive absolute return of 6.8% over the quarter, outperforming the benchmark by 0.7%.
- The Fund's equity mandates performed strongly over the quarter as announcements over COVID-19 vaccines improved the outlook for global economies.
- M&G Alpha Opportunities, Newton and Ruffer all performed strongly over the quarter.
- During the quarter, the Fund completely disinvested from both the UBS Fundamental Index Fund and the UBS Climate Aware Fund, with the proceeds being re-invested with four new mandates; WHEB – Sustainability Fund, ATLAS – Global Infrastructure Equity Fund, Wellington – Global Impact Fund and Storebrand - ESG Plus Fund.

Notes: Totals may not sum precisely due to rounding. All returns are net of fees. Unless stated otherwise, all performance figures and objectives provided by Northern Trust as at 31 December 2020. [1] Valuation and performance information as at 30 September 2020. Fund Total value includes cash held with Northern Trust. [2] Valuations shown are either 3m or 6m lagged and adjusted for distributions / drawdowns and currency movements.

Source: Investment Managers, Northern Trust, Isio calculations.

Manager Performance – 31 December 2020

The Table shows manager performance over the short medium and long-term.

The Longview equity performance and UBS/ M&G infrastructure mandate returns are significantly below benchmark.

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Fund	Q4 2020 Performance			1 Year Performance			3 Year Performance			Since Inception performance		
	Fund	Objective	Relative	Fund	Objective	Relative	Fund	Objective	Relative	Fund	Objective	Relative
UBS – Regional Equities	8.7%	9.1%	-0.4%	12.8%	13.3%	-0.5%	-	-	-	10.5%	10.7%	-0.2%
UBS - Fundamental Index	10.5%	10.6%	-0.1%	-	-	-	-	-	-	-	-	-
UBS - UK Equity	12.6%	12.6%	-0.0%	-9.7%	9.8%	0.1%	-1.0%	-0.9%	-0.1%	-1.0%	-0.9%	-0.1%
UBS - Climate Aware	6.7%	6.6%	+0.1%	-	-	-	-	-	-	-	-	-
Longview - Global Equity	9.9%	8.5%	+1.4%	-1.3%	12.7%	-14.0%	-	-	-	6.6%	14.8%	-8.2%
WHEB - Sustainability Fund	1.1%	0.9%	+0.2%	-	-	-	-	-	-	-	-	-
Wellington – Global Impact Fund	3.4%	0.4%	+3.0%	-	-	-	-	-	-	-	-	-
Storebrand – Global ESG Plus Fund	2.1%	1.4%	+0.7%	-	-	-	-	-	-	-	-	-
Harbourvest – Private Equity[1]	3.6%	8.7%	-5.1%	13.6%	14.2%	-0.6%	14.0%	10.8%	3.1%	7.6%	11.2%	-3.5%
Adams Street – Private Equity[1]	5.2%	8.7%	-3.5%	15.8%	14.2%	1.7%	15.3%	10.8%	4.5%	9.9%	10.6%	-0.7%
Newton – Absolute Return	5.1%	0.6%	+4.5%	-	-	-	-	-	-	5.2%	2.9%	2.3%
Schroders – Property	2.1%	2.1%	-0.0%	-1.6%	-1.1%	-0.6%	2.1%	2.3%	-0.2%	6.6%	7.9%	-1.3%
UBS - Infrastructure	-5.1%	0.6%	-5.7%	-9.4%	2.7%	-12.1%	-2.9%	2.6%	-5.4%	4.5%	1.5%	3.0%
Pantheon – Infrastructure[1]	2.4%	0.6%	+1.9%	1.1%	2.7%	-1.5%	-	-	-	1.4%	3.3%	-1.9%
M&G Infrastructure	-1.1%	0.6%	-1.7%	-5.2%	2.7%	-7.9%	-	-	-	1.7%	3.1%	-1.4%
ATLAS Global Infrastructure Equity Fund	-0.5%	-2.6%	+2.1%	-	-	-	-	-	-	-	-	-
M&G -Private Debt	1.8%	1.0%	+0.8%	1.1%	4.6%	-3.5%	-	-	-	3.1%	2.7%	0.5%
M&G -Alpha Opportunities	4.3%	0.8%	+3.5%	6.6%	3.6%	3.0%	4.0%	3.2%	0.8%	4.0%	1.4%	2.6%
Ruffer -Absolute Return	6.6%	0.6%	+6.0%	14.9%	3.1%	11.8%	-	-	-	16.3%	3.1%	13.1%
M&G -Corporate Bonds	5.1%	4.5%	+0.5%	-	-	-	-	-	-	9.0%	6.7%	2.3%
UBS -Over 5 Year IL Gilt Fund	1.4%	1.4%	0.0%	12.5%	12.4%	+0.1%	-	-	-	8.3%	8.3%	0.0%
Total Assets	**6.8%**	**6.1%**	**0.7**	**6.0%**	**4.3%**	**1.6%**	**5.7%**	**5.0%**	**0.6%**			

Notes: Totals may not sum precisely due to rounding. All returns are net of fees. Unless stated otherwise, all performance figures and objectives provided by Northern Trust as at 31 December 2020. [1] Valuation and performance information as at 30 September 2020.
Source: Investment Managers, Northern Trust, Isio calculations.

Looking Forward

Summary

This page sets out the main action / discussion points.

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Status key

- Action
- Decision
- Discussion
- Information only

Key issues

Item	Action points / Considerations	Status

Overall Investment Strategy	**New Investments over the quarter**
	• Over the Quarter the Fund fully disinvested from both the UBS Climate Aware Equity Fund and the UBS Fundamental Equity Fund, in addition the Fund also significantly reduced its exposure to the UBS UK Equity Fund (from 6.3% at 30 September 2020 down to 1.5% at 31 December 2020). The proceeds were reinvested into four equity funds.
	  • Storebrand Smart Beta and ESG Fund – £430.1m invested on the 3rd of December 2020
	  • Wellington Active Impact Equity Fund – £216.0m invested on the 2nd of December 2020
	  • WHEB Active Impact Equity Fund – £218.8m invested on the 1st of December 2020
	  • ATLAS Global Infrastructure Equity Fund - £78.0m invested on the 2nd of December 2020
	The new mandates better incorporate the Fund's responsible investment objectives, and significantly reduce fossil fuel exposure. The ATLAS mandate also provides a proxy exposure to direct infrastructure investment.
	
	Outstanding Investment Items
	We have noted three investment items below which have been previously agreed by Committee and are either in progress or yet to be implemented:
	  • The Committee has agreed an increase of 2% to the Fund's unlisted infrastructure allocation. A final decision remains outstanding on where this should be funded from. Sources being considered include Newton Absolute Return Fund and M&G Alpha Opportunities Fund.
	  • A review of individual manager performance benchmarks and targets
	  • Development of a specific investment risk register which links to the main fund risk register
	
	Equity Allocation Review
	• Isio is preparing a paper for the Fund to review the remaining UBS equity allocation and to consider potential options to reallocate this.
	Private Equity Allocation – Cashflow Review
	• Isio is reviewing of the Fund's private equity commitments and will provide advice on future commitments for the Fund in order to maintain the agreed target allocation.
		Discussion

Looking Forward (Cont.)

Summary

This page sets out the main action / discussion points.

Page 37

Status key

- Action
- Decision
- Discussion
- Information only

Key issues

Item	Action points / Considerations	Status
Overall Investment Strategy	**Business plan - 2021** Isio has been liaising with the officers to develop a plan for the year. This includes an impact assessment analysing the ESG approach adopted by the Fund's managers, a strategic asset allocation review and a review of the existing fixed income portfolio in the light of changing market conditions and cashflow requirements. This plan will also incorporate options to increase the Fund's infrastructure exposure and more detailed consideration of a range of responsible investment considerations (including climate scenario modelling, a responsible investment implementation statement and potentially mapping the Fund's key objectives against the UN Sustainable Investment Goals in order to create clear key performance indicators against which progress can be assessed).	
Investment Managers	**Ruffer – Investment into Bitcoin** In December, Ruffer sold part of the fund's allocation to gold an invested the proceeds in Bitcoin. Ruffer believes that paper currencies will be debased through significant inflation. The rationale for adding Bitcoin is to protect the portfolio against this threat, similar to their reasoning for holding gold. Ruffer views Bitcoin as a potential store for value for a scenario where paper currencies devalue. Ruffer has a clear rationale for adding Bitcoin that is consistent with their market view. Whilst a little controversial, Bitcoin has seen increasing interest from institutional investors (and was most recently boosted post the quarter end following an investment by Tesla). The addition of Bitcoin contributed positively to the performance of the mandate over the quarter. However it raises some concerns from an ESG perspective. In particular, from an environmental perspective mining Bitcoin is quite energy intensive, there are also concerns around the use of Bitcoin in criminal activity and potential regulatory risks involved. Ruffer makes the argument that mining gold is more energy intensive than Bitcoin and that the mining of gold creates a much wider environmental impact (pollution, destruction of habitats, dams etc). Ruffer notes that Bitcoin mining seeks to utilise a significant proportion of renewable energy, with an estimate that around 50% is from renewable energy sources (the equivalent for Gold is around 25%). Ruffer also believes that the reputation of Bitcoin being associated with nefarious activity is also somewhat historic, with an expectation that the historic association are receeding as Bitcoin becomes more mainstream. Their current holding is c. 2-3% of the portfolio, which is relatively small, however, we will continue to actively engage with Ruffer on this. We have not seen significant changes with the Fund's other investment managers.	Discussion

Topical Research

Topical Research

This page sets out current topical research issues from Isio.

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Diversified Private Credit

We have identified a gap in the market for private debt strategies that offer diversification and flexibility and have worked with managers to design a solution that we see as the next evolution for investors - Diversified Private Credit ('DPC').

DPC strategies can invest in a range of private credit markets (corporate lending, real estate debt, infrastructure debt, private asset-backed securities ('ABS') and opportunistic credit) through a single fund

Click here for more

Asset Backed Funding

Isio stands firm in its belief that Asset Backed Funding(ABF) play an integral part in offering positive solutions to stubbornly persistent pension deficits, in order to achieve better funding outcomes for both employers and trustees.

In this series of articles, we will explore how ABFs have become more mainstream, with clearer support from stakeholders and with the increased knowledge and experience gained by professional trustees and advisers meaning both the time and costs involved in implementation have reduced significantly

Click here for Part 1
Click here for Part 2

Diversified Private Markets

Diversified Private Markets Funds offer an attractive investment opportunity for investors looking to access a wide range of private market assets such as private equity, private debt and real assets, within a low governance, efficient structure.

Fund structure varies across different managers, with the degree of liquidity being the key distinguishing feature. Typically, products with less liquidity are compensated accordingly, resulting in higher target returns

Click here for more

Climate change regulation is coming

The DWP is urgently consulting on new mandatory requirements for large DB and DC pension schemes. This will require all schemes with at least £1bn of assets to adapt their governance and risk reporting processes to be in line with the 11 recommendations of the international industry-led Task Force on Climate-related Financial Disclosures (TCFD).

Click here for more

Market Background

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Market Background – Overview Q4 2020

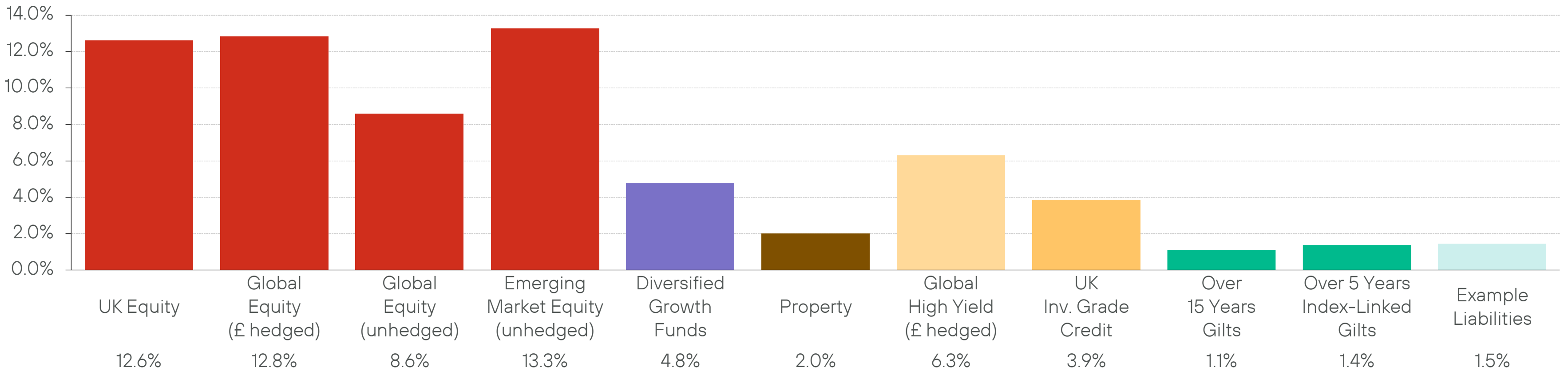
Summary

Markets rallied over Q4 2020 as promising news of a vaccine for COVID-19 was announced. Political uncertainty reduced as the US presidential election concluded and the UK agreed a trade deal with the EU ahead of the Brexit deadline.

Global equity markets performed positively for a third consecutive quarter. Emerging Markets posted the largest return with the US and UK equity markets also rallying on renewed hopes of an economic recovery.

Gilt yields fell slightly over Q4 driven in part by the increased demand from central banks as quantitative easing stimulus was extended. These supportive measures also aided returns in the credit markets.

Returns by Asset Class – Q4 2020



Key upcoming events

- The dates for the Bank of England's Monetary Policy Committee (MPC) announcements in Q1 2021 are 4 February and 18 March.
- The dates for the US Federal Reserve's Federal Open Market Committee (FOMC) announcements in Q1 2021 are 27 January and 17 March.

Commentary

- Global markets rallied over the quarter as announcements over a COVID-19 vaccine boosted the global economic outlook. Markets were further aided by additional support measures announced by governments and central banks.
- Emerging Market equities posted the strongest return, while UK equities performed well over the quarter due to its higher weighting towards more economically sensitive sectors which rebounded on the news of effective vaccines for COVID-19.
- Credit markets delivered positive returns, particularly for higher risk credit assets, as credit spreads tightened across the board. However, credit spreads remain wider than Q4 2019 as uncertainty remains for some businesses and their earnings stream.
- Gilt yields decreased modestly over the quarter as the Bank of England announced an increase to its asset purchase program to support the economy as another national lockdown was announced in the UK.

Note: Please see Appendix 3 for details of the returns representing each asset class.
Source: Refinitiv, DGF investment managers, Isio calculations.

Market Background – Government Bond Yields Q4 2020

Summary

These charts show yield movements at the 20-year tenor over the past year.

Gilt Yield Changes:

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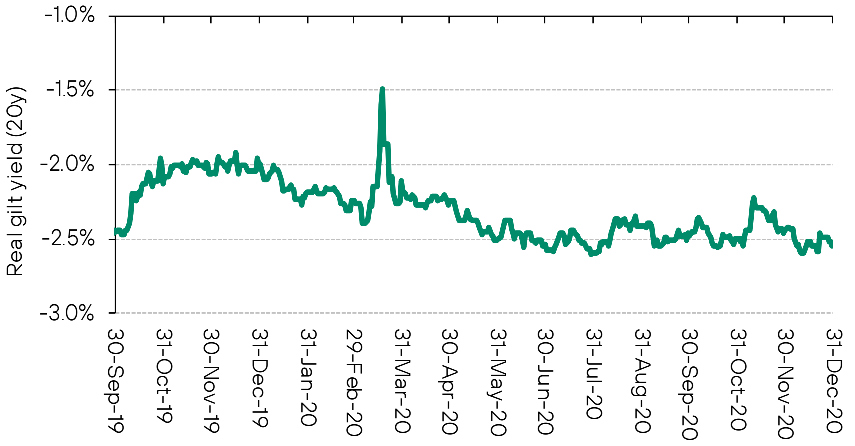
20-year Real Gilt Yield	
October	-0.04%
November	0.04%
December	-0.09%
Quarter	**-0.08%**

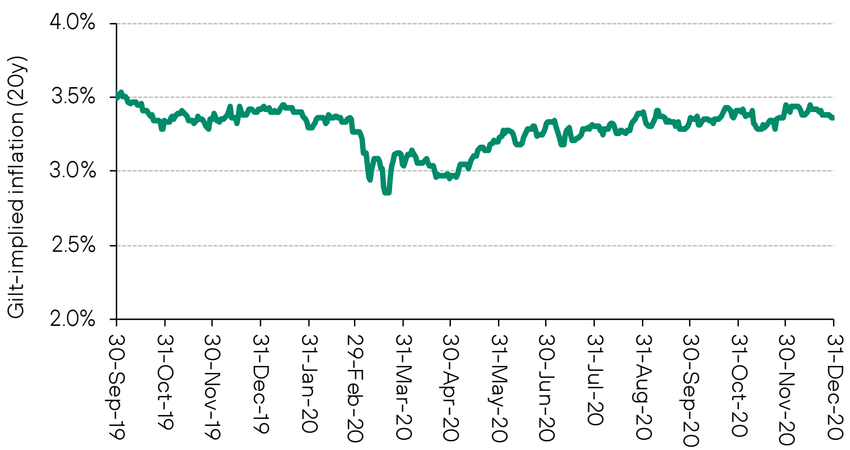
20-year Nominal Gilt Yield	
October	0.05%
November	0.03%
December	-0.13%
Quarter	**-0.05%**

20-year Gilt-Implied Inflation	
October	0.09%
November	0.00%
December	-0.04%
Quarter	**0.04%**

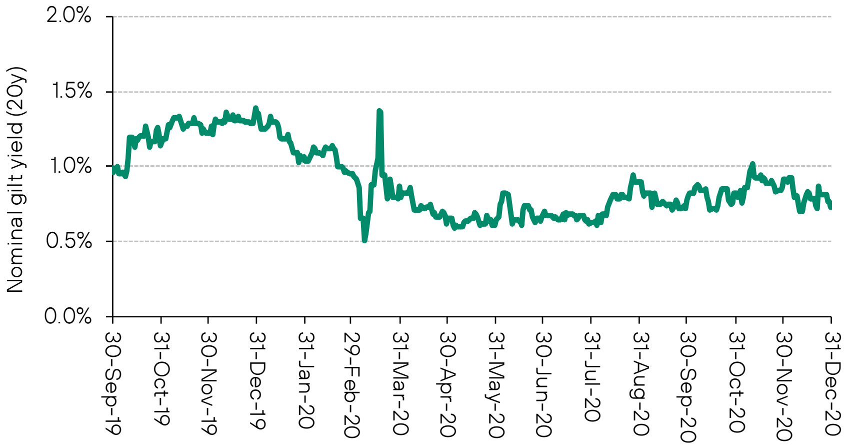
Real Gilt Yields – Last 12 months



Gilt-Implied RPI Inflation – Last 12 months



Nominal Gilt Yields – Last 12 months



Example Liabilities

- Long term interest rates remain close to historical low levels as markets anticipate interest rates remaining low for a considerable period of time.
- Inflation expectations rose during the quarter despite the changes announced the calculation of RPI to align this with CPIH from 2030. Long term implied CPI has increased in recent periods. This will create a pressure on liability values and should be discussed with the Scheme Actuary to understand their thoughts on the funding measure of the liabilities.

Note: Please see Appendix 3 for details of the example liabilities. Monthly yield changes may not sum to quarterly changes, due to rounding.
Source: Bank of England, Isio calculations.

Strategy Overview

Asset Allocation – at 31 December 2020

Summary

As at December 2020 the Fund was broadly in line with it's strategic benchmark, with a slight overweight to equity and multi-asset and a corresponding underweight to credit, infrastructure and property.

The Committee has agreed to review the credit mandate over the coming months and we suggest that this is rebalanced once this is complete.

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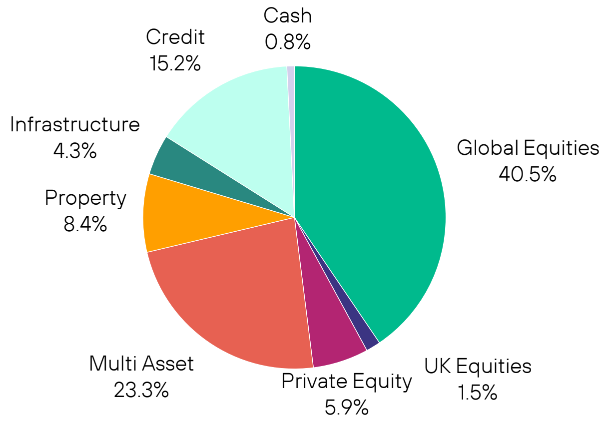
Total Assets

Start of quarter	£3,847m
End of quarter	£4,110m

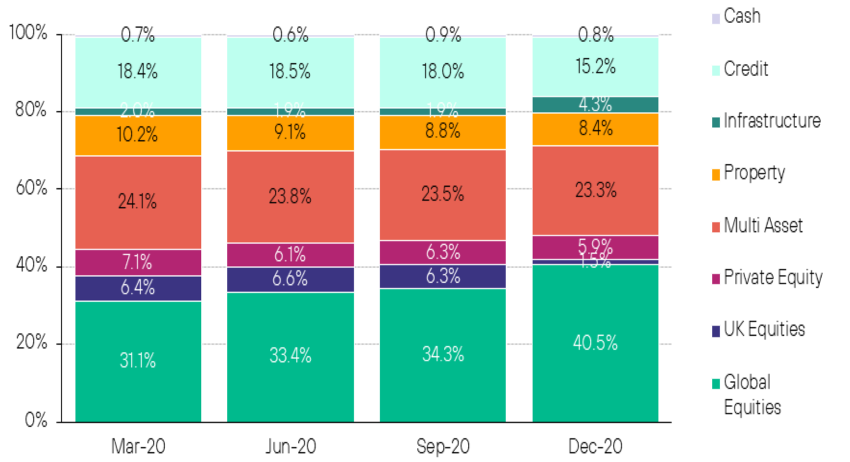
Target Allocation

Equity	40.0%
Absolute Return	20.0%
Private Equity	5.5%
Property	10.0%
Infrastructure	8.0%
Private Debt	3.0%
Diversified Credit	7.0%
Index-Linked Gilts	3.0%
Fixed Interest Bonds	3.5%

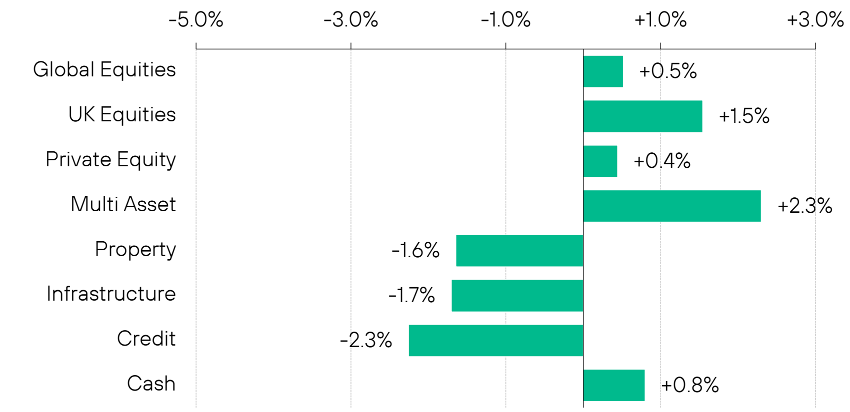
Asset Allocation – 31 December 2020



Asset Allocation Changes Since 31 March 2020



Assets Relative to Benchmark – 30 September 2020



Commentary

- Over the quarter the Fund reduced its exposure to UK equities and completely disinvested from the UBS Climate aware and Fundamental strategies. The proceeds, c. £963m, were reinvested into four new mandates.
- Over the previous 12 months the Fund's asset allocation has remained relatively stable.
- The introduction of the ATLAS infrastructure equity fund over the quarter has helped bring the Fund closer in line with the benchmark allocation to infrastructure, but remains 1.7% underweight.
- As at December 2020 the Fund was broadly in line with it's strategic benchmark, with a slight overweight to equity and multi-asset and a corresponding underweight to credit, infrastructure and property.

Note: Totals may not sum due to rounding.
Source: Investment managers, Isio calculations.

Investment Managers

Performance Summary – to 31 December 2020

Summary

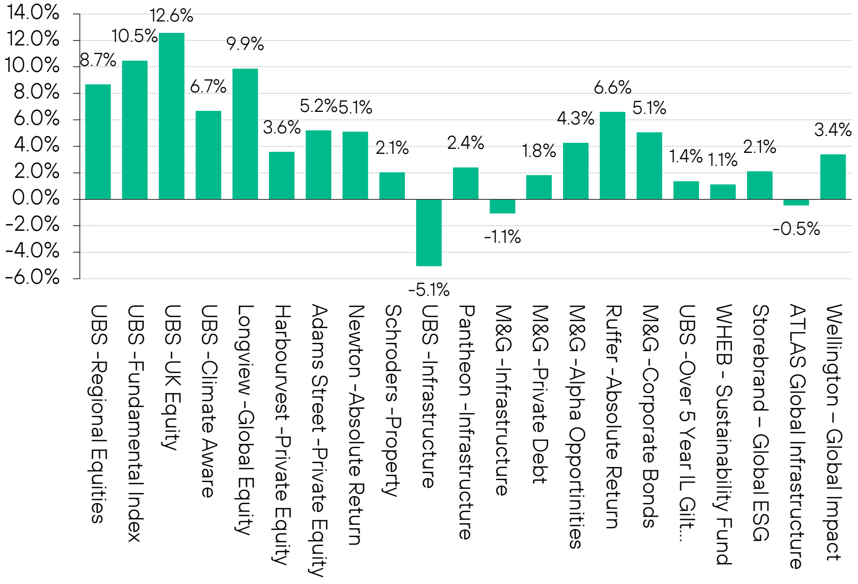
The majority of the Fund's assets delivered positive absolute returns over Q4, as global markets continued to make gains in light of positive vaccine news and continued central government & fiscal support.

In absolute terms the biggest contributor to performance was the UBS passive equity allocations.

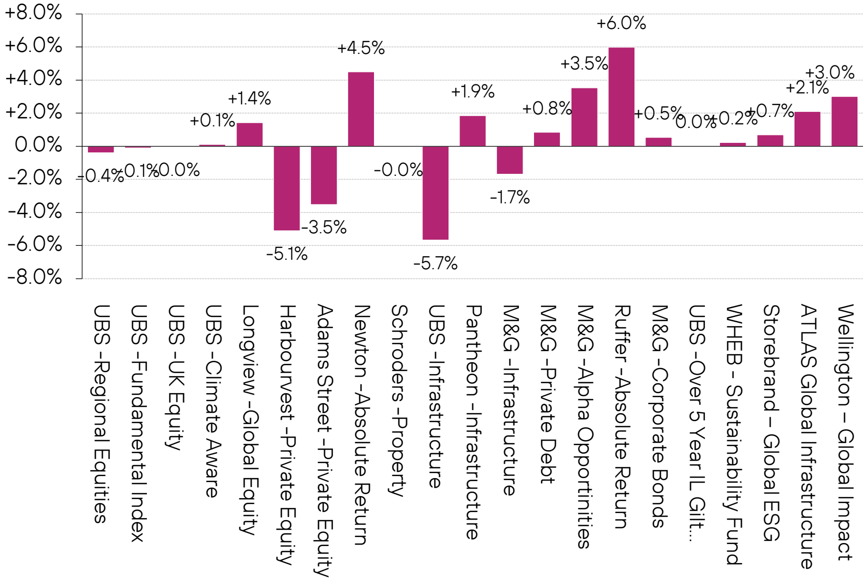
In relative terms the Ruffer Absolute Return Fund was the strongest performer, driven by strong equity performance and increases in the value of the index-linked holdings.

The private market mandates underperformed, though we note there is likely to be a lag in valuations/ performance feeding through.

Absolute Return – Q4 2020



Relative Return – Q4 2020



Note: Returns net of fees.
Source: Investment Managers, Northern Trust, Isio calculations.

UBS – Equity

Mandate: Passive Equities

Current Value: £414.0m

Current Weighting: 10.1%

Inception: UK Equities – 31 December 2017 & Regional Equities 31 January 2018

Objective: To track their respective underlying respective regional equity benchmarks

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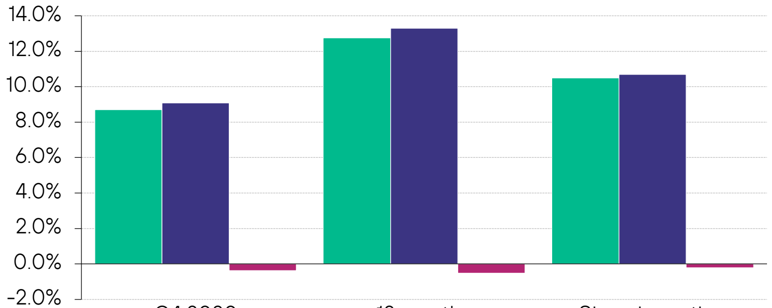
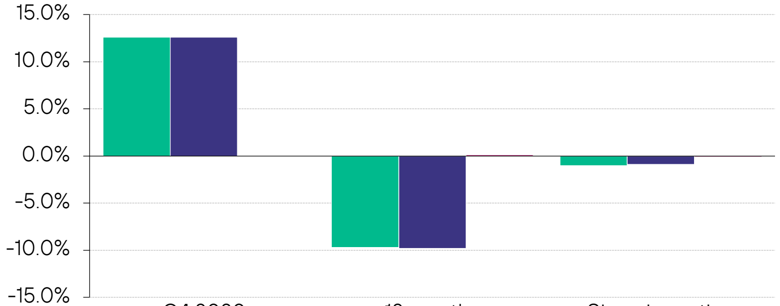
Regional Equities Performance to 31 December 2020



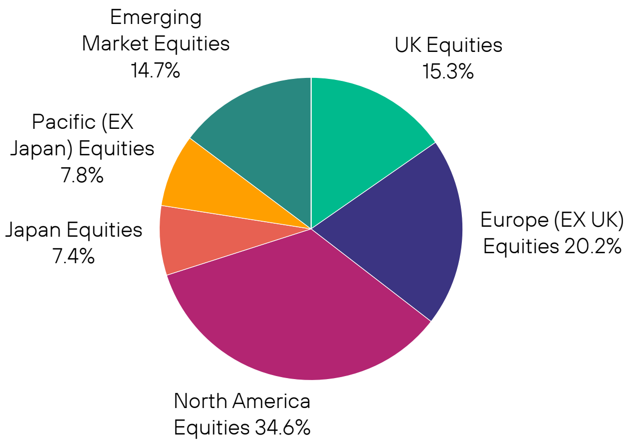
	Q4 2020	12 months	Since inception
Return	8.7%	12.8%	10.5%
Benchmark	9.1%	13.3%	10.7%
Relative	-0.4%	-0.5%	-0.2%

UK Equities Performance to 31 December 2020



	Q4 2020	12 months	Since inception
Return	12.6%	-9.7%	-1.0%
Benchmark	12.6%	-9.8%	-0.9%
Relative	-0.0%	+0.1%	-0.1%

Geographic Exposure as at 31 December 2020



Note: Totals may not sum due to rounding. Performance quoted net of fees.
Source: Investment manager, Northern Trust, Isio calculations.

Commentary

- All UBS passive equity mandates performed positively over the quarter with the Life Pacific ex Japan Equity Tracker Fund being the standout performer in absolute terms.
- The Fund fully redeemed its positions in the UBS Life Climate Aware and UBS Life All World Equity Fundamentally Weighted Index Funds on 16th November 2020.
- The quarter finished on a high note for global equities as multiple successful COVID-19 vaccines emerged as did an improving outlook for US fiscal and monetary support with the upcoming inauguration of US President Joe Biden bolstering investor confidence.
- The breakthrough for an effective COVID-19 vaccine drove a desire for more procyclical investments, which in turn caused a noticeable style rotation from Growth and Momentum performing strongly to Value outperforming; investing. Cyclical stocks benefited the most from this reversal and small caps outperformed large caps.

Longview - Global Equity

Mandate: Active Global Equities

Current Value: £430.5m

Current Weighting: 10.5%

Inception: 4 February 2019

Objective: Outperform benchmark by 3% (gross) p.a. over rolling 3 year periods.

Benchmark: MSCI ACWI

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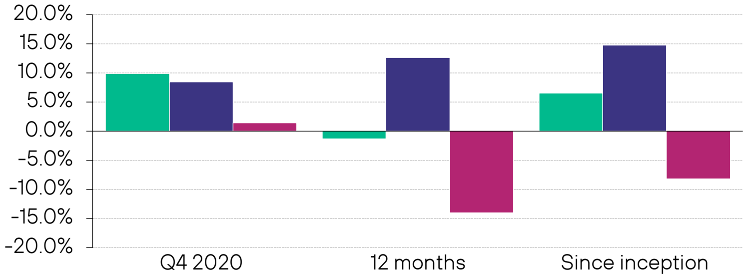
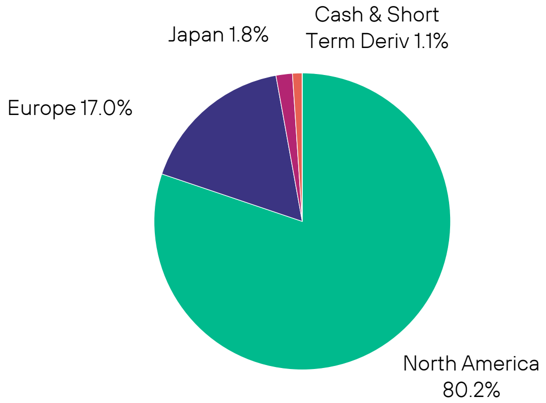
Longview Global Equity Performance to 31 December 2020

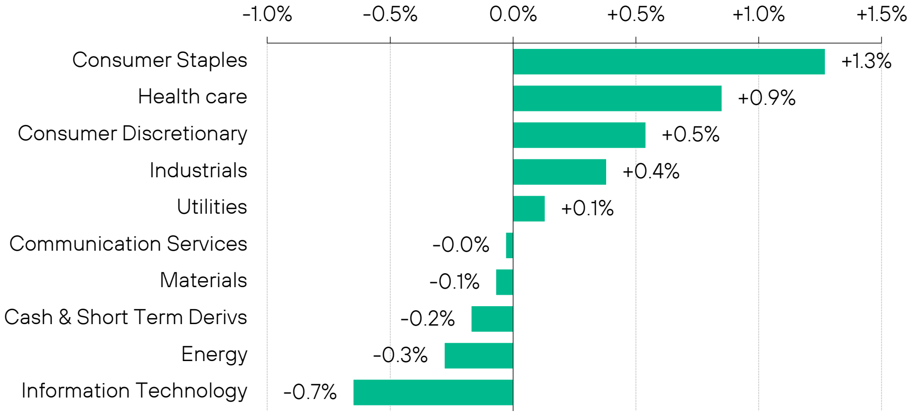


	Q4 2020	12 months	Since inception
Return	9.9%	-1.3%	6.6%
Benchmark	8.5%	12.7%	14.8%
Relative	1.4%	-14.0%	-8.2%

Sector split as at 31 December 2020



Performance Attribution as at 31 December 2020



Commentary

- The fund delivered a positive absolute return of 9.9% over the quarter outperforming the benchmark by 1.4%.
- Performance over the past 12 months has been significantly behind benchmark.
- Consumer Staples was the biggest contributor to performance over the period. Healthcare positions also contributed strongly to performance.
- The Fund continues to seek to consistently generate alpha through investing in a concentrated portfolio of global companies, focusing on a bottom up approach. As at 31 December 2020 there were 32 stocks held within the portfolio.
- We have a number of concerns with Longview following some changes in the senior team and given the recent losses in assets under management. We provide further comment in our separate report on the overall equity portfolio.

Note: Totals may not sum due to rounding. Performance quoted net of fees.
Source: Investment manager, Northern Trust, Isio calculations.

WHEB – Sustainability Fund

Mandate: ESG focused Global Equity

Current Value: £221.3m

Current Weighting: 5.4%

Inception: 1 December 2020

Benchmark: MSCI World Total Return Net GBP

Objective: to achieve capital growth over the medium to longer term.

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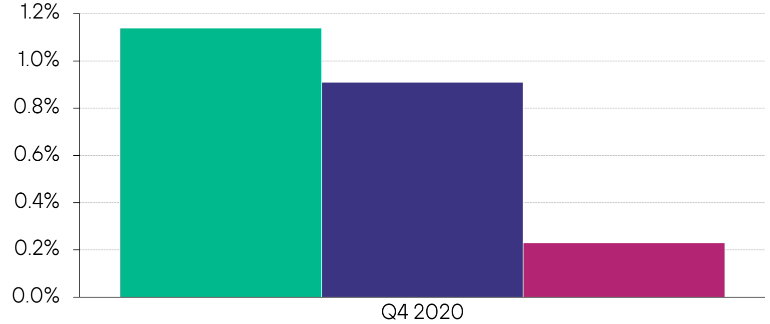
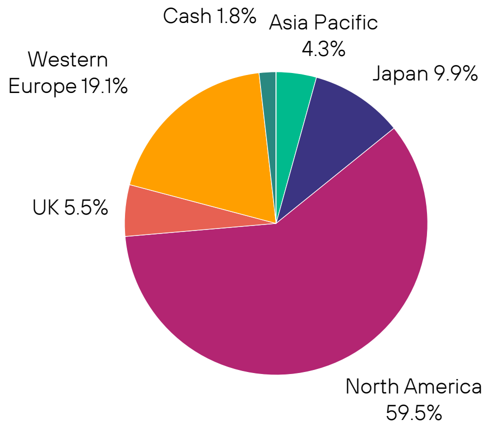
WHEB – Sustainability Fund Performance to 31 December 2020

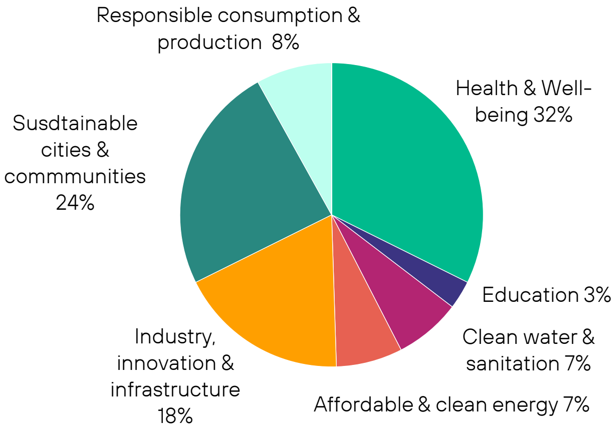


	Q4 2020
Return	1.1%
Benchmark	0.9%
Relative	+0.2%

Geographic breakdown at Q4 2020



Impact positioning at Q4 2020



Note: Totals may not sum due to rounding. Performance quoted net of fees.
Source: Investment manager, Northern Trust, Isio calculations.

Commentary

- The initial investment in the WHEB sustainability Fund was made on 1 December 2020, as such we are have shown part period performance for the Fund over the time invested.
- The Cleaner Energy theme was the strongest contributor to performance over the period followed by sustainable transport.
- Over the period the manager acquired a new position in Vestas, which is a leading wind turbine manufacturer with the largest global installed base, with a proven trace record for quality and innovation, this further bolsters the Fund's Cleaner Energy theme.

Wellington – Global Impact Fund

Mandate: Global Impact Equities

Current Value: £223.3m

Current Weighting: 5.4%

Inception: 2 December 2020

Benchmark: MSCI AC World

Objective: To outperform the MSCI All Country World Index over the long-term.

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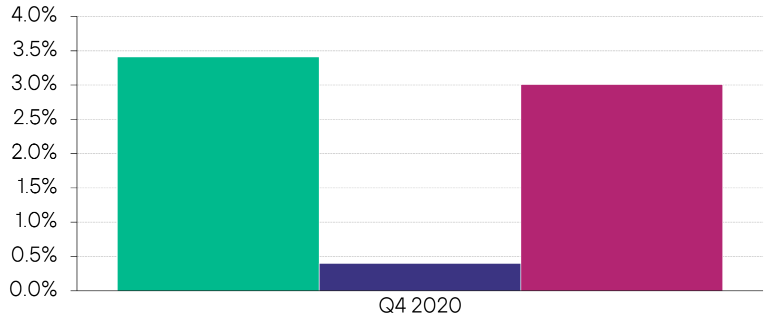
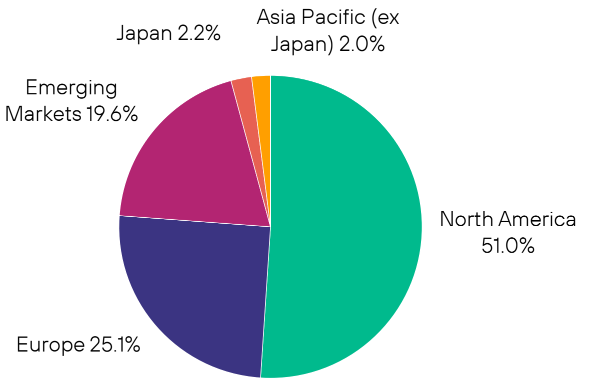
Performance to 31 December 2020

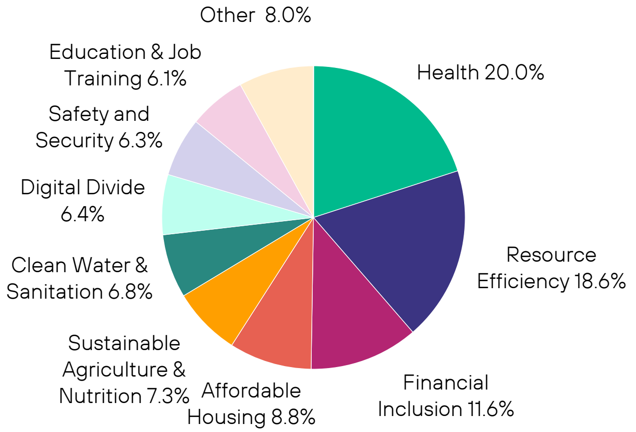


	Q4 2020
Return	3.4%
Benchmark	0.4%
Relative	+3.0%

Geographic Allocation at 31 December 2020



ESG Theme Distribution at 31 December 2020



Note: Totals may not sum due to rounding. Performance quoted net of fees.
Source: Investment manager, Northern Trust, Isio calculations.

Commentary

- The initial investment in the Wellington – Global Impact Fund was made on 2 December 2020, as such we show part period performance for the Fund over the time invested.
- The Global Impact Fund as a whole performed well over the quarter, returning an absolute positive performance of 3.4%, this was largely driven by four of the Fund's impact themes, Life Essentials, Human Empowerment and Environment, with Resource Efficiency being the largest absolute contributor to performance.
- Performance was further enhanced by continued momentum in climate investing as a number of countries made further commitments to tackling climate change and furthering a green agenda.

Storebrand – Global ESG Plus Fund

Mandate: ESG Focused Global Equities

Current Value: £439.2m

Current Weighting: 10.7%

Inception: 3 December 2020

Benchmark: MSCI World NR

Objective: Outperform benchmark by 4.0% p.a. (net of fees)

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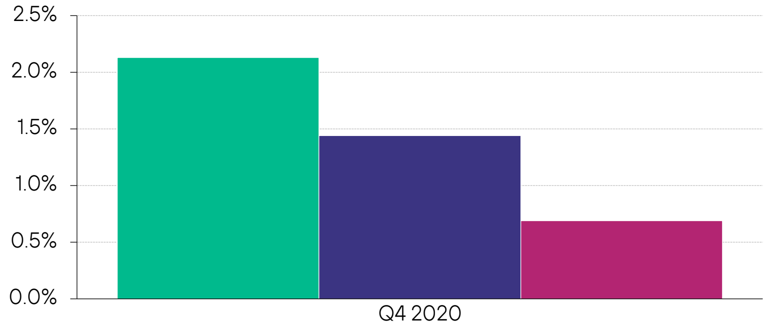
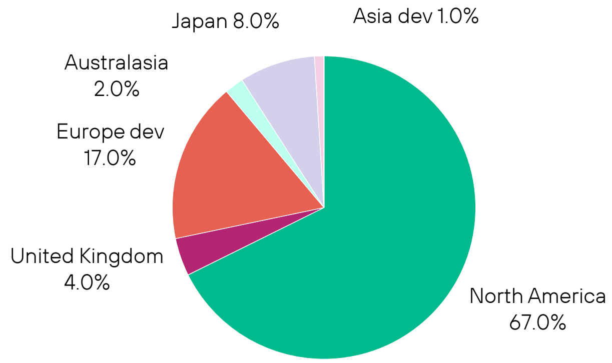
Performance to 31 December 2020

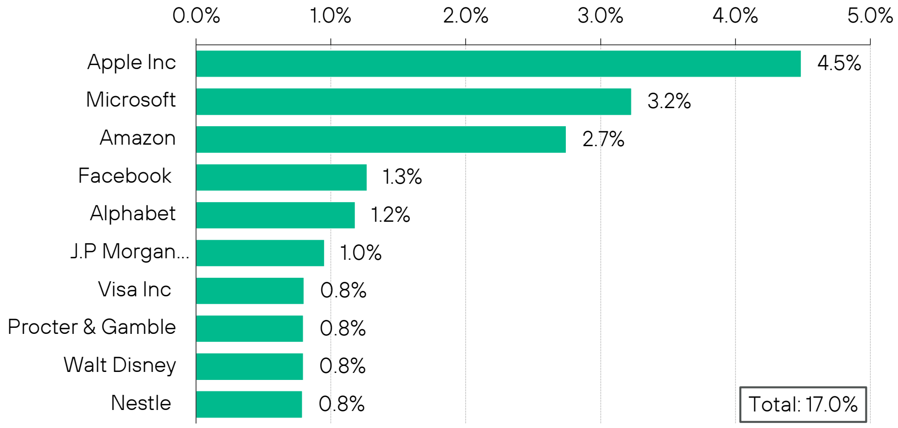


	Q4 2020
Return	2.1%
Benchmark	1.4%
Relative	+0.7%

Geographic Allocation at 31 December 2020



Top 10 Holdings as at 31 December 2020



Commentary

- The initial investment in the Storebrand Global ESG Plus Fund was made on 3 December 2020, as such we show part period performance for the Fund over the time invested.
- The Global ESG Plus Fund outperformed its MSCI World benchmark by 0.7%, returning 2.1% over the quarter, this was aided by positive climate related news flow as several countries bolstered their commitments to the Paris Agreement.
- The Fund excludes fossil fuel producers, this contributed -0.2% on a relative basis, reflecting the 25% rise in oil price (which was driven by positive COVID vaccine news and speculation of increased travel).
- The Fund maintains a 10% allocation to companies that provide services and products to help reduce climate change, this sleeve contributed +1.3% to relative performance over the quarter.

Note: Totals may not sum due to rounding. Performance quoted net of fees.
Source: Investment manager, Northern Trust, Isio calculations.

Harbourvest – Private Equity

Mandate: Private Equity

Current Value: £114.2m

Current Weighting: 2.8%

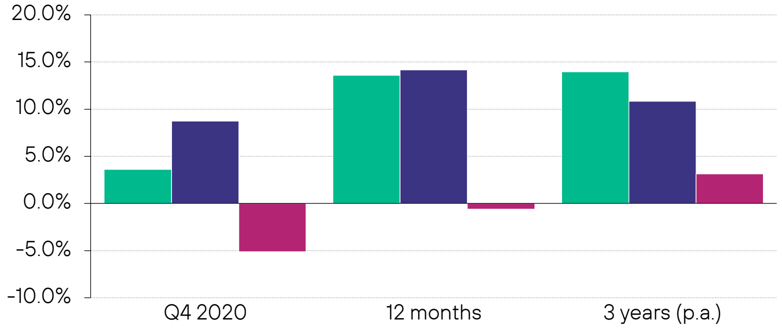
Inception: 31 January 2003

Benchmark: MSCI World +1.5%

Objective: MSCI World +3.0%

Harbourvest	Market Value at start (£m)	Drawdowns over quarter (£m)	Distributions over quarter (£m)	Market Value at end (£m)
HIPEP IV SUPPLEMENTAL EUROPEAN COMPANIONFUND	0.0	-	-	0.0
HARBOURVEST PTRS VIII - CAYMAN VENTURE FUND	1.6	-	0.2	1.5
HARBOURVEST INTL PEP V - CAYMAN PSHP FD	2.2	-	0.3	1.9
HARBOURVEST PTRS VIII - CAYMAN BUYOUT FUND	2.2	-	0.7	1.6
HARBOURVEST PARTNERS IX- CAYMAN BUYOUT FUND	12.7	-	1.2	12.2
HARBOURVEST PARTNERS XI AIF	9.8	-	0.3	11.7
HARBOURVEST INTL PEP VI - CAYMAN PSHP FUND	17.3	-	1.8	16.3
HIPEP VII (AIF) PARTNERSHIP FUND LP	13.3	-	1.2	13.3
HIPEP VIII (AIF) PARTNERSHIP FUND LP	9.4	-	-	9.7
HARBOURVEST PARTNERS CAYMAN CLEANTECH FUND I	11.3	-	-	11.3
HARBOURVEST PARTNERS CAYMAN CLEANTECH FUND II	19.8	-	1.8	18.8
DEFAULT ISSUER HARBOURVEST PTNS VII CAYMAN BUYOUT FD LP	0.4	-	0.0	0.4
HARBOURVEST PTRS VIII - CAYMAN MEZZANINEAND DISTRESSED DEBT FD	0.1	-	0.0	0.1
HARBOURVEST PTRS VII - CAYMAN VENTURE FUND	1.0	-	0.1	0.9
HARBOURVEST PARTNERS VII - CAYMAN MEZZANINE FUND	0.0	-	0.0	0.0
HARBOURVEST PARTNERS IX CAYMAN VENTURE FUND	10.2	-	0.8	11.5
HARBOURVEST PARTNERS IX CAYMAN CREDIT OPPORTUNITIES FUND	1.7	-	0.2	1.5

Performance to 31 December 2020



	Q4 2020	12 months	3 years (p.a.)
Return	3.6%	13.6%	14.0%
Benchmark	8.7%	14.2%	10.8%
Relative	-5.1%	-0.6%	+3.1%

Commentary

- The Harbourvest portfolio returned positive absolute performance of 3.6% over the quarter, however, did underperform its benchmark by 5.1%. This is partly due to the lag in performance experienced with private market assets and is not overly concerning.
- The Harbourvest portfolio remains marginally overweight relative to its strategic target allocation, however, we do expect that to gradually fall over time as the Funds continue to return capital to the Fund.
- To date the Fund has committed over $317m, with approximately $231 retuned through distributions and a current market value of £114.2m.
- Prior to 2014, investments with Harbourvest were made through, Buyout, Mezzanine or Venture fund-of-funds and since then commitments from the Fund have been to the annual vintage of two of Harbourvest's flagship fund-of-fund products HIPEP or the Fund program.

Note: Totals may not sum due to rounding. Performance quoted net of fees. Harbourvest valuations are lagged by 3 months.
Source: Investment manager, Northern Trust, Isio calculations.

Adams Street – Private Equity

Mandate: Private Equity

Current Value: £129.9m

Current Weighting: 3.2%

Inception: 31 March 2003

Benchmark: MSCI World +1.5%

Objective: MSCI World +3.0%

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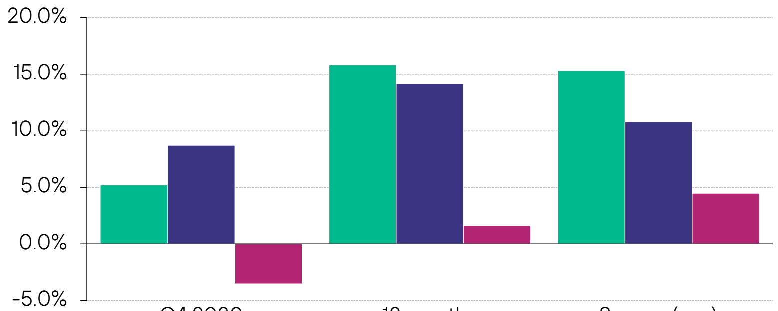
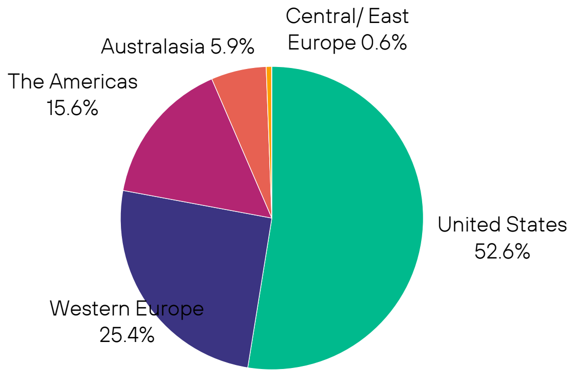
Performance to 31 December 2020



	Q4 2020	12 months	3 years (p.a.)
Return	5.2%	15.8%	15.3%
Benchmark	8.7%	14.2%	10.8%
Relative	-3.5%	+1.6%	+4.5%

Geographical Exposure as at 30 September 2020



Adams Street	Market Value at start (£m)	Drawdowns over quarter (£m)	Distributions over quarter (£m)	Market Value at end (£m)
Adams Street Direct Funds	2.0	-	0.1	1.8
Adams Street Co-Investment Fund II	1.4	-	-	1.4
Adams Street Global Funds 2014-2019	24.0	-	0.6	24.4
Adams Street Partnership Funds	27.0	-	4.0	24.0
Adams Street Feeder Funds	48.1	2.0	1.5	51.8
Adams Street Offshore Company Limited Funds	25.4	-	2.0	26.6

Commentary

- The Adams Street portfolio returned a positive absolute performance of 5.2% over the quarter, however, underperformed its composite benchmark by 3.5%. This is partly linked to the lag in private market valuations.
- Over Q3, Adams Street have seen the secondary investment market rebound strongly as investor sentiment returned. As a result bid ask spreads have tightened and opportunities to acquire high quality assets at discount have increased.
- Adams Street have commented on the challenges to determine valuations of assets they are keen to acquire as company fundamentals have been obscured by the effects of continued regional lockdowns, with some sectors booming, such as tech-enabled businesses, whilst high street retail and aerospace sectors are impeded.

Note: Totals may not sum due to rounding. Performance quoted net of fees.
Source: Investment manager, Northern Trust, Isio calculations.

Newton – Absolute Return

Mandate: Diversified Growth Fund

Current Value: £486.6m

Current Weighting: 11.8%

Inception: 21/01/2020

Benchmark: 3 Month LIBOR+2.5%

Objective: 3-month LIBOR + 4% p.a. (gross) over rolling 5 years

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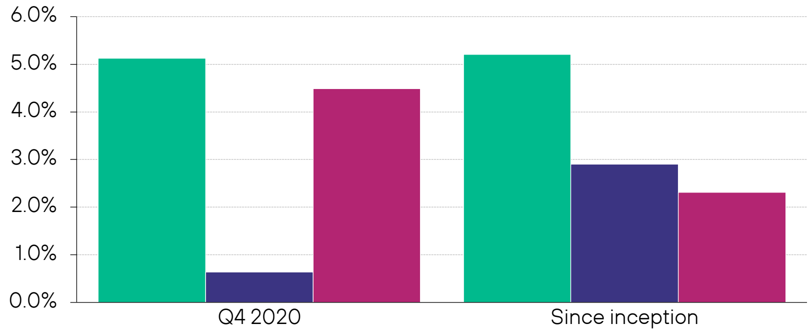
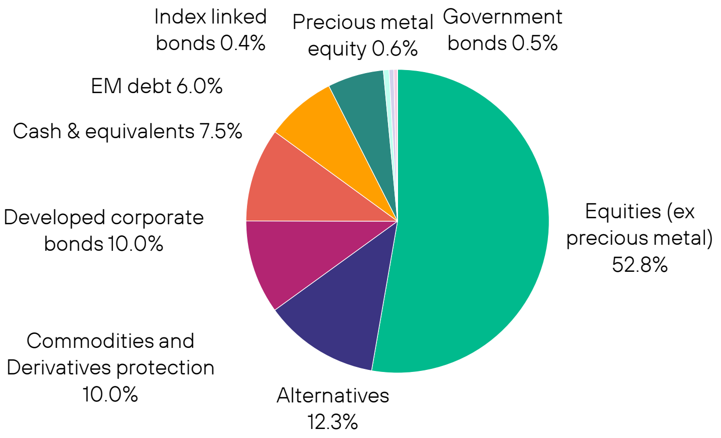
Performance to 31 December 2020

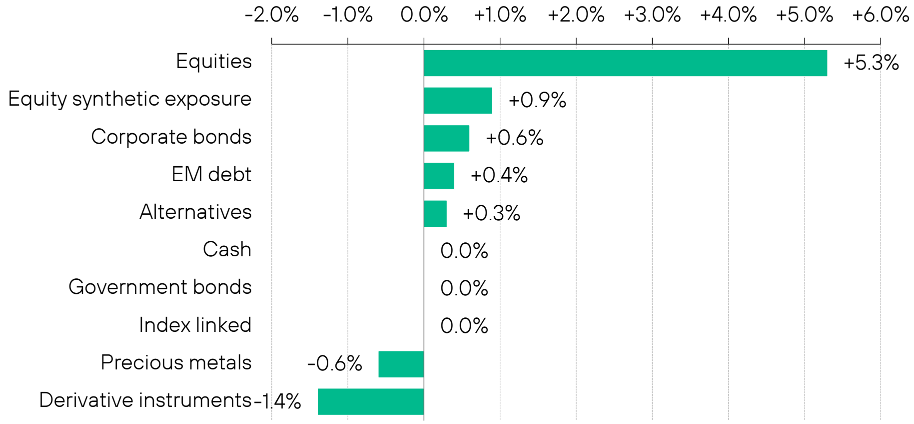


	Q4 2020	Since inception
Return	5.1%	5.2%
Benchmark	0.6%	2.9%
Relative	+4.5%	+2.3%

Sector Allocation at 31 December 2020



Contributors to performance to 31 December 2020



Commentary

- The Fund delivered strong performance over the quarter.
- Performance over the period was primarily driven by the Fund's allocation to equities, which benefitted from the wider rally in global markets. All underlying sleeves within the "return-seeking core" contributed positively to performance.
- The portfolio's allocation to equities, with a particular focus on the Fund's cyclical exposure, was increased over the period, given Newton's optimistic outlook for 2021. This activity saw the "return-seeking core" increase to c.63% of the portfolio.
- Despite being optimistic, Newton believe that short-term volatility will likely persist, and are of the view that vaccine optimism has already been significantly priced in by markets. Post-quarter end, Newton increased the portfolios short-futures position, to provide increased protection markets suffer a set back.

Note: Totals may not sum due to rounding. Performance quoted net of fees.
Source: Investment manager, Northern Trust, Isio calculations.

Schroders - Property

Mandate: Balanced Property

Current Value: £343.4m

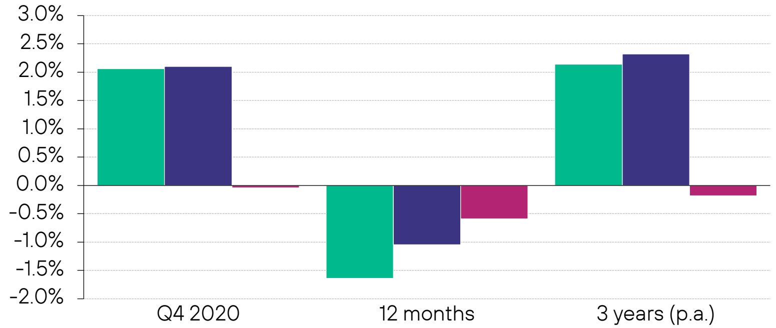
Current Weighting: 8.4%

Inception: 31 December 2009

Benchmark: IPD All Balanced Fund Index

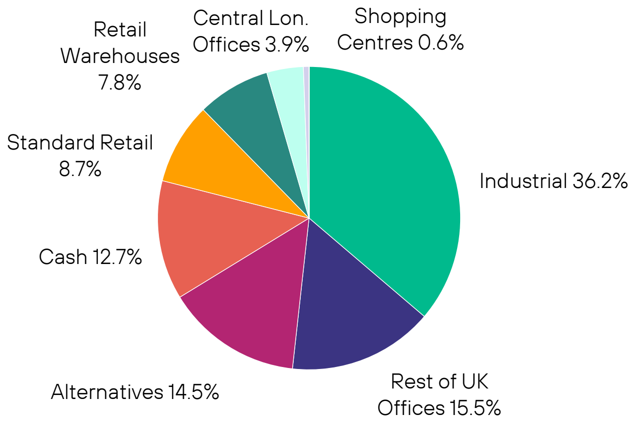
Objective: Outperform benchmark by 0.75% p.a. (net) over rolling 3 years

Performance to 31 December 2020

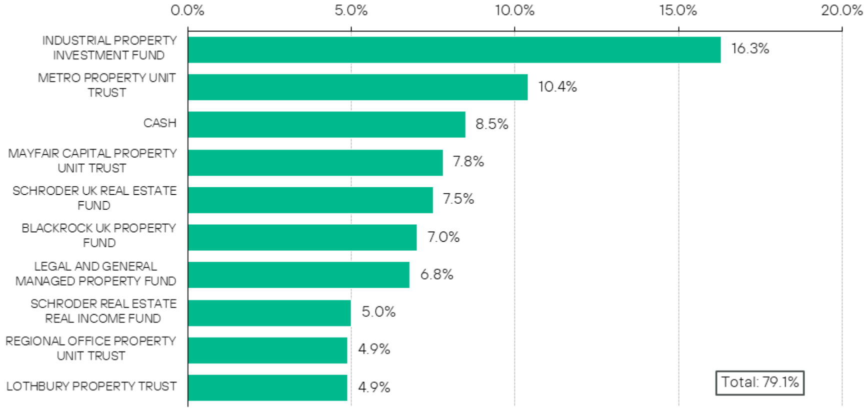


	Q4 2020	12 months	3 years (p.a.)
Return	2.1%	-1.6%	2.1%
Benchmark	2.1%	-1.1%	2.3%
Relative	-0.0%	-0.6%	-0.2%

Sector Allocation at 31 December 2020



Top 10 holdings as at 31 December 2020



Commentary

- The fund delivered a positive absolute return of 2.1% over the quarter and in line with its respective benchmark.
- Industrial assets have been the star performer over the quarter and year as COVID has increased the growth in online retail as a result of continued lockdowns. The trend is further intensified by manufacturers wanting to increase their supply chains to stock more key items. Schroders expect this trend to continue through 2021.
- The biggest detractors to performance has been the Fund's allocations to the Hercules Unit Trust and UK Retail Warehouse Fund, both of which consist heavily of retail assets which have suffered heavy write downs in capital values as well as reduced rent collection.
- Schroders remain positive about the outlook for 2021, expecting to see transaction activity increase, with a return to pre-COVID levels by 2022 and are keen to actively pursue good value opportunities as they arise.

Note: Totals may not sum due to rounding. Performance quoted net of fees.
Source: Investment manager, Northern Trust, Isio calculations.

UBS - Infrastructure

Mandate: Infrastructure

Current Value: £38.4m

Current Weighting: 0.9%

Inception: 31 January 2008

Benchmark: CPI + 2.0%

Objective: CPI + 3%

Performance to 31 December 2020

	Q4 2020	12 months	3 years (p.a.)
Return	-5.1%	-9.4%	-2.9%
Benchmark	0.6%	2.7%	2.6%
Relative	-5.7%	-12.1%	-5.4%

Commitments and Distributions to 31 December 2020

UBS	Fund I	Fund III
Total Commitment ($m)	35.0	50.0
Commitment Drawn ($m)	33.3	35.4
Distributions over 2020 ($m)	1.0	-
Outstanding Commitment ($m)	1.7	24.6
Market Value (£m)	12.7	25.4

Commentary – 3 month lagged

- Over the quarter the Fund returned performance of negative 5.1% underperforming the CPI linked benchmark by 5.7%.
- Fund I is in the investment phase and is paying capital back to Investors, whilst Fund III is in ramp up mode and continues to draw capital from the Fund.
- UBS remain cautious on their outlook for Q4 with renewed and prolonged COVID-19 lockdowns expected to weigh on the economy.
- Since inception performance of the fund is in line with expectations, however recent Fund performance below expectations. We note that Fund III is very early in its life cycle, which could lead to a degree of J-curve effect and could be expected to impact performance. However we will investigate recent underperformance with the manager.
- The fund information being provided by UBS at present is currently limited and we are working with the manager to improve this for the Fund.

Note: Totals may not sum due to rounding. Performance quoted net of fees.
Source: Investment manager, Northern Trust, Isio calculations.

Pantheon – Infrastructure

Mandate: Infrastructure

Current Value: £31.0m

Current Weighting: 0.9%

Inception: 4 May 2018

Benchmark: CPI + 2.5%

Objective: CPI + 3%

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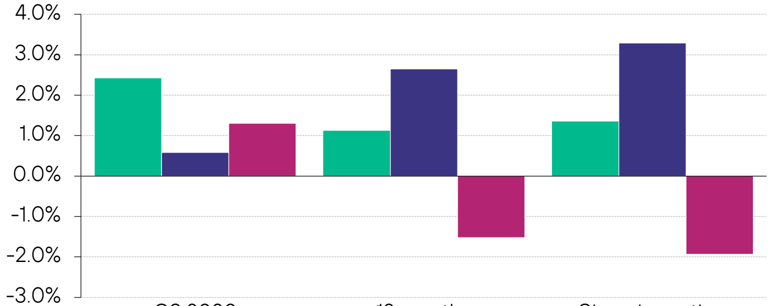
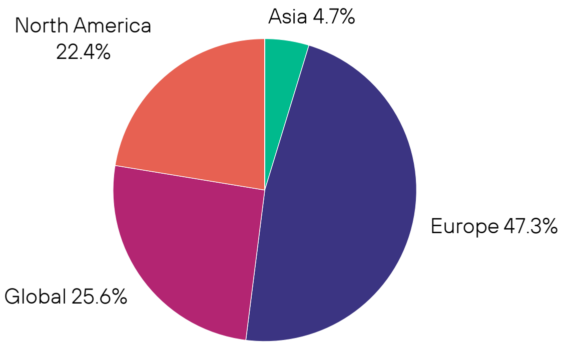
Performance to 31 December 2020



	Q3 2020	12 months	Since inception
Return	2.4%	1.1%	1.4%
Benchmark	0.6%	2.7%	3.3%
Relative	+1.3%	-1.5%	-1.9%

Geographical Allocation at 30 September 2020



Commitments and Distributions to 30 September 2020

Pantheon	
Total Commitment ($m)	117.0
Commitment Drawn ($m)	39.2
Distributions ($m)	4.4
Outstanding Commitment ($m)	77.8
Market Value (£m	31.0

Commentary

- The fund delivered a positive absolute return of 2.4% over the quarter, outperforming the benchmark by 1.1%.
- The Fund remains in ramp-up mode with c.34% of the commitment drawn as at 30 September 2020, with the manager confident remaining committed capital will be drawn over 2021.
- Pantheon noted the resilience of the underlying assets throughout the COVID-19 pandemic and that most infrastructure subsectors are benefitting from tailwinds, such as power generation and utilities.
- Subsectors that detracted were public transport assets, which continued to suffer negatively as a result of a new series of lockdowns globally and Pantheon is cautious that this will continue for some time yet.
- The team was busy over Q3 and Q4 2020 and closed or committed to 11 transactions representing 29% of the Fund. Current gross multiple and gross IRR is 1.1x and 7.8%.

Note: Totals may not sum due to rounding. Performance quoted net of fees. Performance information available to 30 September 2020 due to 3 month reporting lag.
Source: Investment manager, Northern Trust, Isio calculations.

M&G – Infrastructure

Mandate: Infrastructure

Current Value: £28.2m

Current Weighting: 0.7%

Inception: 31 October 2018

Benchmark: CPI + 2.5%

Objective: CPI + 3%

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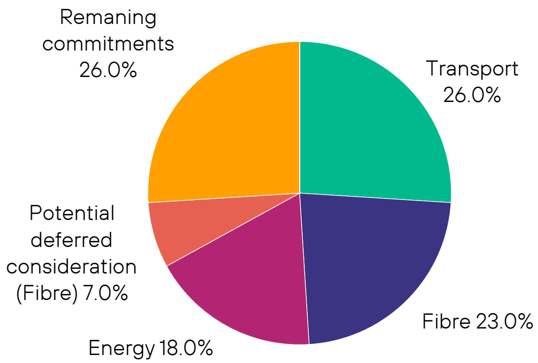
Performance to 31 December 2020

	Q4 2020	12 months	Since inception
Return	-1.1%	-5.2%	1.7%
Benchmark	0.6%	2.7%	3.1%
Relative	-1.7%	-7.9%	-1.4%

Brownfield Sector exposure to 31 December 2020



Commitments and Distributions to 31 December 2020

M&G – Infracapital	Brownfield III	Greenfield II
Total Commitment (£m)	42.0	20.0
Commitment Drawn (£m)	29.2	0.0
Distributions (£m)	0.4	0.0
Outstanding Commitment (£m)	12.8	0.0
Market Value (£m)	28.2	0.0

Note: Totals may not sum due to rounding. Performance quoted net of fees.
Source: Investment manager, Northern Trust, Isio calculations.

Commentary

- The fund delivered a negative absolute return of 1.1% over the quarter, underperforming by 1.7%. Performance is driven solely by the Brownfield III Fund as the Greenfield fund remains undrawn. Current net IRR since inception for the Brownfield III Fund (Sterling) is 2.4% and forecast net IRR is 9.2%.
- The Brownfield III Fund is now 73% drawn. The manager expects to call c. £3.5m of the East Sussex commitment to an upcoming investment within the Greenfield Fund in the coming months.
- Over the quarter the majority of assets delivered steady valuation increase, with a notable exception of the German Fibre Group, which has been impacted by the CEO's departure. M&G advise that a thorough business plan review is now underway.
- The Fund's pipeline remains focussed on Continental Europe with sectors that provide diversification to the current portfolio, particularly the energy sector working with utility groups and some renewable energy sub-sectors.

ATLAS – Global Infrastructure Equity Fund

Mandate: Global Infrastructure Equity

Current Value: £79.0m

Current Weighting: 1.9%

Inception: 2 December 2020

Benchmark: MSCI World Total Return Index

Objective: CPI + 5%

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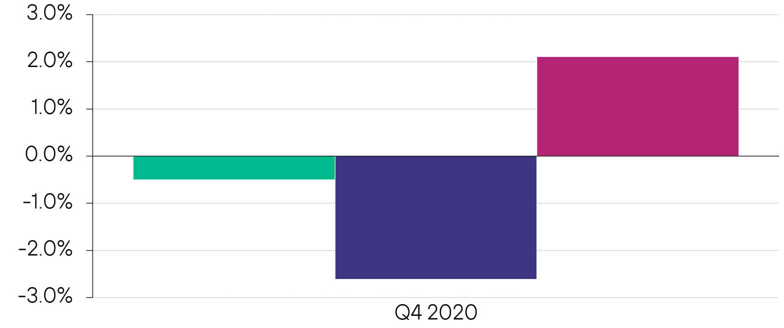
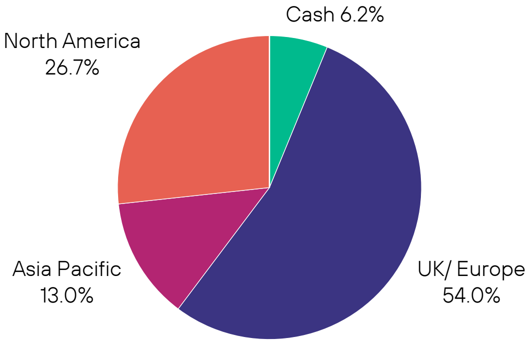
Performance to 31 December 2020

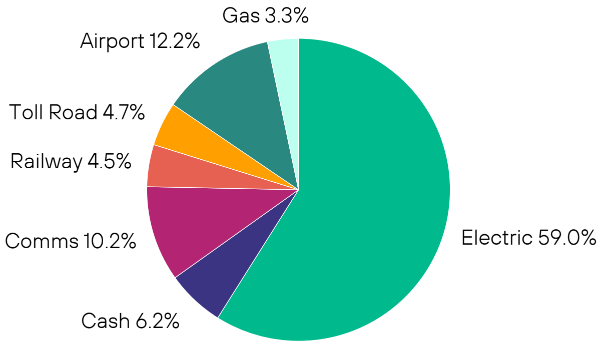


	Q4 2020
Return	-0.5%
Benchmark	-2.6%
Relative	+2.1%

Geographic Allocation at 31 December 2020



Sector Allocations at 31 December 2020



Commentary

- The initial investment in the Atlas Global Infrastructure Equity Fund was made on 2 December 2020. The returns are very short term.
- The weakest sectors over the quarter were US communication towers and utilities in Japan due to a 3rd wave of Covid-19 and the UK water sector that was impacted by regulatory concerns.
- At asset level, Snam, an Italian gas transmission operator announced strategic plans to focus on the opportunity to develop hydrogen as a renewable substitute for natural gas, with a commitment from the Italian government to install 5GW of hydrogen capacity by 2030.

Note: Totals may not sum due to rounding. Performance quoted net of fees.
Source: Investment manager, Northern Trust, Isio calculations.

Ruffer – Absolute Return

Mandate: Diversified Growth Fund

Current Value: £470.9m

Current Weighting: 11.5%

Inception: 4 December 2019

Benchmark: 3-month LIBOR + 2.5%

Objective: 3-month LIBOR + 4% p.a. (gross) over rolling 5 years

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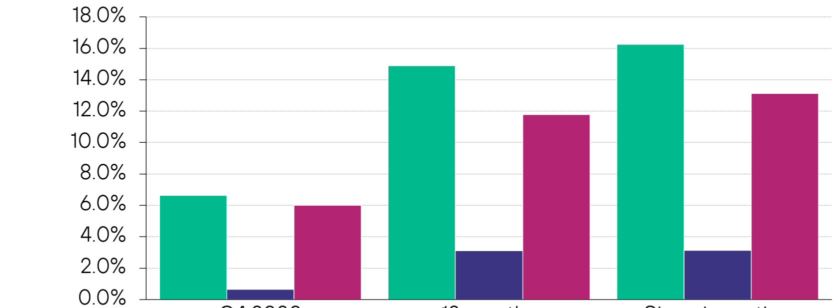
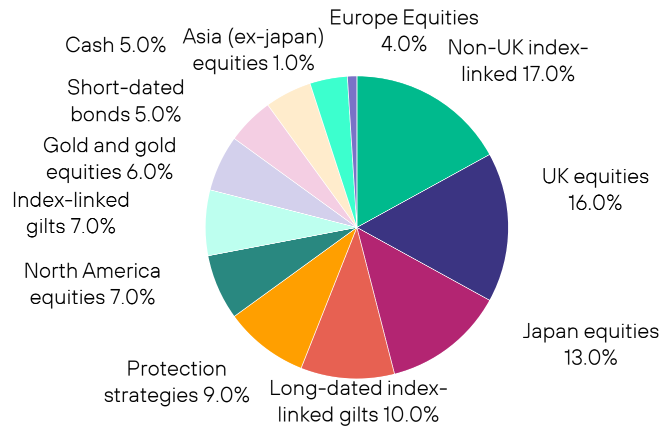
Performance to 31 December 2020

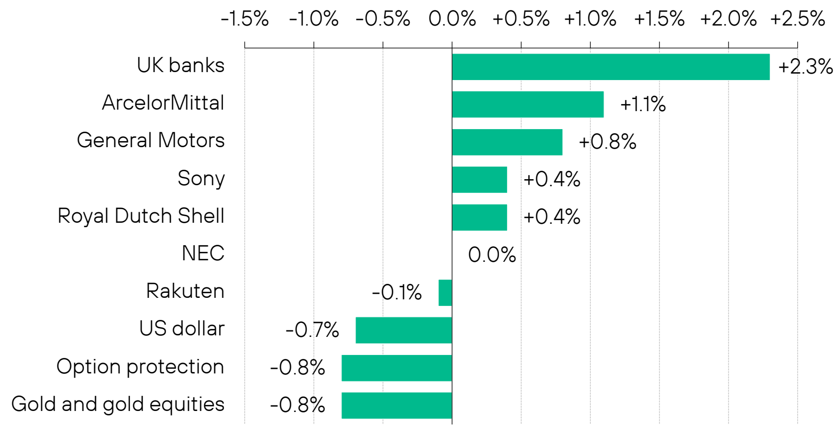


	Q4 2020	12 months	Since inception
Return	6.6%	14.9%	16.3%
Benchmark	0.6%	3.1%	3.1%
Relative	+6.0%	+11.8%	+13.1%

Asset Allocation at 31 December 2020



Contributors to performance at 31 December 2020



Commentary

- The Fund returned absolute positive performance of 6.6% over the quarter, outperforming its respective benchmark by 6%. Performance was boosted by the arrival of multiple effective COVID-19 vaccines which caused a rally in global equities and in turn provided strong positive gains for the Fund's equity exposures.
- Detractors to performance were mainly gold and gold equities. The value of gold fell as risk appetite increased among investors.
- During the quarter, the Fund increased exposure to the US dollar to offset risk asset exposures.
- Other the quarter the Fund acquired a small allocation to Bitcoin, which contributed positively to performance over the period.

Note: Totals may not sum due to rounding. Performance quoted net of fees.
Source: Investment manager, Northern Trust, Isio calculations.

M&G – Real Estate Debt Fund

Mandate: Private Debt

Current Value: £38.2m

Current Weighting: 0.9%

Inception: 11 April 2019

Benchmark: Benchmark: 3m LIBOR +4%

Objective: Objective: 3m LIBOR +5%

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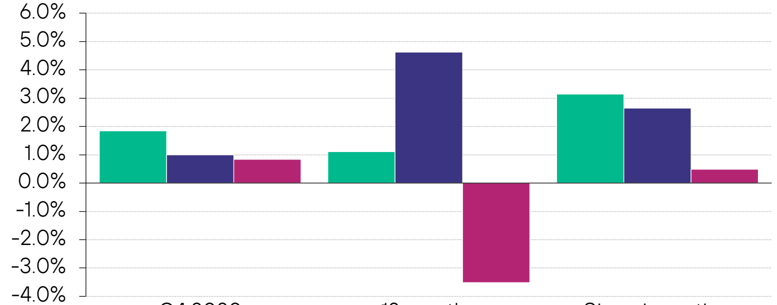
Performance to 31 December 2020

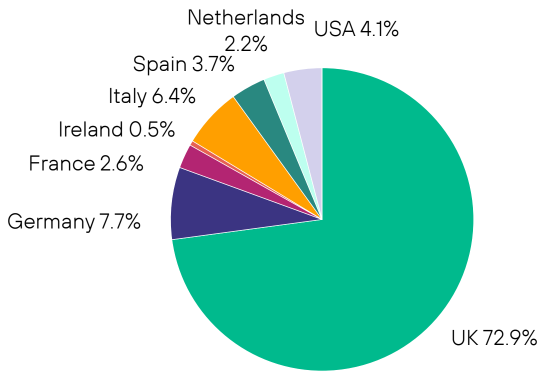


	Q4 2020	12 months	Since inception
Return	1.8%	1.1%	3.1%
Benchmark	1.0%	4.6%	2.7%
Relative	+0.8%	-3.5%	+0.5%

Commitments and Distributions to 31 December 2020

M&G – Real Estate Debt Fund	
Total Commitment (£m)	60
Commitment Drawn (£m)	38.2
Distributions (£m)	19.4
Outstanding Commitment (£m)	21.8
Market Value (£m)	38.2

Average Invested Capital by Geography across the portfolio



Commentary

- The Fund currently has exposure to 3 Funds within the M&G Private Debt portfolio, Funds IV, V & VI. The portfolio returned absolute positive performance of 1.8% over the quarter, outperforming its respective benchmark by 0.8%. Performance since inception is broadly aligned with the target (though clearly still quite short term).
- From a sector perspective, COVID continues to cause significant disruption, particularly in the hotel and retail sectors. The manager expects the Hotel sector to bounce back quite quickly, but believes COVID has accelerated the demise of high street retail in favour of online commerce.
- Since inception performance has been in line with expectations, however the fund has underperformed over the last 12 months. We note that the Fund currently has a European focus with a significant bias to the UK.
- M&G believes that the current market environment offers excellent opportunities to deploy capital and to take advantage of the dislocation in markets caused by the pandemic. M&G remains cautiously optimistic.

Note: Totals may not sum due to rounding. Performance quoted net of fees.
Source: Investment manager, Northern Trust, Isio calculations.

M&G - Alpha Opportunities Fund

Mandate: Multi Asset Credit

Current Value: £279.9m

Current Weighting: 6.8%

Inception: 30 November 2009

Benchmark: 3 Month Libor + 3%

Objective: 3 Month Libor + 5% (gross)

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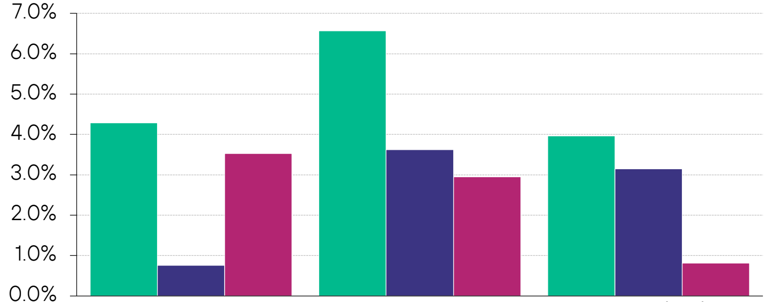
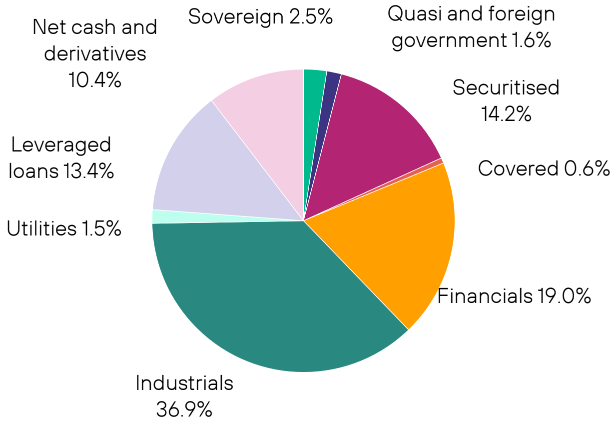
Performance to 31 December 2020

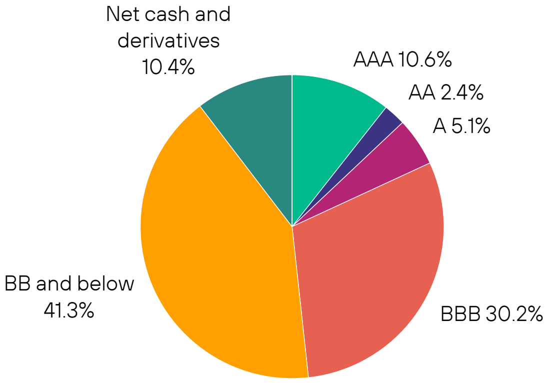


	Q4 2020	12 months	3 years (p.a.)
Return	4.3%	6.6%	4.0%
Benchmark	0.8%	3.6%	3.2%
Relative	+3.5%	+3.0%	+0.8%

Sector Allocation as at 31 December 2020



Credit Ratings as at 31 December 2020



Commentary

- Broad exposure to risk assets continued to be the key driver in Q4 2020 as credit valuations continued to rally, returning broadly to pre-pandemic levels.
- Over Q4, M&G increased exposure to issuers more acutely impacted by the pandemic, such as Heathrow, Rolls Royce and Airbus. M&G believes that they have purchased these bonds at attractive prices and expect to benefit over the longer term as their prices recover.
- Despite these additions, the portfolio's overall risk (measured through spread duration) fell over Q4, in line with M&G's cautious outlook and emphasis on downside protection.
- M&G believes that current market optimism will make stock selection more important (e.g. identifying fallen angels) as valuations continue to price in a consistent recovery, supported by governments and central banks – which will inevitably taper over time.

Note: Totals may not sum due to rounding. Performance quoted net of fees.
Source: Investment manager, Northern Trust, Isio calculations.

M&G – Corporate Bonds

Mandate: Corporate Bonds

Current Value: £170.0m

Current Weighting: 4.1%

Inception: 26 February 2020

Benchmark: Benchmark: - 50% iBoxx Non-Gilts Over 15Y - 50% iBoxx Non-Gilts

Objective: Outperform benchmark by 0.8% p.a. (gross)

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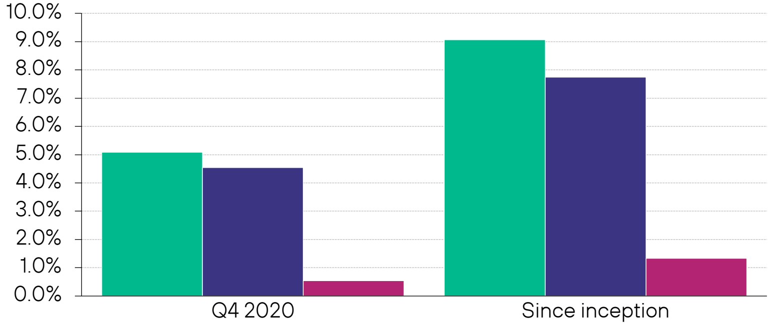
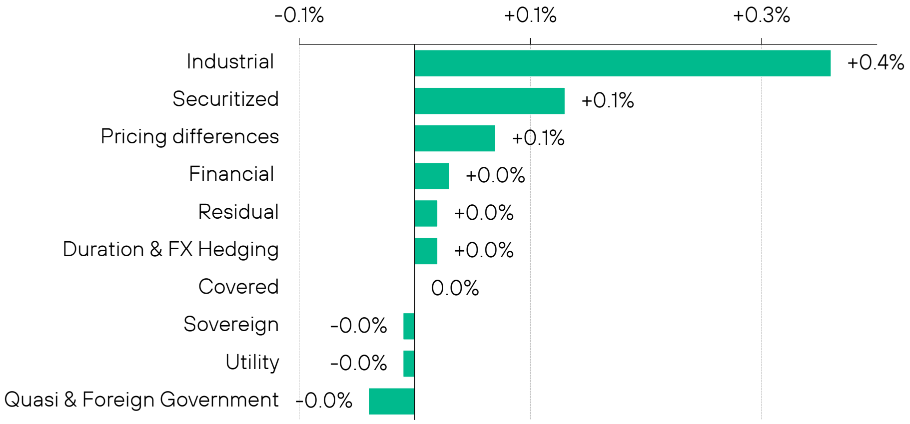
Performance to 31 December 2020

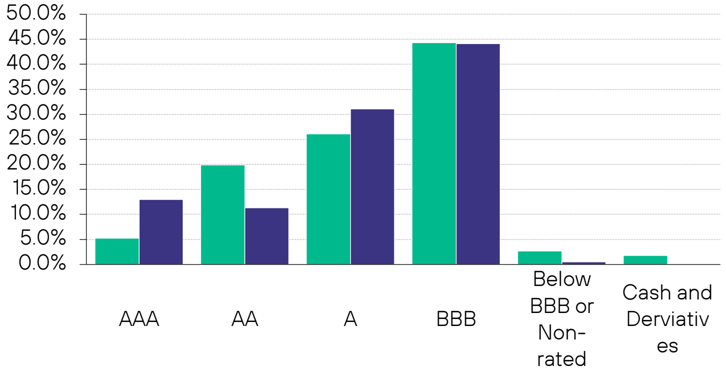


	Q4 2020	Since inception
Return	5.1%	9.1%
Benchmark	4.5%	7.7%
Relative	+0.5%	+1.3%

Performance Attribution as at 31 December 2020



Fund Credit ratings to Benchmark at 31 December 2020



	AAA	AA	A	BBB	Below BBB or Non-rated	Cash and Derviatives
Credit Rating	5.2%	19.9%	26.1%	44.3%	2.7%	1.8%
Benchmark	13.0%	11.3%	31.1%	44.1%	0.5%	0.0%

Note: Totals may not sum due to rounding. Performance quoted net of fees.
Source: Investment manager, Northern Trust, Isio calculations.

Commentary

- The Fund returned 5.1% over the quarter outperforming the benchmark by 0.5%.
- Performance was supported by broad credit markets moving higher.
- During the quarter the manager decreased overall credit risk in the fund following strong performance and tightening spreads. This is in line with what we expect to see from M&G.

UBS – Over 5 Year IL Gilt Fund

Mandate: Index Linked Gilts

Current Value: £45.9m

Current Weighting: 5.7%

Inception: 28 August 2017

Benchmark: FTSE Index- Linked Gilts Over 5 Years

Objective: Match benchmark

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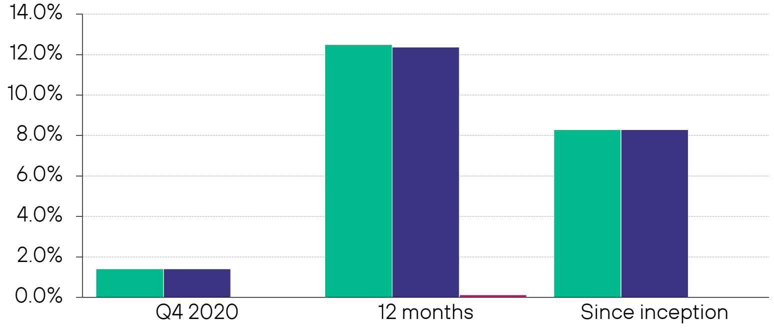
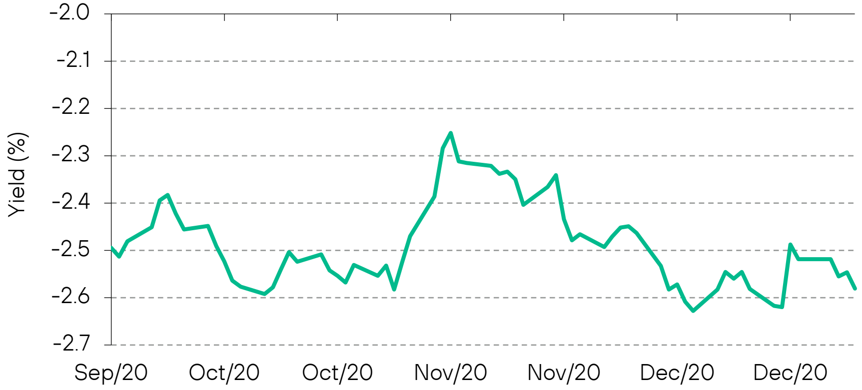
Performance to 31 December 2020



	Q4 2020	12 months	Since inception
Return	1.4%	12.5%	8.3%
Benchmark	1.4%	12.4%	8.3%
Relative	0.0%	+0.1%	0.0%

Real Gilt Yields – Last Q4 2020



Commentary

- Performance tracked the benchmark as expected.
- Real yields remain close to historical lows.

Note: Totals may not sum due to rounding. Performance quoted net of fees.
Source: Investment manager, Northern Trust, Isio calculations.

Fossil Fuel Exposure

The Table shows the Fund's fossil fuel exposure as at 31 December 2020.

The Fund's biggest contributors to Fossil Fuels is the Ruffer – Absolute Return Fund and the M&G Corporate Bond Fund.

This is a function of both the Fund's strategic allocation and the higher fossil fuel exposure within each underlying fund's allocation

Fund	Actual Fossil Fuel Exposure (%)	Actual Fossil Fuel Exposure (£m)	Benchmark Fossil Fuel Exposure (%)	Relative (%)	Management Style
UBS – Japan	4.7%	£1.5	4.7%	0.0%	Passive
UBS - Europe	5.3%	£4.4	5.3%	0.0%	Passive
UBS - UK	12.4%	£7.9	12.4%	0.0%	Passive
UBS – Pacific (ex Japan)	9.2%	£3.0	9.3%	0.0%	Passive
UBS – North America	4.3%	£6.1	4.2%	0.0%	Passive
UBS – Emerging Markets	9.0%	£5.5	9.1%	0.0%	Passive
Longview - Global Equity	0.0%	£0.0	-	-	Active
WHEB - Sustainability Fund	0.0%	£0.0	-	-	Active
ATLAS Global Infrastructure Equity Fund	3.5%	£2.8	15.0%	-11.5%	Active
Wellington – Global Impact Fund	0.0%	£0.0	-	-	Active
Storebrand – Global ESG Plus Fund	0.0%	£0.1	-	-	Passive – Smart Beta
Harbourvest – Private Equity[1]	1.4%	£1.6	-	-	Active
Adams Street – Private Equity[1]	1.5%	£1.9	-	-	Active
Newton – Absolute Return	0.0%	£0.0	-	-	Active
Schroders – Property	0.0%	£0.0	-	-	Active
Pantheon - Infrastructure	0.0%	£0.0	-	-	Active
M&G Infrastructure	0.0%	£0.0	-	-	Active
M&G -Private Debt	0.0%	£0.0	-	-	Active
M&G -UK Financing Fund	0.0%	£0.0	-	-	Active
M&G -Alpha Opportunities	3.2%	£8.8	9.5%	-6.4%	Active
Ruffer -Absolute Return	4.0%	£18.6	-	-	Active
M&G -Corporate Bonds	8.4%	£14.2	9.7%	-1.4%	Active
UBS -Over 5 Year IL Gilt Fund	0.0%	0.0%	-	-	Passive
Cash	0.0%	0.0%	-	-	Passive
Total Assets	**1.9%**	**£76.4m**	**-**	**-**	

Notes: Totals may not sum precisely due to rounding. All asset valuations have been provided by Northern Trust. Benchmark data where available has been provided by investment manager. 1. Data provided as at 30 September 2020.

Source: Investment Managers, Northern Trust, Link, Isio calculations.

Appendices

A1: Market Background: Global Equity, DGFs, Real Assets, Credit & Yields

A2: Explanation of Market Background

A3: Disclaimers

Market Background – Global Equity

Summary

Promising news of a COVID-19 vaccine improved the global economic outlook leading equity markets to perform positively across the globe over Q4.

Central banks across the world have maintained loose monetary conditions through low interest rates and asset purchase programs.

Further fiscal support was also announced over Q4. In the US, Congress agreed a new stimulus package, whilst the UK Government extended the furlough and emergency loan schemes.

GBP hedged assets outperformed unhedged assets over Q4, with Sterling strengthening against most currencies over the period.

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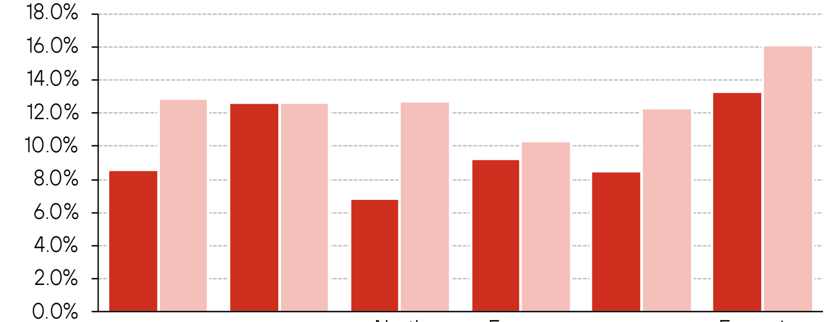
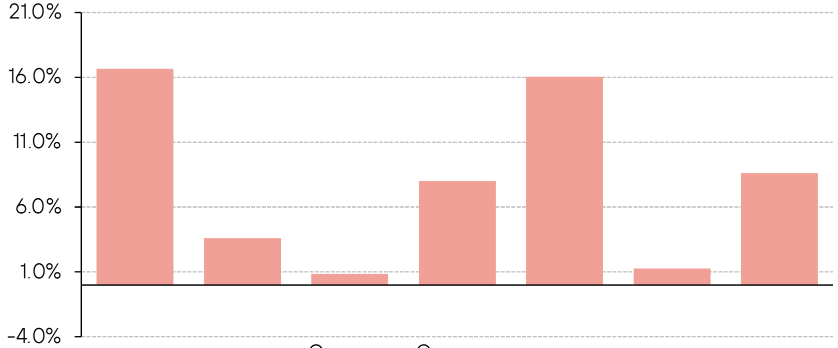
Regional Returns – Q4 2020



	World	UK	North America	Europe exc UK	Japan	Emerging Markets
Sterling	8.6%	12.6%	6.8%	9.2%	8.5%	13.3%
Local	12.8%	12.6%	12.7%	10.3%	12.3%	16.1%

Sector Returns – Q4 2020



	Financial	Utilities	Consum. Staples	Consum. Discret.	Energy	Health	Tech
Sector	16.7%	3.6%	0.9%	8.0%	16.1%	1.2%	8.6%

VIX Volatility Index – Last 12 months

Note: Please see Appendix 2 for further information.
Source: Datastream, Isio calculations.

Commentary

- Equity market returns were positive over Q4 following promising news of a COVID-19 vaccine. Markets were also supported by announcements of further accommodative monetary and fiscal support.
- Emerging Market equities provided the largest return as the region benefitted from a weakening US Dollar in the risk-on environment. The region's outlook also improved on hopes of easing trade tensions following the result of the US Presidential Elections.
- UK equities rebounded strongly over Q4 as the UK reached a trade deal agreement with the European Union ahead of the Brexit deadline.
- At a sector level, cyclical stocks rebounded following the news of a vaccine. Energy stocks performed strongly as demand for crude oil increased and the improved economic outlook also aided the financial sector.
- We expect volatility to remain elevated in the short-term, as markets remain sensitive to COVID-19 developments and further lockdown measures.

Market Background – Diversified Growth Funds ("DGFs")

Summary

Within our sample of managers we have incorporated the performance of ten DGFs with various manager styles, aiming to give a balanced view of the market.

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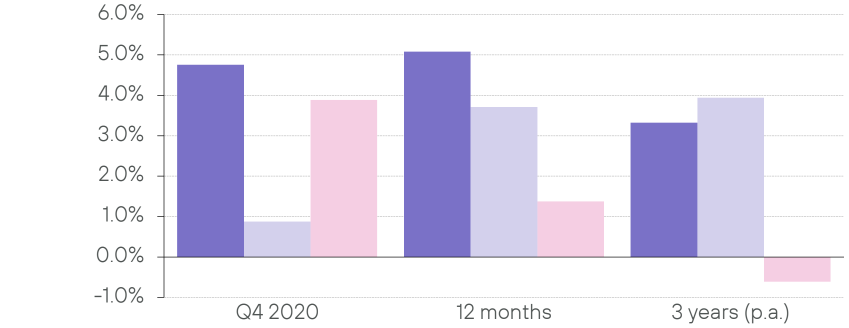
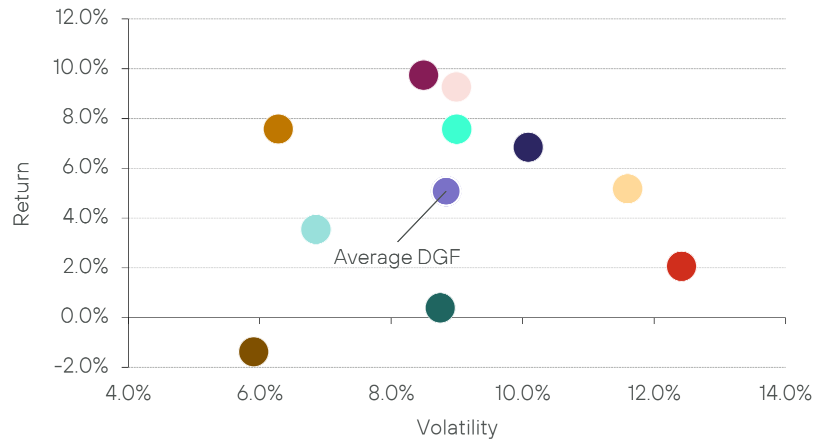
Sample Manager Average Returns– Q4 2020

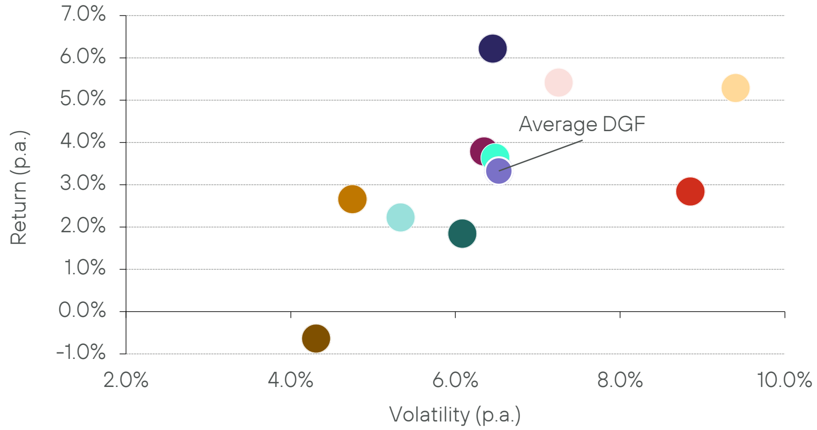


	Q4 2020	12 months	3 years (p.a.)
Average DGF	4.8%	5.1%	3.3%
Cash +3.5%	0.9%	3.7%	3.9%
Relative	3.9%	1.4%	-0.6%

Sample Manager Returns and Volatility – 12 months



Sample Manager Returns and Volatility – 3 years (p.a.)



Note: Please see Appendix 2 for further information.
Source: Datastream, Isio calculations.

Commentary

- The average DGF manager delivered positive performance over the last 12 months as equites continued their ascent with many major indices such as the S&P 500 reaching all time highs in Q4.
- Equities were the main drivers of performance as they benefited from the development of a COVID-19 vaccine and the continued support from central banks and governments through accommodative monetary and fiscal policy . As such DGF managers who maintained exposure to growth assets delivered the strongest returns.
- Overall, managers generally maintain a positive outlook for the year ahead as the combination of ongoing fiscal and monetary support, pent-up demand and economic re-opening is likely drive growth assets higher. However, managers remain aware of risks such as increasing debt, inflation risk, and political instability.

Market Background – Real Assets

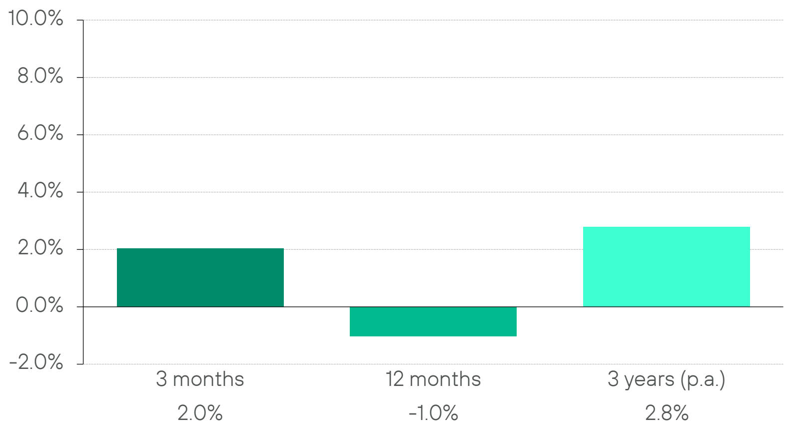
Summary

Both Core and Long Lease Property returns remained stable over the quarter, returning positive absolute performance. This was in part due to increased rent collections and improved capital values across a number of sectors.

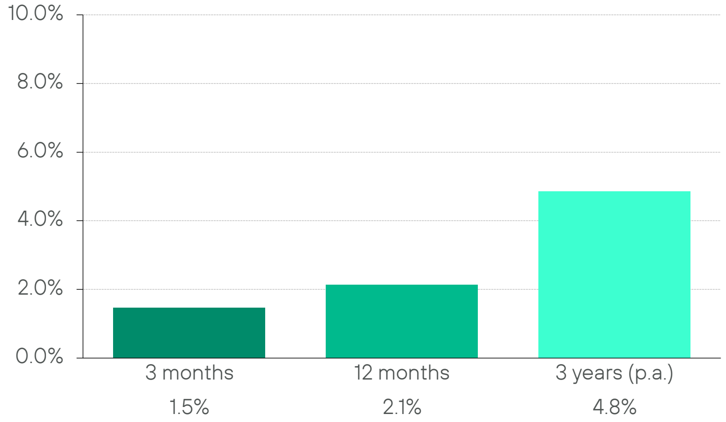
Leisure and hospitality assets have continued to struggle as a result of the persistent restrictions and lockdowns caused by COVID-19.

Transaction activity increased over the quarter, however, is expected to stay muted until around mid 2021 as the mass vaccination program gets further underway and restrictions on life ease further.

Core UK Property Returns



Long Lease UK Property Returns



Commentary – Core UK Property

- Core UK property continued to recover and provided positive absolute returns for its second consecutive quarter following the outbreak of COVID-19 earlier in the year.
- Material Uncertainty clauses which were brought in by valuers back in March 2020 are not expected to be reinstated across property funds again as a result of the third lockdown, as property viewings and lettings are still going ahead, with strong uptake in letting activity across the quarter.
- Rent collections remain in the region of 60-80% for Core UK Property, with retail and leisure assets most impacted.
- Over the past quarter Industrial assets have remained the star performer in terms of both rent collection and capital appreciation as demand continues to increase. While retail sector e.g. shopping centres continued to underperform.
- Looking forward the late Brexit deal could prompt recovery as businesses have greater certainty over trade agreements.

Commentary – Long Lease UK Property

- Long Lease Property continued to perform positively over Q4, despite the sustained COVID-19 related uncertainty and repeated threat of lockdowns, which highlights the resilience of the asset class.
- As in previous quarters, sectors that are unaffected by lockdown restrictions continue to perform strongly, such as industrial and supermarket retail. Whilst hotel and leisure assets have lagged behind, both in terms of rent collection and capital values.
- Rent collections have ranged from 80% to around 99% in some funds and this highlights both the effort of Investment managers to maximise rental payment but also the high credit and asset quality that long lease funds typically target.
- Transaction activity over the quarter has increased in comparison to H1 2020, but does remain muted, with managers not expecting it to pick up until mid 2021.
- Despite the challenges presented by COVID -19, there remains demand for this asset class due to its low-risk, secure, inflation-linked, long-term income streams.

Note: Please see Appendix 2 for further information.
Source: AREF / IPD and Investment Managers.

Market Background – Credit

Summary

The market rally across global credit markets since the March 2020 lows regained pace, finishing the year on a high, following the slowdown at the end of Q3.

Drivers of performance included news of the approval of numerous COVID-19 vaccines globally, a positive reaction from investors to see Biden's victory in the US presidential elections and continued support from central banks and governments around the world.

The strong end to the year saw spreads compress universally across credit markets. This spread tightening environment led to higher credit risk assets (e.g. HY, EM) to outperform lower risk (IG) bonds. This is emphasised by HY bond yields finishing 2020 120bps lower than they started the year. Spreads remained wider than the 31 December 2019 levels as market uncertainty remains regarding the ongoing second wave of COVID-19 and an effective role out of the freshly approved vaccines.

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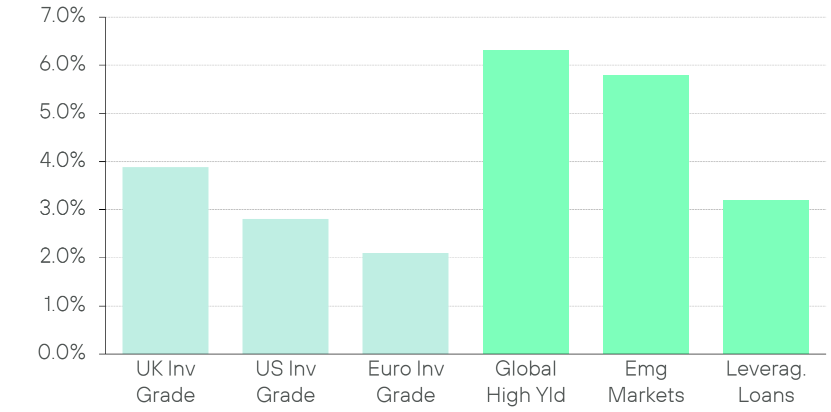
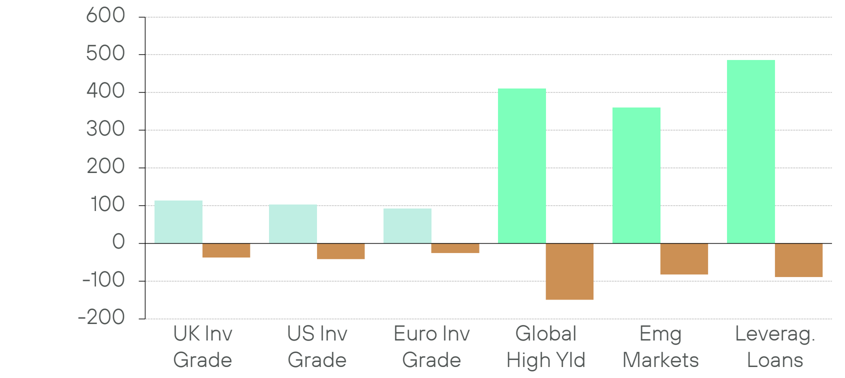
Credit Market Returns – Q4 2020



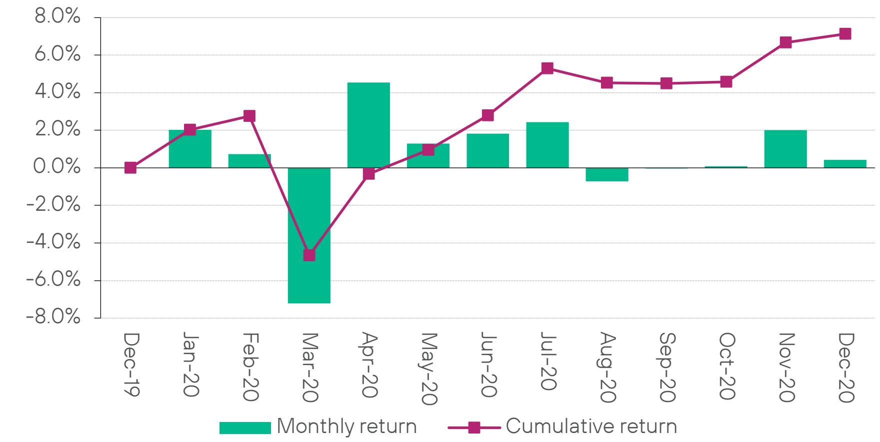
	UK Inv Grade	US Inv Grade	Euro Inv Grade	Global High Yld	Emg Markets	Leverag. Loans
£ Hedged	3.9%	2.8%	2.1%	6.3%	5.8%	3.2%

Credit Spreads – Q4 2020



	UK Inv Grade	US Inv Grade	Euro Inv Grade	Global High Yld	Emg Markets	Leverag. Loans
End of qtr	113	103	93	410	360	486
Qtr change	-37	-41	-25	-149	-82	-89

Global Broad Credit Market Return – Last 12 Months



Commentary

Broad credit market indices performed positively over Q4 as investor sentiment improved due to the results of the US elections and positive news regarding COVID-19 vaccines.

- Investment grade ('IG') bond spreads tightened over Q4, shrugging off September's concerns of a second wave of COVID-19 infections as vaccines began to be approved. IG outperformed government bonds as investors moved to a more "risk on" mindset.
- High yield ('HY') bond returns were broadly flat over October before delivering strong returns over the latter two months where yields decreased to record lows as prices were buoyed by inflows spurred by vaccine optimism.
- Emerging market ('EM') debt performance was muted over October followed by stronger returns to finish the year. Local currency appreciation over the quarter was a key driver to EM debt's positive performance.

Note: Please see Appendix 2 for further information. Credit spreads are shown in basis points (100 bp = 1%).
Source: Investment Managers, Isio calculations, Eikon

Market Background – Yields

Summary

These curves show gilt yields and inflation expectations at varying time horizons. The horizontal axis represents the number of years.

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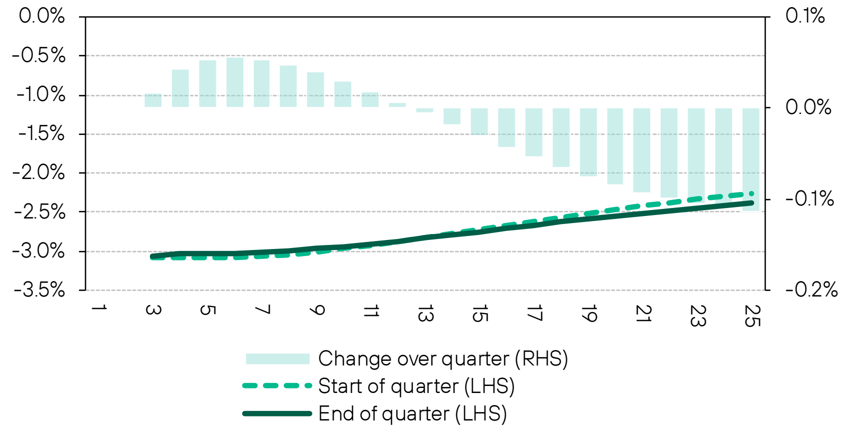
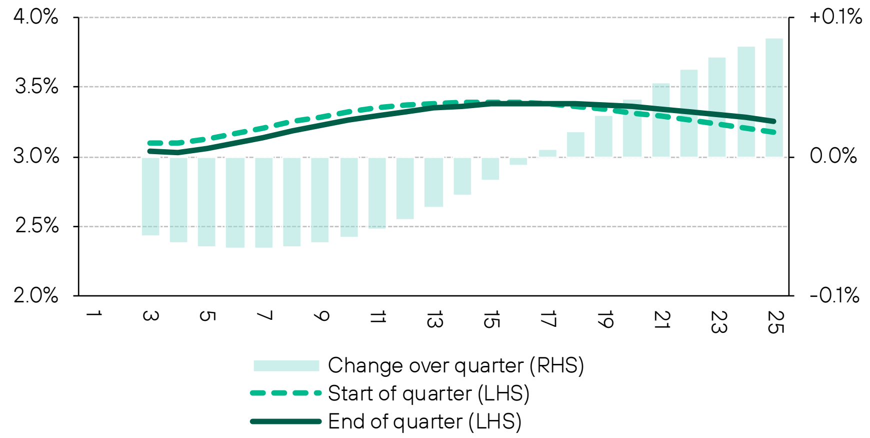
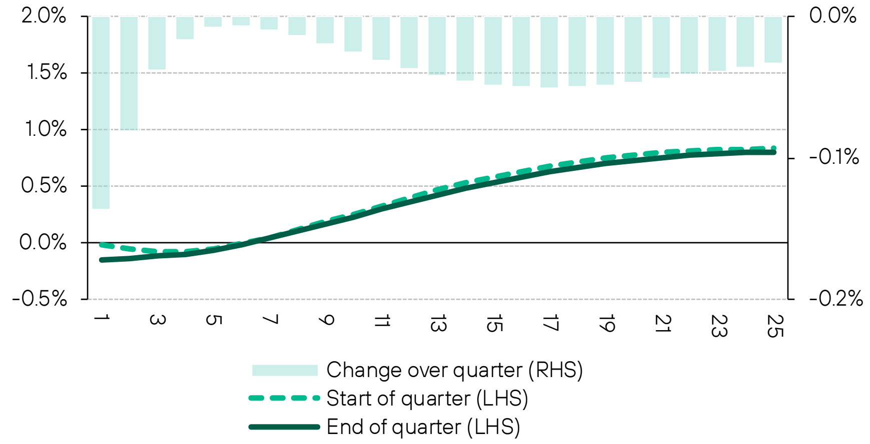
Real Gilt Yields – Q4 2020



Gilt-Implied Inflation – Q4 2020



Nominal Gilt Yields – Q4 2020



Commentary

- Long-dated (20-year) yields at the quarter-end were:
- Real gilt yield: -2.6%
- Nominal gilt yield: 0.7%
- Gilt-implied inflation expectation: 3.4%

Note: Please see Appendix 2 for details of the example liabilities. Monthly yield changes may not sum to quarterly changes, due to rounding.
Source: Bank of England, Isio calculations.

Explanation of Market Background

This glossary explains the components of the Market Background charts in Appendix 1.

All returns are in Sterling terms, unhedged, unless otherwise stated. Where "hedged" returns are quoted, these are local currency returns (i.e. any costs and imprecisions in hedging are assumed to be negligible).

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Market Background – Overview

- Returns by Asset Class – The market indices underlying this chart are as follows:
  - UK Equity: FTSE All-Share
  - Global Equity: FTSE World (Unhedged and Hedged)
  - Emerging Market Equity: MSCI Emerging Markets
  - Diversified Growth Funds: mean of a sample of DGF managers
  - Property: IPD Monthly UK
  - Global High Yield: BoAML Global High Yield (GBP Hedged)
  - UK Inv. Grade Credit: BoAML Sterling Non-Gilt
  - Over 15 Years Gilts: FTSE Over 15 Year Gilt
  - Over 5 Years Index-Linked Gilts: FTSE Over 5 Year Index-Linked Gilt
  - Example Liabilities: a simplified calculation illustrating how a typical pension scheme's past-service liabilities may have moved

Market Background – Global Equity

- Regional Returns – The market indices underlying this chart are as follows:
  - World: FTSE World
  - UK: FTSE All Share
  - North America: FTSE North America
  - Europe ex UK: FTSE Europe ex UK
  - Japan: FTSE Japan
  - Emg Mkts: MSCI Emerging Markets
- Sector Returns – The market indices underlying this chart are the relevant sectors from the MSCI All-Countries index.
- VIX Volatility Index – This is a forward-looking indicator. It represents the expected range of movement (in percentage terms) in the S&P 500 index (i.e. US equities in dollar terms) over the next year, at a 68% confidence level. It is calculated using options prices over a 30-day horizon.

Explanation of Market Background (cont.)

This glossary explains the components of the Market Background charts in Appendix 1.

All returns are in Sterling terms, unhedged, unless otherwise stated. Where "hedged" returns are quoted, these are local currency returns (i.e. any costs and imprecisions in hedging are assumed to be negligible).

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Market Background – Real Assets

- Real Assets – The market indices underlying these charts are:
  - Core UK Property: IPD Monthly UK Index
  - Long Lease UK Property: IPD Long Income Property Fund Index

Market Background – Credit

- Sector Returns and Credit Spreads – The market indices underlying this chart are as follows:
  - UK Inv Grade: BoAML Sterling Non-Gilt
  - US Inv Grade: BoAML US Corporate (GBP Hedged)
  - Euro Inv Grade: BoAML Euro Corporate (GBP Hedged)
  - Global High Yield: BoAML Global High Yield (GBP Hedged)
  - Emerging Markets: JP Morgan EMBI Global (GBP Hedged)
  - Leveraged Loans: S&P/LSTA US Leveraged Loan Equity (GBP Hedged)
- Global broad credit market return – The market index underlying this chart is the BoAML Global Broad Market Corporate Index (GBP Hedged):
  - The Global Broad Market Index tracks the performance of investment grade public debt issued in the major domestic and eurobond markets, including 'global' bonds.
  - Qualifying bonds must have at least one year remaining term to maturity and a fixed coupon schedule. Bonds must be rated investment grade and be domiciled in a country having an investment grade foreign currency long-term debt rating (based on a composite of Moody's and S&P).

Explanation of Market Background (cont.)

This glossary explains the components of the Market Background charts in Appendix 1.

All returns are in Sterling terms, unhedged, unless otherwise stated. Where "hedged" returns are quoted, these are local currency returns (i.e. any costs and imprecisions in hedging are assumed to be negligible).

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Market Background – Yields

- Yields – Yields shown are annual yields (i.e. they have been converted from the "continuously compounded" basis quoted by the Bank of England).
- Example Liabilities – This illustrates how a typical scheme's past-service liabilities may have moved.
  - It is based on a simplified calculation assuming a scheme with duration 20 years and liabilities split 70% inflation-linked and 30% fixed.
  - Liability movement is calculated using yield changes and unwinding (short-term interest rate with no premium) only, with no accrual, outgo, or inflation experience.
  - A rise in yields equates to a fall in the calculated value of the liabilities (due to the higher discount rate at which the future cashflows are valued); conversely, a fall in yields means a rise in liabilities.

Market Background - DGF

- **Diversified Growth Funds ("DGFs")** – Due to the lack of a market index for DGFs, we illustrate the performance of this by showing the returns of 10 of the largest funds by assets under management. Specifically:
  - Aberdeen Standard Global Absolute Return Strategies
  - Aviva Multi-Strategy Target Return
  - Baillie Gifford Diversified Growth
  - BlackRock Dynamic Diversified Growth
  - Invesco Perpetual Global Targeted Returns
  - L&G Diversified
  - Newton Real Return
  - Nordea Stable Return
  - Ruffer Absolute Return
  - Schroder Diversified Growth
- The 'Average DGF' performance is an equally-weighted average of the sample of 10 managers' performance figures.
- Returns are shown net of each manager's standard fee. While every effort has been taken to select vehicles with institutional/clean fee structures, the impact may not necessarily reflect any particular client's fee arrangements.
- Volatility is calculated by annualising the volatility of daily returns.
- As clients have specific selection criteria, the managers listed here may not meet any given client's criteria.
- DGFs encompass a range of investment approaches, return targets, and risk profiles. Consequently, different managers' returns are not necessarily a like-for-like comparison.

Disclaimers

This report has been prepared for the sole benefit of East Sussex County Council as Administering Authority of the East Sussex Pension Fund

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Performance, Opinions, and Estimated Liabilities

- This report sets out the past performance of various asset classes and fund managers. It should be noted that past performance is not a guide to the future.
- Our opinions (and comparison vs criteria) of the investment managers stated in this report are based on Isio's research and are not a guarantee of future performance. These are valid at the time of this report but may change over time.
- Our opinions of investment products are based on information provided by the investment management firms and other sources. This report does not imply any guarantee as to the accuracy of that information and Isio cannot be held responsible for any inaccuracies therein. The opinions contained in this report do not constitute any guarantees as to the future stability of investment managers which may have an effect on the performance of funds.
- Funds that make use of derivatives are exposed to additional forms of risk and can result in losses greater than the amount of invested capital.
- The estimated liabilities (where quoted) have been "rolled forward" from the last actuarial valuation and/or funding update, by taking current bond yields and inflation expectations into account. The methodology underlying the actuarial assumptions (e.g. discount-rate premium, mortality, real salary growth etc.) is assumed to remain constant for this estimate. Due to the approximate nature of the calculations, the Fund's actual experience and changes in future valuation assumptions may mean that the liabilities and funding position calculated at the next actuarial valuation (or funding update) could be significantly different from the quoted estimate.

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East Sussex Pension Fund

Review of equity portfolio structure

February 2021

isio.

Appendix 3

Document Classification: Confidential

Executive summary (1)

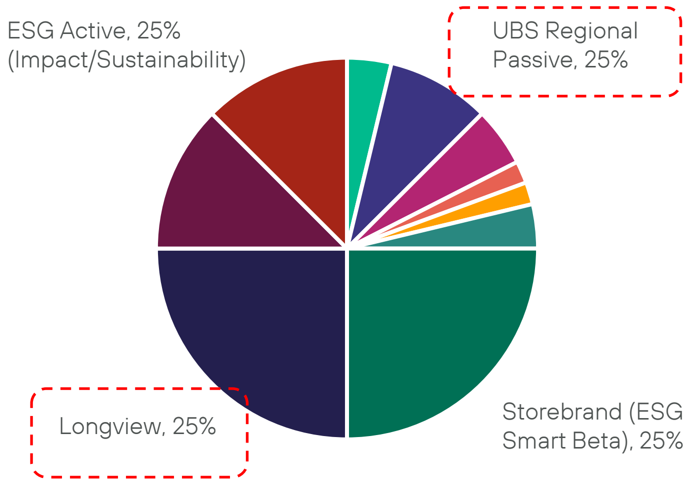
Executive summary

- The current equity portfolio is split equally between active and passive management (including the 'smart beta' exposure). This offers a good balance between overall management cost and diversification. The approach also enables the Fund to implement a robust policy in relation to responsible investment and capturing opportunity from the transition in economies towards a lower carbon future.
- The current structure provides good diversification by region, market capitalisation and manager style. The UBS portfolio is the most diversified in terms of underlying holdings, but least well aligned with the Fund's responsible investment objectives.
- We believe that the Fund should seek to retain a balance between active and passive management, but believe that there are better alternatives to structure the passive allocation. Recognising the Fund's objectives and the structure of the existing mandates, we believe an actively managed allocation in the range of 50% to 65% with the remainder invested in passively managed mandates aligned to the Fund's objectives is appropriate.

Passive

- We recommend the Committee reviews the passive equity exposure invested with UBS and considers an alternative index exposure to bring better alignment to the Fund's objectives and direct consideration of ESG issues.
- Unfortunately UBS does not currently offer a product that meets the Fund's requirements. We note that the Committee recently disinvested from the closest related UBS product following underperformance. We believe an allocation to the Osmosis Resource Efficiency index provides a strong proposition given the Fund's objectives and this could be considered alongside an increase in the Storebrand allocation. We propose that an Emerging Market exposure is retained – there are now a number of ESG tilted emerging market indices being made available which could be explored if desired (but these are not currently available via UBS).

Current equity strategy – 40% of overall strategy



Active

- While we do not recommend any immediate action in relation to the Fund's holding in the Longview Global Equity Fund, we are monitoring the position closely given recent asset outflows, business/team changes and relative underperformance over 2020. We propose that the Committee should monitor this mandate and formally revisit this again towards the end of 2021.
- Longview offers manager style diversification given their historical focus on valuation when selecting stocks. We believe this diversification is beneficial and this is an important consideration if any changes are implemented.
- Given the focus of the existing active managers, we believe the addition of a core manager (accessed via the pool) would offer increased diversification of the overall structure. Selecting a manager with strong ESG credentials will be critical.

Executive summary (2)

Proposed alternative equity portfolios

Approach	Mandate	Current (50% active)	Alternative 1 (50% active)	Alternative 2 (57.5% active)	Alternative 3 (62.5% active)
Passive/ Systematic	Storebrand Global ESG Plus	10%	12.5%	10%	13%
	UBS Developed markets	8.5%	–	–	–
	UBS Emerging markets	1.5%	2.5%	2%	2%
	Osmosis Resource Efficiency	–	5%	5%	–
Sustainable/ impact	WHEB Sustainability	5%	5%	5%	5%
	Wellington Global Impact	5%	5%	5%	5%
Active	Longview Global Equity	10%	10%	8%	10%
	'Core' Active (ACCESS pool) – selected to complement existing active managers	–	–	5%	5%

Comments:

- The table above illustrates 3 alternative equity portfolio structures that we believe are better aligned with the Fund's objectives and responsible investment aims. Alternative 1 retains the 50:50 split between active and passive management by introducing exposure to a resource efficient index. Recognising that neither the Storebrand or Osmosis indices will not invest in Emerging Markets, we propose to retain a higher emerging market allocation to provide this exposure (moving this more in line with market capitalisation within the passive allocation).
- Alternative 2 provides an increased exposure to active management and an allocation to the Osmosis index to provide increased diversification. We believe that this approach is appealing, particularly if Osmosis can be accessed via UBS cost effectively. The passive emerging market exposure has been moved towards market capitalisation and we would propose a small reduction in the Longview mandate to balance the active mandates.
- Alternative 3 provides an approach where a new passive manager is not required, which may be simpler if Osmosis is not available via UBS. We believe a 15% allocation to Storebrand is the maximum the Fund should consider given this remains a relatively new approach for the Fund.

Introduction

Introduction

Addressee

- This report is addressed to the East Sussex County Council ("the Council") as the Administering Authority of the East Sussex Pension Fund ("the Fund").
- This report considers the current equity portfolio and proposes a way forward for the passive equity allocation managed by UBS. It also provides views on currency hedging and the Longview Global Equity Fund given recent changes with the manager.

Background

- At the June 2020 meeting, the Pensions Committee ("the Committee") agreed to the following changes to the Fund's strategy and equity allocation:
- Maintain a 40% allocation to global equities, but adopt the following structure:
  - 10% Active impact equity (WHEB Sustainability Fund & Wellington Global Impact Fund);
  - 10% Longview Global Equity;
  - 10% smart-beta passive equity with ESG / climate tilting (Storebrand); and
  - 10% passive market-cap with UBS (passive manager on ACCESS).
- Since June, the Fund has implemented the active impact equity, and smart-beta ESG passive equity portfolios. The Committee has asked Isio to assist them in reviewing the UBS portfolio and to provide views on Longview.

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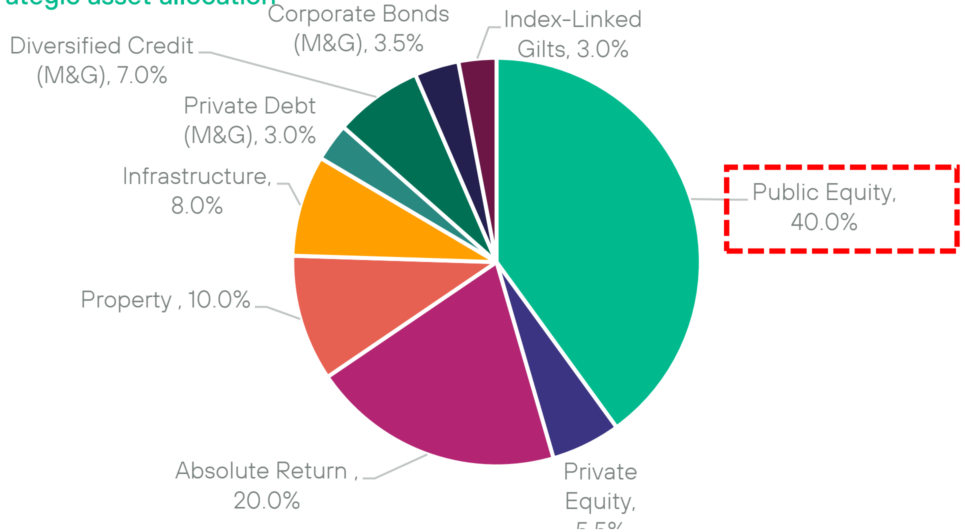
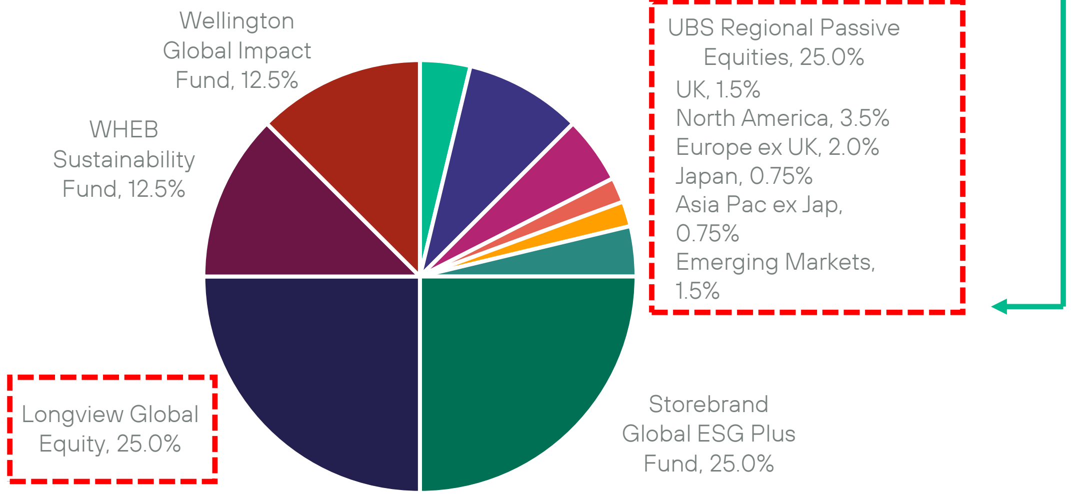
Scope of this report

- Review of the equity portfolio structure.
- Consideration of the options to evolve the portfolio through reallocation of the 10% allocation in UBS passive market-cap (within and outside the ACCESS pool).
- Isio's views on Longview and potential alternative options for this mandate.
- Currency hedging considerations.

Strategic asset allocation



Public equity allocation



Current equity portfolio

Summary of mandates

Fund summary

Fund	UBS Regional Passive Market Cap	Longview Global Equity Fund	Storebrand Global ESG Plus Fund	WHEB Sustainability Fund	Wellington Global Impact Fund
Regional focus	Global: UK (1.5%); NA (3.5%); Eur ex UK (2.0%); Jap (0.75%); Asia Pac ex Jap (0.75%); EM (1.5%)	Global	Global	Global	Global
Management style	Passively managed	Active: Style agnostic	ESG + Smart Beta (Systematic)	Active: Sustainable / Growth at reasonable price	Active: Impact / Growth
Benchmark Name	Various (FTSE)	MSCI World	MSCI World	MSCI World	MSCI AC World
Investment Objective	Track the relevant index	Outperform the benchmark by 3.0% gross of fees over 3-year rolling periods	Benchmark with significantly reduced climate risk	Generate long term returns while advancing sustainability and prosperity	Generate long term returns while while addressing major social & environmental challenges
Market Capitalisation	Large cap bias	Mostly large cap (All >£5bn)	95% Large cap	Mid cap bias	Mid cap bias
ESG Approach	Voting & Engagement	ESG integration & Stewardship (Voting & Engagement)	Excludes fossil fuels and climate negative stocks; invests in climate solutions; Voting & Engagement	9 positive social (4) and environmental (5) impact themes, & invest in solutions to sustainability challenge	Impact: Focus on life essentials, human empowerment, & the environment; Qualitative & quantitative approach
Number of stocks	3,985 (Total)	32	744	47	61
AuM	£5.8bn	$25.8bn	£3.0bn	£1.1bn	$930m
Fees	*Please refer to private meeting pack*				

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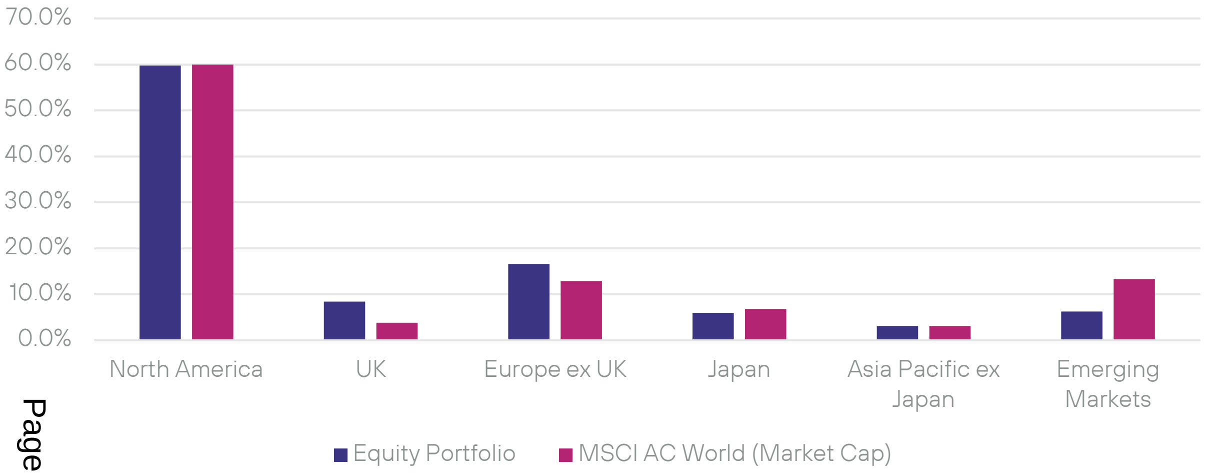
Source: Investment Managers as at 31 December 2020

Regional breakdown

Regional exposure – overall equity portfolio vs. market cap



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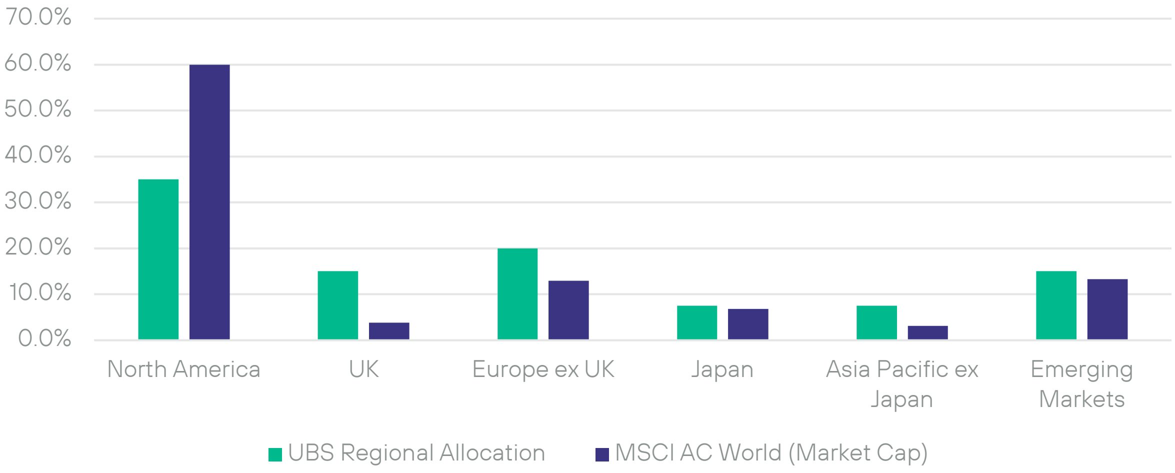
Regional Exposure – UBS vs. market cap



Source: Investment Managers as at 31 December 2020.

Key Takeaways:

- The regional breakdown of the overall equity portfolio is currently relatively closely aligned to broad global equity markets.
- There is currently a slight overweight to Europe (including UK) of c.5% relative to the MSCI AC World index and an underweight position to Emerging markets of c.7%.
- Storebrand, Wellington, and WHEB exhibit some bias to UK and Europe compared to the benchmark resulting in a relative overweight to the region. However, Longview has a strong bias to US stocks and Storebrand is also modestly overweight in North America which somewhat balances the regional exposures.
- The Longview, Storebrand and WHEB mandates do not incorporate any (or minimal) emerging market exposure, and while Wellington is somewhat overweight to emerging markets relative to its benchmark, this still creates a structural underweight to emerging market stocks. Clearly a wide range of developed market companies will have significant exposure to or revenue from emerging market economies and the active managers will consider this dynamic when selecting stocks.
- We believe that the passively managed element of emerging markets should be targeted to achieve broad alignment with market cap exposure – this would represent a small increase in exposure relative to the current position.
- The current UBS portfolio currently comprises regional allocations to global markets, but has an underweight to the US and an overweight to Europe (including the UK). This regional bias has been detrimental in recent years given the strong outperformance of the US equity market.

Market capitalisation breakdown

Market capitalisation breakdown

Allocation	Strategic allocation	Market cap vs. index
UBS	10%	Neutral
Longview Global Equity Fund	10%	Neutral
Storebrand Global ESG Plus Fund	10%	Neutral
WHEB Sustainability Fund	5%	Bias to mid cap
Wellington Global Impact Fund	5%	Bias to mid cap

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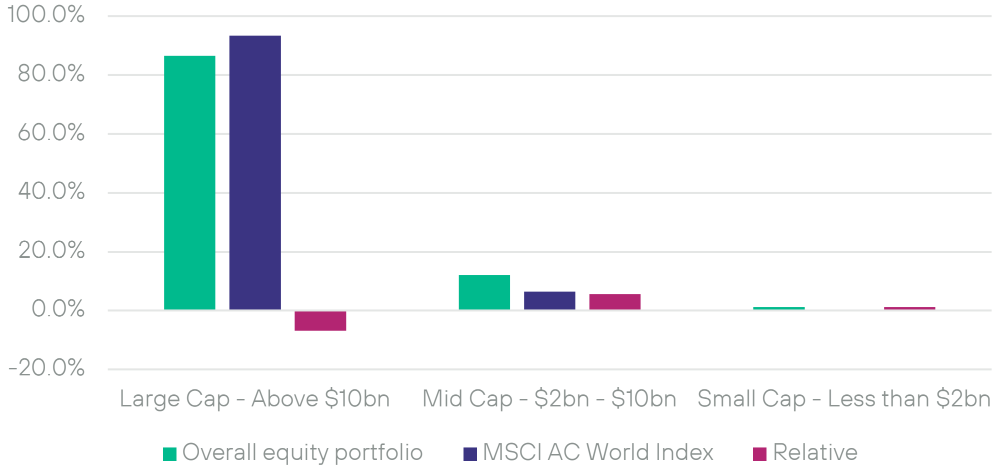
Market Cap Breakdown relative MSCI AC World Index



Source: Investment Managers as at 31 December 2020.
Notes: UBS use FTSE benchmark and define large, mid and small cap bias relative to the universe, with the top 70% classified as large cap, next 20% as mid cap, and final 10% as small cap. We expect this to result in a similar breakdown to the MSCI classification.

Key Takeaways:

- The majority of the existing portfolio is invested in large cap stocks. This is similar to the overall market index.
- There is a slight bias at present towards mid a smaller stocks (around a 7% overweight) relative to the broader market. This bias is a result of the WHEB and Wellington portfolios.
- This is to be be expected given the investments in the WHEB Sustainability Fund and Wellington Global Impact Fund, both of which have a degree of focus on investing further down the market cap spectrum and make investments in some mid and small cap names, given the unconstrained / benchmark agnostic investment approach.
- We have no concerns with the current market cap breakdown, but the current profile should be considered when making new allocations to an active manager.
- Appendix A1 provides more detailed analysis of the market cap breakdowns for the individual mandates.

Style breakdown

Style breakdown

Allocation	Strategic allocation	Management style
UBS Regional Passive Market Cap	10%	Passively managed
Longview Global Equity Fund	10%	Active: Style agnostic
Storebrand Global ESG Plus Fund	10%	ESG + Smart Beta (systematic)
WHEB Sustainability Fund	5%	Active: Sustainable / Growth at reasonable price
Wellington Global Impact Fund	5%	Active: Impact / Growth

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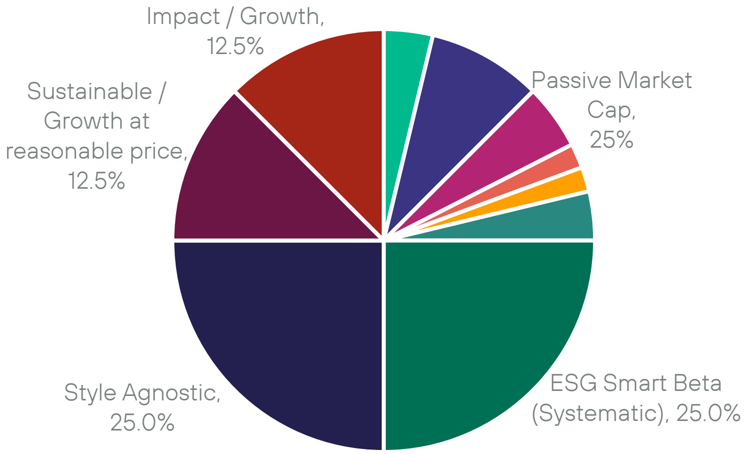

Source: Investment Managers as at 31 December 2020.

Key Takeaways:

- Active managers typically adopt different 'styles' of portfolio management which can be in or out of favour relative to overall markets for long periods. It is important to ensure that there is a diverse range of styles in order to provide a robust portfolio across a range of different market environments.
- The existing portfolio is relatively well balanced from a style perspective, with a slight bias towards growth/quality. This is relatively common for portfolios with a strong focus on ESG factors. The majority of active managers in this space are seeking to capture growth opportunities as economies transition.
- Growth has strongly outperformed value over the last decade – low interest rates have provided a tailwind for growth. Growth stocks in general also performed strongly through the COVID crisis, which accelerated trends towards the use of technology which has already been in place over the last decade.
- As economies emerge from the current COVID crises, many commentators believe that value stocks could see a strong recovery (particularly given the discount to growth stocks now present). We believe maintaining a diversified approach in relation to investment style remains appropriate.
- Longview's style can be classified as style agnostic or 'Growth at a reasonable price' meaning they do not have any ongoing style bias. Longview does seek to invest in businesses with attractive cash-based valuations, they have historically had a slight bias towards more value stocks, although more recently the manager has tilted more towards growth companies.
- Appendix A1 includes a more detailed evaluation of the average style characteristics of the mandates.

Our thoughts on structure

Overall structure

- The current portfolio structure is well diversified by region, market cap and by underlying manager style.
- The passive allocation provides a low cost and low governance solution to gaining exposure to global equity. We believe maintaining a balance between active and passive is appropriate and suggest an actively managed allocation in the range of 50% to 65% with the remainder invested in passively managed mandates aligned to the Fund's objectives is appropriate.
- We believe this provides a good balance between ongoing overall costs and the risk of significant underperformance versus the broad market. It also keeps any manager style bias at an overall level moderate and can provide strong alignment with the Fund's responsible investment approach.
- The existing UBS passive allocation is not particularly well aligned to the wider responsible objectives of the Fund and simply takes market capitalisation exposure to all stocks in the regional universe.
- Whilst an increase in Storebrand is appealing, we note this is a relatively recently developed proposition. We would therefore suggest this is capped at 15% of the overall Fund.
- In order to avoid increasing underlying stock concentration of risk. We believe that a Low Carbon, ESG tilted or resource efficiency index alongside Storebrand will offer a better alignment to the Fund's objectives whilst still retaining a diversified portfolio. Depending on the alternative index selected, this may require a separate Emerging market allocation to be maintained.
- We can see three broad options for the UBS mandate
    1. Retain a passive portfolio, but review the alternative global equity index options employed to implement this.
    2. Replace the UBS mandate with a combination of a new actively managed portfolio and allocate to an alternative index.
    3. Replace the UBS mandate with a combination of a new actively managed portfolio and increase the Storebrand passive allocation.

1. Alternative index

- We believe that there are alternative indices that offer a better alignment to the Fund's responsible investment objectives whilst still delivering cost effective market exposure and a well diversified portfolio.
- There is a limited choice currently on offer from UBS. We understand the Committee disinvested from the UBS low carbon fund based on concerns of underperformance vs the index and this remains the only ESG focussed passive product available through UBS.
- Engagement with UBS to understand whether it can offer a new proposition or an alternative manager is likely to be required. We are currently pursuing this with UBS. This route may marginally increase costs.

2. Split between alternative index and a new active manager

- Given the focus on responsible investment, introducing a new active manager has an appeal given the potential constrained universe of passive indices that are aligned with the Fund's requirements (and the relative recent development of some of these approaches). Adding a manager that complements the existing active managers would provide improved diversification given the concentrated nature of the existing mandates.

3. Split between Storebrand and a new active manager

- We believe that an increase in Storebrand is appealing, though we note this is a relatively recent allocation for the Fund and has not yet been fully tested. We would therefore suggest this is capped at 15% of the overall Fund.

Our view

- On balance, we believe that retaining a passive portfolio is beneficial in terms of providing diversification and cost effective market exposure. However, we believe alternative indices offer better alignment to the Fund's wider objectives and suggest that this is reviewed. Introducing a new active manager to increase diversification alongside this has an attraction. We consider alternative indices and options in the following section.

UBS Passive portfolio

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UBS passive range on ACCESS

Fund summary						
Manager	UBS					
Fund	World ex UK	World Equity	World Equity Optimised Volatility	World Quality Companies	All World & Developed World Equity Fundamentally Weighted	Climate Aware
Regional focus	Global ex UK	Global	Global	Global	Global / Developed	Global / Developed
Tracked Index	FTSE Developed ex UK	FTSE Developed	MSCI World Min Vol (GBP Optimised)	MSCI World Quality	FTSE RAFI All World 3000 FTSE RAFI Developed 1000	FTSE Developed
ESG Objective or Process	Not specific focus: voting & Engagement only	Not specific focus: voting & Engagement only	Not specific focus: voting & Engagement only	Not specific focus: voting & Engagement only	Not specific focus: voting & Engagement only	Tilt exposures to companies which contribute towards positive climate change
Number of stocks	2,001	2,124	350	302	All World: 2,763 Developed: 1,037	1,656
AuM	£1.4bn	£924.9m	£449.3m	£477.2m	All World: £1.4bn Developed: £677.3m	£1.1bn
Fees	Please refer to private pack					

Source: Investment Manager as at 31 December 2020.
Notes: Grey shade indicates the Fund was previously considered and have made the decision to disinvest.

Passive indices with sustainable focus (1)

Index Approach	Low Carbon Index	Engagement across an array of ESG factors (Market Cap)		Engagement across an array of ESG factors (Multi-Factor)	Resource Efficiency
Regional focus	Global	Global	Global	Global	Global
Engagement/exclusion	Engagement, together with the exclusion of pure coal assets and high carbon producing stocks	Engagement with the exclusion of pure coal, weapons, and high climate impact or carbon producing stocks (plus UN Global compact violaters for Market Cap)			Excludes firms that do not disclose sufficient data on energy, water and waste usage, as well as violators of the UN Global Compact principles. Ex-fossil fuel option available.
Example tracked Index	MSCI World Low Carbon Target Index	Solactive GBS Dev. Mkts Large and Mid Cap Index	MSCI World ESG Focus Low Carbon Screened Index	FTSE AW ex CW Climate Balanced Factor Index	MSCI World
ESG objective	Minimise Carbon exposure subject to a tracking error of 0.3%	Maximise average ESG score subject to a tracking error of 0.5%	Maximise average ESG score and reduce carbon exposure subject to a tracking error of 0.5%	Maximise average ESG score subject to a tracking error of 0.5%	Target maximum resource efficiency exposure whilst minimising tracking error to the benchmark
Carbon Intensity (t CO^2e / \$m invested)	78 (-56% vs FTSE All-World)	94 (-47% vs FTSE All-World)	97 (-45% vs FTSE All-World)	159 (-11% vs FTSE All-World)	67 (-63% vs FTSE All-World)
Number of stocks	1,300	1,545	549	2,331	765
Typical fees and TER	Please refer to private pack				

Source: Isio, investment managers. Notes: 1 Data provided using MSCI methodology, we have scaled in-line with FTSE methodology in order to enable comparability with the other indices.

Passive indices with sustainable focus (2)

Index Approach	Low Carbon Index	Engagement across an array of ESG factors (Market Cap)	Engagement across an array of ESG factors (Multi-Factor)	Resource Efficiency
Pros	▪ Large, established index ▪ Lowest expected tracking error typically - 0.3% p.a. ▪ Focus on low carbon producing companies means some high carbon producers may be excluded ▪ Similar stock coverage compared to wider index ▪ Attractive TER available	▪ Addresses wider environmental, social and governance factors ▪ Low target tracking error - 0.5% p.a. ▪ Similar number of stocks compared to wider index ▪ Attractive TER available	▪ Addresses wider environmental, social and governance factors ▪ Low target tracking error - 0.7% p.a. ▪ Similar number of stocks compared to wider index ▪ Attractive TER	▪ "Smart beta" systematic approach and so follows a more active management style compared to alternatives ▪ Aims to outperform the benchmark by 0.5-1.0% p.a. ▪ Approach simple and intuitive ▪ Back testing performance results are positive ▪ Has an ex-fossil fuel option if desired
Cons	▪ Narrow focus on minimising carbon ▪ Ignores wider social and governance issues	▪ Some sector exclusions (more than the low carbon index) but not expected to be key driver of portfolio construction ▪ Established index but AuM lower than some alternatives given it more recently to market ▪ ESG scoring is a developing science and inconsistencies remain	▪ Underlying allocations not expected to reflect market cap index ▪ Some sector exclusions but not expected to be key driver of portfolio construction ▪ Established fund but AuM lower than alternatives ▪ Factor exposure introduces bias which can change through time	▪ Potential for underperformance vs. market cap ▪ Product is relatively new to market with limited live track records ▪ Fees higher than other passive alternatives but lower than active equity managers ▪ Partially dependant on collaboration with pool index provider
Isio View	If the Fund's primary concern is the risks posed by fossil fuel/carbon emissions then this index could be an appropriate option. It is established, has the lowest target tracking error versus the wider index and low management fees. Whilst the index does not have specific exclusion policies, it will in effect exclude high carbon emitting corporates.	This index is focused on broad ESG issues, which we think is attractive, along with low target tracking error and low fees. We note there are some exclusions but do not expect this to be a key driver of returns. Avoids style drift by maintaining the same sector allocations to the market cap index. There is some inconsistency in ESG scoring methodologies, but we expect this to improve over time.	This index is focused on broad ESG issues, which we think is attractive, along with low target tracking error and low fees (albeit a bit higher than the market cap version). We note there are some exclusions but do not expect this to be a key driver of returns. However, we favour the market cap approach as it avoids additional bias and is often cheaper to implement.	We find the approach intuitively appealing and whilst simple, we also believe that this has the ability to add value. The approach is more active than fully passive products and hence carries a slightly higher cost. Optimises for resource efficiency, while targeting sector, regional and style factor neutrality. While somewhat similar in systematic approach to Storebrand, it differs in that Storebrand focus solely on low carbon in line with the climate transition. However, we note a low carbon variant of the fund is available.

Note: Isio views based on information from investment managers.

Our views

Passive index choice

- Given the desire to pool assets, there would be a clear benefit in retaining UBS to implement the passive exposure. However, the current product offering is limited and offers little that aligns with the Fund's responsible investment objectives.
- There are now a range of approaches that better reflect the Fund's objectives whilst offering a well diversified portfolio that does not sacrifice return whilst better incorporating elements of the Fund's responsible investment policy. Implementing this will require engagement with UBS or a move to an alternative provider.
  - Low carbon index: this offers a well diversified portfolio that is expected to track the broader index within 0.3% p.a. and low management fees. his involves a relatively narrow focus on low carbon as the priority, and may exclude firms that could support the transition.
  - ESG scored market cap index: this offers a well diversified index that is expected to track the wider index within 0.5% p.a. whilst tilting exposure towards companies with better E, S and G scores. Whilst this achieves a significant carbon reduction (albeit less that a low carbon index approach), the ESG scoring methodology is a developing science and there is some inconsistency across providers. This can lead to inconsistent stock selection across various index providers.
  - ESG Multi-factor: this introduces other intentional style biases that the managers expect to achieve outperformance over time. We are sceptical of the value added by this, given the limited track record and back testing, and believe active managers are better placed if outperformance is desired.
  - Resource efficient index: this provides a well diversified and neutral portfolio exposure by tilting towards the companies that are most resource efficient. This is intuitively appealing, which provides a strong reduction in overall carbon emissions whilst also retaining a focus on a wider range of responsible investment issues.
- Given the Committee's responsible investment policy and strong focus on addressing climate change as a priority, we believe that the resource efficient index offers a good alignment.
- We recommend the Committee explores with UBS whether any of these alternatives can be offered. If this is not achievable, we recommend that the Committee seeks to engage with a new provider to implement the exposure based on the preferred approach. We would expect the appointed manager to employ a very strong engagement approach.

Longview

Longview Global Equity Fund research view

Overview
• *Please refer to private meeting pack*

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Things to Flag
• *Please refer to private meeting pack*

Summary

Longview Global Equity Fund

- We do not believe any immediate action is required in relation to the Fund's holding in the Longview Global Equity Fund. However, we do have some concerns given the recent asset outflows, business/team changes and relative underperformance over 2020. We will continue to monitor these issues closely and suggest that the Committee formally reviews the position towards the end of 2021.
- Whilst we are not recommending any action at this stage, we note that replacing Longview might enable the Committee to further align the Fund's strategy to your responsible investment approach.
- Longview does offer balance to the portfolio given the portfolio's historic value tilt, and therefore the Committee will need to be mindful that any new allocation would need to compliment the existing allocations in terms of investment style. Many impact funds will naturally exhibit a quality/growth bias given the stocks that are included/excluded in their portfolios, but this could potentially be managed through any manager selection process,
- We note the full list of Global Active funds available on ACCESS in Appendix A2.

Currency hedging

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Hedging currency reduces day to day volatility

	Period	Hedged	Unhedged	50/50
Return (Ann.)	5 Year	12.2%	14.5%	13.4%
	10 Year	10.8%	11.4%	11.2%
	Full Period	8.1%	8.5%	8.4%
Volatility (Ann.)	5 Year	15.5%	16.2%	15.2%
	10 Year	14.1%	14.7%	13.9%
	Full Period	14.9%	15.7%	14.9%
Sharpe ratio	5 Year	0.56	0.68	0.66
	10 Year	0.52	0.54	0.56
	Full Period	0.31	0.32	0.33

Currency hedging

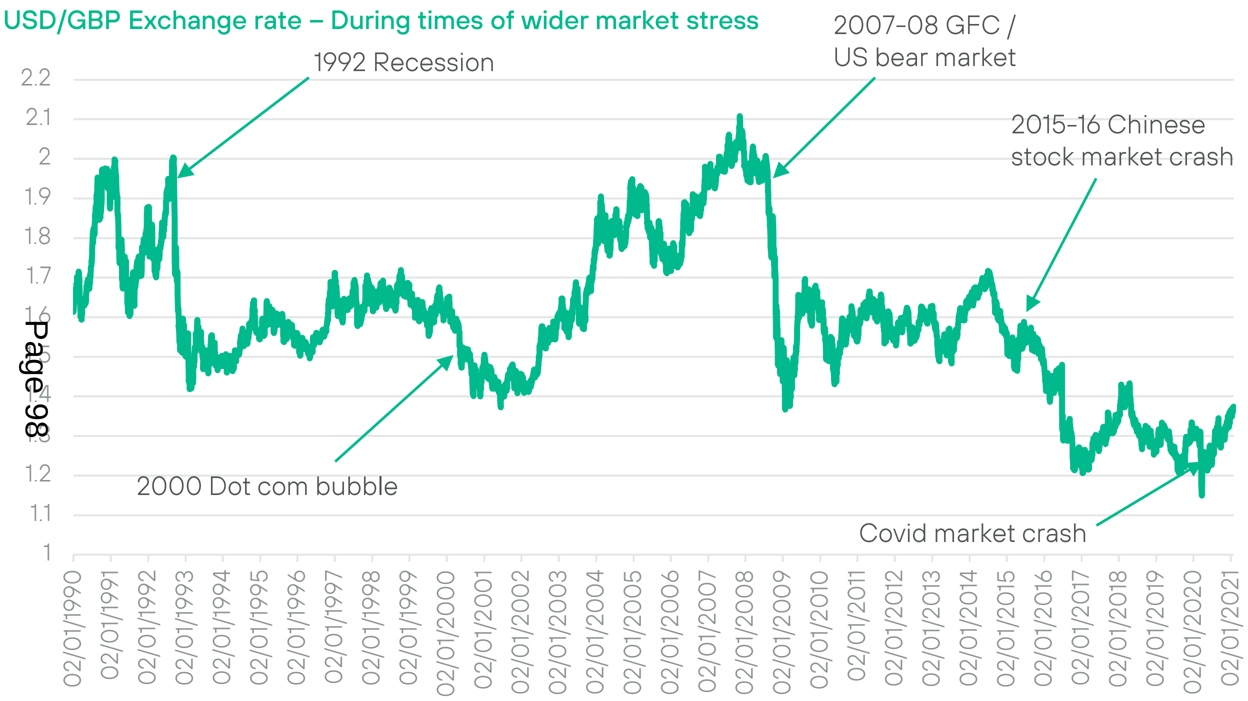
- Hedging overseas currency risk back to sterling will reduce day to day volatility created as a result of volatility in exchange rates. This is often equated with reducing overall risk, but in practice hedging to Sterling can compound equity market risks during more extreme market environments – during these periods unhedged exposure to the US dollar and Japanese Yen tends to provide a safe have that has helped to protect capital during severe market sell offs.

Day to day volatility is reduced

- The table opposite looks at the returns on the FTSE World index over the last 27 years for currency hedged, unhedged and a 50/50 hedge. We illustrate returns, volatility and Sharpe ratio numbers over various periods.
- Unhedged equity performance is marginally higher, largely driven by stronger performance over the last 5 years where Sterling has fallen versus the US dollar.
- We can observe that an unhedged portfolio has been marginally more volatile, though this is relatively minor as a proportion of overall risk.
- Over the long term, the Sharpe ratios (a measure of risk adjusted return) are broadly similar and favour the unhedged portfolio.
- The data indicates that hedging currency will reduce day to day volatility, however this is not cost free and can also compound risks during market downturns. We consider this overleaf.

Source: Datastream, Isio calculations. The full period covered is from end of 1993 (27 years).

Risk management and market stress



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Source: Datastream

Hedging can compound equity downturns

- The largest component of the overseas equity currency exposure is the US$. Historically, the US$ has been viewed as a safe haven and has offered an offset to equity market risk (performing strongly in times of crises). Sterling exposure has (relative to the US Dollar and Yen) compounded equity gains/ losses in times of equity market crisis.
- The chart opposite illustrates the behaviour of US$ and Sterling over the past 30 years. Sterling has fallen sharply relative to the US dollar during a number of past market crises – the dollar exposure offers unhedged investors some protection at the overall portfolio level.
- It is of course overly simplistic to say that these relationships will hold true in the future, but the historical behaviour indicates that the risk reduction offered by hedging back to Sterling has tended to 'fail' when it is needed most.
- The Fund is currently inherently exposed to significant inflation risk (the liabilities are linked to inflation without a cap). In a scenario where UK inflation increases relative to elsewhere, we might expect Sterling to depreciate. In this scenario, the hedge would potentially compound other risks within the Fund.
- We believe that leaving currency exposure unhedged offers an attraction for the Fund.

Hedging is not cost free

It is not cost free

- Whilst currency hedging is expected to reduce overall day-to-day volatility, it is not cost free and there are a variety of direct and indirect costs involved in an ongoing hedging programme.
- Currency forward contracts create cashflows as profits or losses are realised. In the case of losses, there is a requirement to fund this by posting collateral to the counterparty bank from time to time.
- The disinvestment required has an associated cost. These can be significant if currency markets are volatile. Whilst some of the collateral calls might be managed through ongoing cashflow, there will ultimately be some element of cost incurred over the long term.
- There is also the "cost" of entering into the forward contracts from the spread on the buying and selling of these contracts. Currency transactions are one of the most frequent and largest investment activities in the financial world. The currency markets are liquid, and costs have declined significantly over the last 20 years. Recent Vanguard research has estimated that the transaction cost to hedge an international bond portfolio is less than 0.20% a year for investors hedging back to a liquid, developed-market currency, such as Sterling. Although these costs are expected to be low, hedging currency would represent a new cost to the Fund.
- Another consideration is the time and governance required by the Committee to manage the administration and detailed reporting of the underlying programme. The cash calls are typically required at short notice which can create operational difficulties if a robust process is not in place.
- Lastly, the currency hedging overlay manager would also charge a fee for managing the programme on the Council's behalf.

Our view

- From a strategic perspective, we believe that leaving currency unhedged is preferable in terms of providing diversification during extreme market environments and also in avoiding the inherent cost and governance burden involved in introducing a hedging program.
- Whilst Sterling has fallen in terms of purchasing power relative to the US$ over the past decade, the scale of change is not overly significant. Sterling has also recovered sharply since the lows experienced in March 2020 following agreement of the Brexit deal – we don't see a compelling opportunity to hedge from a tactical perspective.

Summary

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Summary

Summary

- The current equity portfolio is split equally between active and passive management (including the 'smart beta' exposure). This offers a good balance between overall management cost and diversification. The approach also enables the Fund to implement a robust policy in relation to responsible investment and capturing opportunity from the transition in economies towards a lower carbon future.
- The current structure provides good diversification by region, market capitalisation and manager style. The UBS portfolio is the most diversified in terms of underlying holdings, but least well aligned with the Fund's responsible investment objectives.
- We believe that the Fund should seek to retain a balance between active and passive management, but believe that there are better alternatives to structure the passive allocation. Recognising the Fund's objectives and the structure of the existing mandates, we believe an actively managed allocation in the range of 50% to 65% with the remainder invested in passively managed mandates aligned to the Fund's objectives is appropriate.

Passive

- We recommend the Committee reviews the passive equity exposure invested with UBS and considers an alternative index exposure to bring better alignment to the Fund's objectives and direct consideration of ESG issues.
- Unfortunately UBS does not currently offer a product that meets the Fund's requirements. We note that the Committee recently disinvested from the closest related UBS product following underperformance. We believe an allocation to the Osmosis Resource Efficiency index provides a strong proposition given the Fund's objectives and this could be considered alongside an increase in the Storebrand allocation. We propose that an Emerging Market exposure is retained – there are now a number of ESG tilted emerging market indices being made available which could be explored if desired (but these are not currently available via UBS).

Active

- While we do not recommend any immediate action in relation to the Fund's holding in the Longview Global Equity Fund, we are monitoring the position closely given recent asset outflows, business/team changes and relative underperformance over 2020. We propose that the Committee should monitor this mandate and formally revisit this again towards the end of 2021.
- Longview offers manager style diversification given their historical focus on valuation when selecting stocks. We believe this diversification is beneficial and this is an important consideration if any changes are implemented.
- Given the focus of the existing active managers, we believe the addition of a core manager (accessed via the pool) would offer increased diversification of the overall structure. Selecting a manager with strong ESG credentials will be critical.

Currency hedging

- We recommend global currency exposures remain given the inherent protection this provides the equity allocation in stress market conditions. We believe this is more important than the reduction in day to day volatility particularly given the inherent costs involved

Appendices

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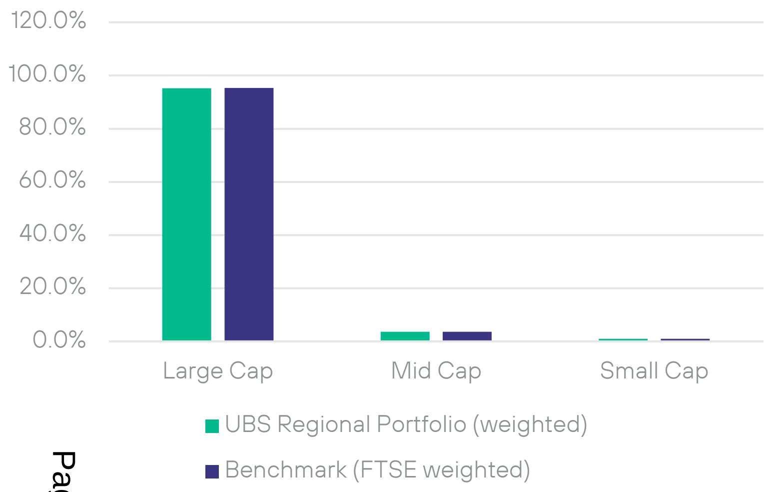
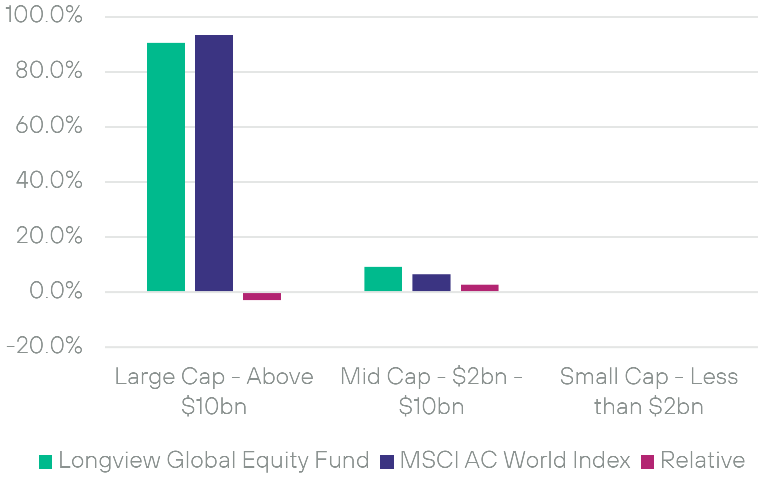
A1: Current managers - market cap analysis

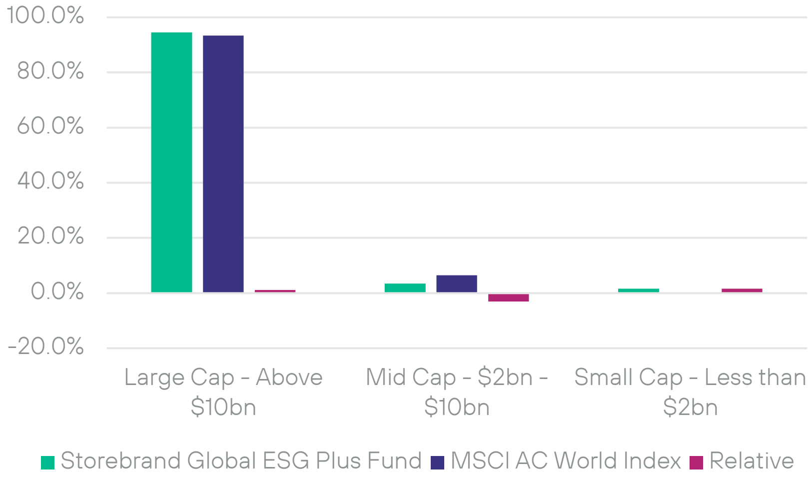
UBS Passive Market Cap



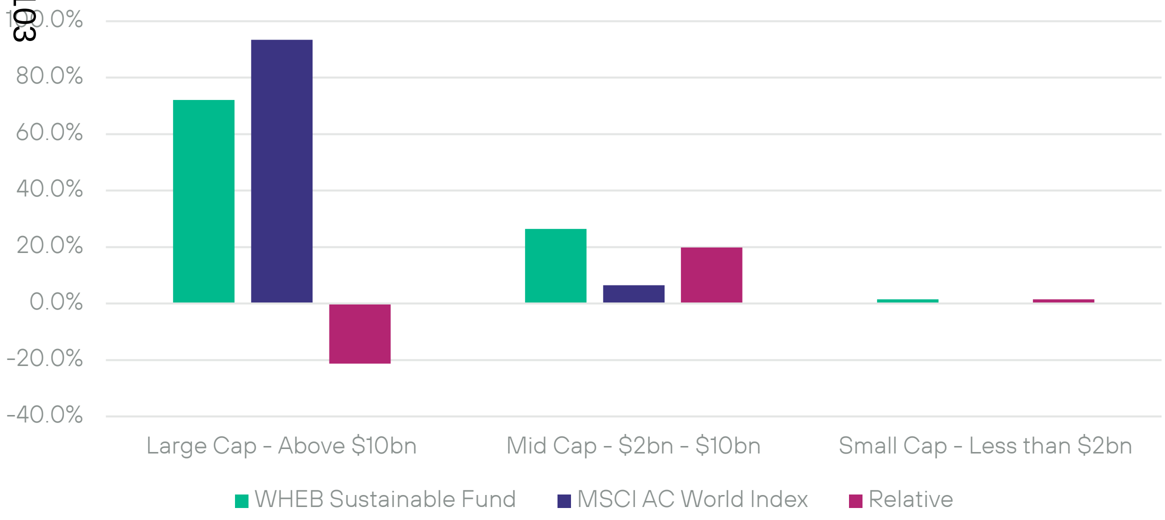
Longview Global Equity



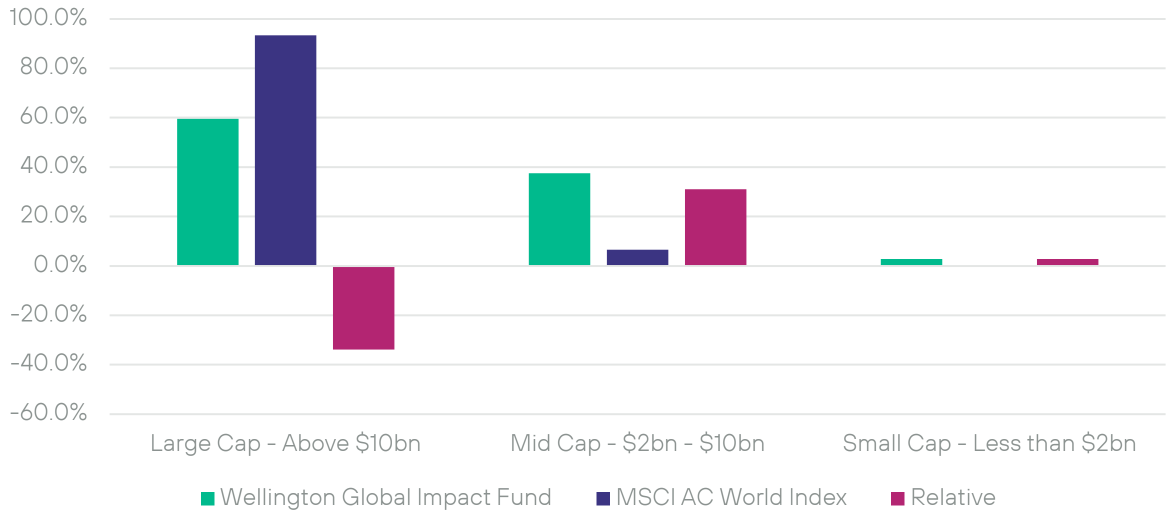
Storebrand Global ESG Plus Fund



WHEB Sustainability Fund

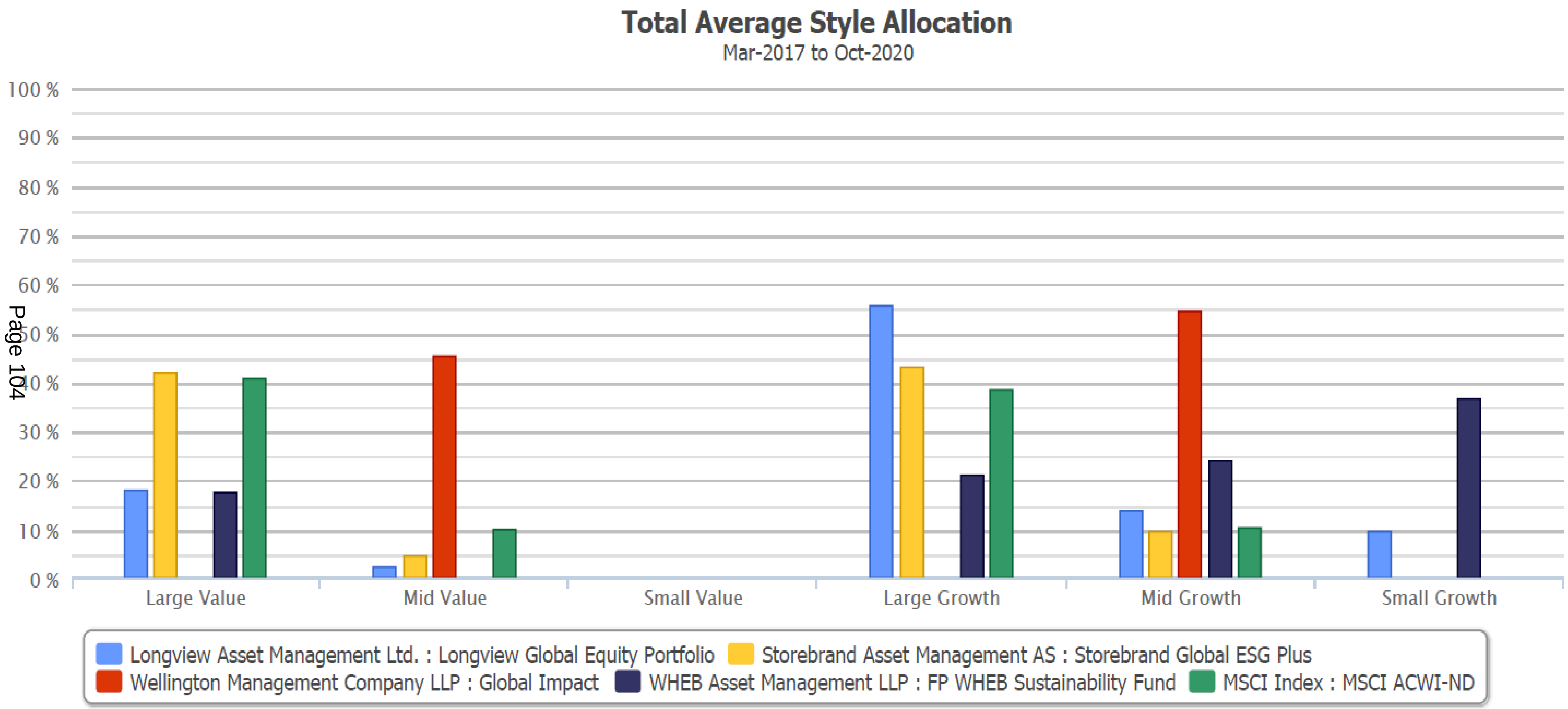


Wellington Global Impact Fund



Source: Investment Managers as at 31 December 2020.
Notes: UBS use FTSE benchmark and define large, mid and small cap bias relative to the universe, with the top 70% classified as large cap, next 20% as mid cap, and final 10% as small cap. We expect this to result in a similar breakdown to the MSCI classification.

A1: Current managers - style analysis



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Source: eVestment.
Notes: Latest data available corresponding to all mandates.

A2: ACCESS - full active equity fund range

Below we show the full list of active equity products on the ACCESS platform.

ACCESS Active Equity Fund Range:

- LF ACCESS Long Term Global Growth Investment Fund - Baillie Gifford
- LF ACCESS Global Equity Core Fund - Baillie Gifford
- LF ACCESS Global Alpha Equity Fund - Baillie Gifford
- LF ACCESS Global Stock Fund (Master Fund) - Dodge & Cox
- LF ACCESS Global Equity (ex UK) Fund - FIL Pensions Management
- LF ACCESS Global Equity Fund – Longview
- LF ACCESS Global Equity Fund – Newton
- LF ACCESS Global Equity Fund - J O Hambro Capital
- LF ACCESS Global Equity Fund - Capital Group
- LF ACCESS Global Equity Fund - Mondrian
- LF ACCESS Global Active Value Fund - Schroders
- LF ACCESS Global Dividend Fund - M&G
- LF ACCESS Global Managed Volatility Equity Fund - Acadian
- LF ACCESS UK Equity Core Fund - Baillie Gifford
- LF ACCESS UK Equity Fund - Schroders
- LF ACCESS UK Select Fund - Blackrock
- LF ACCESS UK Equity Fund - Majedie

A3: Responsible Investment – the Fund’s core principles

The Fund’s core principles of responsible investment are:

1. Apply long-term thinking to deliver long-term sustainable returns
2. Seek sustainable returns from well-governed assets.
3. 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.
4. Evaluate and manage carbon exposure in order to mitigate risks to the Fund from climate change.

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The Fund will review the Fund’s passive equity benchmarks and consider increasing the use of indices tilted towards low carbon.

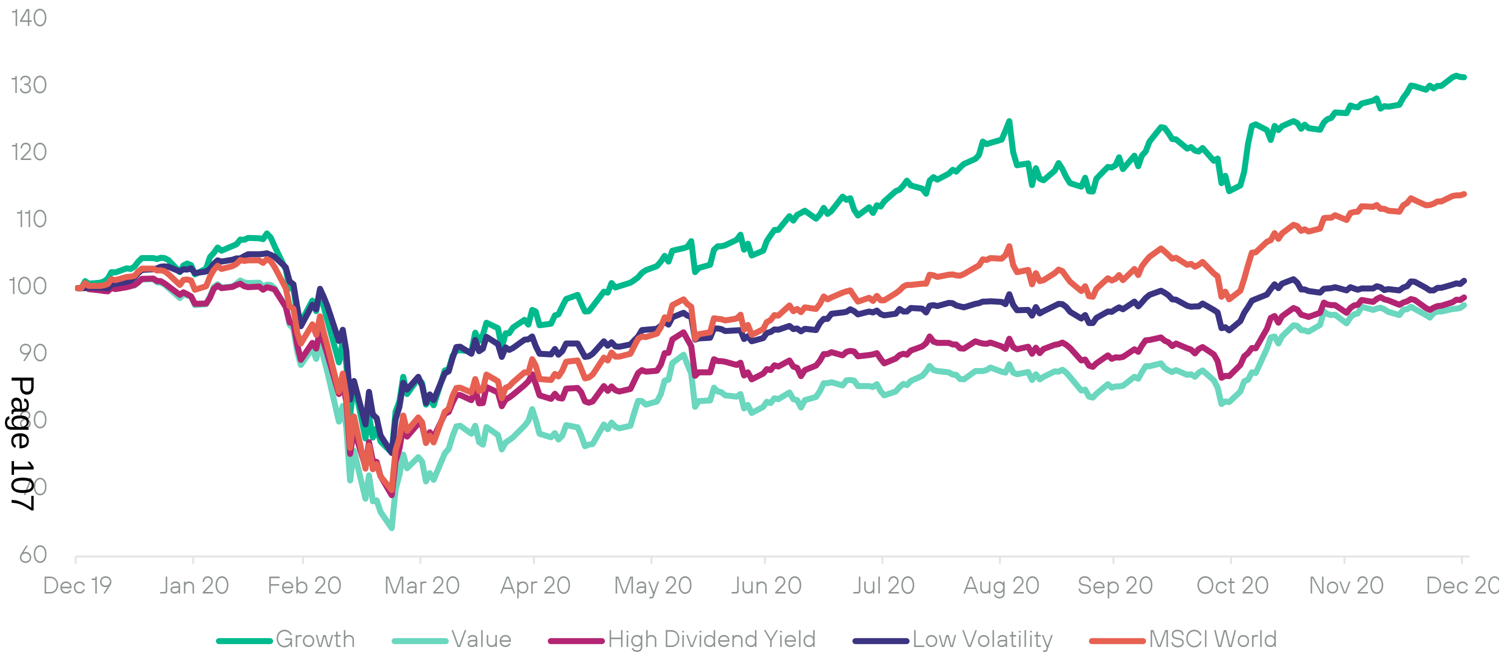
Engagement vs Exclusion

- 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.

Isio view: Isio is supportive of this approach and is in favour of engagement, although worth noting the two can be used in conjunction and exclusion used as a tool for engagement and used as the “stick” as a last resort if engagement is not proving successful.

A4: Active management style analysis

Equity Management Styles – Cumulative Performance to 31 December 2020



Source: Datastream

Commentary

- As a style "Growth" has been outperforming wider markets for the past decade. This style has delivered very strong performance over the past year as COVID has impacted markets and interest rates have been driven ever lower. The gap between 'growth' and 'value' stock valuation metrics is as wide as it has ever been. Market leadership of different styles can change and there is a potential risk that the growth and value leadership may change. We saw a brief period of value stocks outperforming immediately post the COVID vaccine announcement, though this has dissipated more recently. A number of commentators believe that value stocks could shine if we see a strong economic recovery in 2021.

A5: Disclaimers

Past Performance and Opinions

- This report sets out the past performance of various asset classes and fund managers. It should be noted that past performance is not a guide to the future.
- Our opinions (and comparison vs criteria) of the investment managers stated in this report are based on Isio's research and are not a guarantee of future performance. These are valid at the time of this report but may change over time.
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Thank you

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Speech

Pension schemes and climate-related risks

A speech delivered by the Minister for Pensions to the 2021 Professional Pensions Investment Conference about climate-related risks.

Published 27 January 2021

From:
Department for Work and Pensions (https://www.gov.uk/government/organisations/department-for-work-pensions) and Guy Opperman MP (https://www.gov.uk/government/people/guy-opperman)

Delivered on:
27 January 2021 (Transcript of the speech, exactly as it was delivered)

Good morning and welcome. My apologies I cannot be with you here today. But I am recording this in advance because I have the delights of the Work and Pensions Select Committee at exactly the same time as your conference.

And we decided to come outside to record this video because after all, this is a video, and a message, that relates to climate change, and the natural world, in which we all enjoy and want to enjoy for the future.

So, my first duty is to thank the Professional Pensions Conference for inviting me to speak.

We know that climate change is the defining challenge of our time. Our response will determine the future health and prosperity of the world.

Climate change is a major systemic financial risk and threat to the long-term sustainability of private pensions.

With £2 trillion in assets under management, all occupational pension schemes are exposed to climate-related risks.

You will all know that in late 2020, we consulted about: ‘Taking action on climate risk: improving governance and reporting by occupational pension schemes’.

Today, I am delighted to announce the publication of the Government’s response to that consultation.

Our proposals are world leading. The UK is set to become the first major economy to require climate risks to be specifically considered and then reported on by pension schemes.

The new measures will ensure trustees are legally required to assess and report on the financial risks of climate change within their portfolios.

I am extremely proud of these proposals, and my team, and we are now seeking views on the draft regulations and statutory guidance which will bring our policies into effect.

The government has also been working closely with The Pensions Climate Risk Industry Group to produce non-statutory guidance.

This will be a vital resource for all trustees when considering how to improve climate change governance and make disclosures in line with TCFD recommendations.

I am committed to ensuring that trustees do everything they can to limit this risk to their members’ future income.

I thank the industry for the significant engagement with our consultation – this played a key part in helping to shape the policy.

I recognise there are some legitimate and constructive concerns. We have sought to amend our policy according to these particular concerns.

The key issues we are changing are as follows.

Firstly, I have decided to simplify requirements on publication timings, to allow all schemes a full 7 calendar months from the scheme year end date in which to prepare and publish their TCFD report.

It is vitally important that these disclosures are as robust and set a positive benchmark for subsequent schemes that later come into scope.

Secondly, I have kept the scope of these requirements the same – authorised master trusts and schemes with £5bn or more in assets will be in scope from October 2021.

As a consequence of that, “buy-in contracts”, which involve a more or less irreversible surrender of decision making by trustees to an insurer, will not be counted towards that threshold.

We cannot afford delays to address the risk presented by the climate risk, therefore, I am bringing forward the commitment to conduct an interim review to 2023.

This will allow government to identify best practice and - subject to consultation – extend the measures to smaller schemes as soon as 2024.

The publication of the government's Green Finance Strategy was a clear signal to larger pension schemes that there would be an ambitious timescale for these regulations coming into force.

We have been true to our word and as such, smaller schemes should interpret the bringing forward of this review in the same way.

The consultation acknowledged that conducting scenario analysis is one of the most complex and costly sections of TCFD.

This is why I have reduced the frequency by which trustees are required to carry it out.

Instead of annually, scenario analysis must now be carried out in the first year that trustees are subject to the requirements and every three years thereafter.

This is not an invitation for trustees to do scenario analysis and forget about it. In the intervening years, trustees must do an annual review of their most recent scenario analysis and determine whether or not it is still "fit for purpose" or whether there are circumstances which make it appropriate for them to carry out fresh analysis.

As methodologies and data are evolving rapidly, we see a strong possibility that in practice, at least initially, trustees will need to do scenario analysis more frequently than every 3 years.

I have also sought to reduce the administrative and financial burden on trustees in relation to obtaining the data for calculating emissions-based metrics. This has been changed to an annual requirement.

Likewise, performance against targets is now to be monitored annually rather than quarterly. We have also provided for there to be an annual review of any targets, to determine whether they should be maintained or replaced.

Trustees must recognise that methodologies and data are evolving rapidly, and recognise the value in schemes regularly updating their calculations to ensure consistency and attention to risks and opportunities.

Indeed, government has recognised the evolution in this space in just the short few months since we consulted.

On metrics, we have made changes to our original proposals so that trustees will be required to select at least two emission-based metrics, one of which must be absolute and one which must be intensity-based – emissions per pound invested.

Data concerns and the TCFD Roadmap are absolutely crucial. And metrics leads on to concerns about the availability of data vital to carrying out effective and robust climate governance.

Some of the TCFD recommendations require an evaluation of assets which relies on the quality and flow of data from investee companies - through asset managers and investment consultants - to institutional investors.

However, we cannot let our work to tackle climate change falter, on the basis that the solution is too complex.

The government is resolute in its ambition to tackle this issue wholeheartedly.

It is therefore hugely significant that the government has recognised calls for regulatory alignment by publishing the TCFD Roadmap last November.

We intend to make TCFD-aligned disclosures mandatory across the economy by 2025, with a significant portion of mandatory requirements in place by 2023.

It would not be right, in my view, to place a requirement on trustees whilst the rest of the investment chain – on which they rely for data – is not held to the same regulatory standards.

Challenges to our proposals are significant, but the reality is that the government's roadmap will go a significant distance to address some of these challenges we are going to meet these requirements.

Some say that government is directing trustee decisions and increasing pressure for divestment of pension schemes from high carbon sectors.

However, I have repeatedly stated in Parliament, and I make the point again today, that ultimately decision-making on climate risk and opportunities are matters for trustees alone. I'm wholeheartedly opposed to divestment.

We are not mandating that schemes commit to specified emissions reductions, and we continue to believe that divestment would be the wrong approach.

We believe encouraging company engagement will reduce the climate risk to which that scheme is exposed.

That is why I've set up a working group, chaired by Simon Howard, the former Chief Executive of the UK Sustainable Investment and Finance Association, to look at how we can strengthen the trustee voice in engagement, and voting in particular.

If stewardship and voting are to be effective, we need to see improvement - the current system is not fit-for-purpose.

Trustees and asset managers need to work together to ensure scheme members' best interests are protected.

I intend to take steps to build trustee demand for better stewardship, which will drive failing firms to improve.

And as part of that, where trustees want to ask managers to follow their voting policy, I think they should be able to.

Investors should be clear that the transition to a low carbon economy is underway.

Our regulations will require trustees to act within their fiduciary duty by assessing their portfolio's susceptibility to this kind of transition risk.

It is then down to the trustees how they choose to act on that exposure to risk – I would encourage them to act quickly.

This transition also presents pension schemes with opportunities to invest in the real economy including the environmental infrastructure and businesses of the future that are emerging and are so needed.

These types of investments have the potential to offer pension schemes increased returns whilst driving the transition that we all want to 'net zero'.

That is why separate from our proposals on managing climate risk, the government is reviewing consultation responses on proposed changes to encourage greater allocation to these types of investments and other less liquid assets.

The most significant barrier that is holding the UK in that issue is the sheer number of members trapped in inadequate, poorly-performing schemes.

That is why I have been looking at a requirement for all occupational pension schemes with less than £100m in assets must either prove that they are offering that value or consolidate.

And consolidation will happen. It is not good enough that members are held back from accessing these types of investments because of historic choices made by their employers. Wholesale consolidation, I believe, is on its way, and is the right thing.

And on fees, last year, I also consulted on costs and changes to ensure that the fees that investors often pay for potential access to market-beating returns do not risk breaching the charge cap.

And we're smoothing the incurrence of performance fees over the course of five years which will provide many investors who are unsure about investing in such funds the confidence to make that leap.

I commend schemes that have already shown leadership by investing in infrastructure, property and private markets but we fall behind our global partners in our commitment to these asset classes and the economy as a whole suffers for it.

We have all been through an incredible journey this year, but there is an opportunity to contribute to a better financial future for ourselves and a future for our planet.

This challenge demands all of us to take action.

That is why I want every market participant to engage constructively with these proposals and these measures, to help us shape a policy that delivers the protection for members.

Together, we can build a better, safer and greener pensions system.

Published 27 January 2021

Brexit

- Check
- Change
- Go

Check what you need to do

(https://www.gov.uk/transition)

Explore the topic

- Pensions and ageing society (https://www.gov.uk/work/pensions-and-ageing-society)

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Quarterly Engagement Report

October-December 2020

Local Authority Pension Fund Forum

Climate goals, BHP, Vale, Standard Chartered, HSBC

CLIMATE EMERGENCY

It is the fifth anniversary of the Samarco dam collapse in Mariana, Brazil

LAPFF meets AngloAmerican and Glencore chairs on stakeholder engagement

Objective: Part of LAPFF's strategy to make progress on tailings dam safety has been to meet company chairs to explain the Forum's perspective on the importance of speaking meaningfully with affected communities. The Forum had managed to speak to the chairs of Vale and BHP but had yet to meet with the chairs of AngloAmerican and Glencore on this issue.

Achieved: Over the last quarter, LAPFF Chair, Cllr Doug McMurdo, spoke with both AngloAmerican Chair, Stuart Chambers, and Glencore Chair, Tony Hayward, on this issue. Both chairs recognised the importance of engaging effectively with affected communities but did not provide much detail on how their respective companies were going about this engagement.

"The more I discuss joint ventures with mining companies, the more concerned I become. These entities seem to mask significant governance failings that more often than not lead to significant ESG failings. We need to figure out a way forward on this issue."

Cllr Doug McMurdo

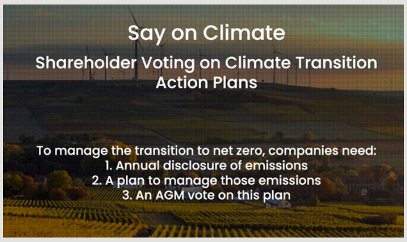
Cllr McMurdo noted that the Forum had held a webinar on 5 November to remember the fifth anniversary of the Samarco dam collapse in Mariana, Brazil and to highlight the fact that reparations thus far have been woefully inadequate. He also raised concerns about the role of joint ventures in contributing to poor environmental, social, and governance standards in mining projects. While there was general agreement that joint ventures were problematic, the different companies had different perspectives on these structures, which might account for the dissonance in running them.

As an added dimension to this work, Cllr McMurdo also met with a number of Brazilian investors, including Previ, the largest public pension fund in Brazil, to test their appetite for engaging with the

CLIMATE EMERGENCY

SAY ON CLIMATE

In December, LAPFF came out in support of the 'Say on Climate' initiative which aims to secure a 'say on climate' vote at a wide number of company AGMs. This followed a meeting with Sir Chris Hohn who earlier this year had been successful in securing an annual vote at the Spanish airport group Aena's AGM on its climate transition plan. Sir Chris runs the Children's Investment Fund Management which is associated with the Children's Investment Fund Foundation. The difference between this initiative and, for example, Climate Action 100+ is that it is not exclusive to high carbon-emitting companies but can be applied to all listed companies. Recommended actions also include advocating for a mandatory 'say on climate' which would mean it would be on every company AGM ballot. Further information can be found at www.sayonclimate.org.



affected communities. LAPFF found in its Rio Tinto engagement on Juukan Gorge that engaging with both local communities and local investors in Australia helped to galvanise a unified voice and support for change. The Forum is looking to build a similar coalition amongst Brazilian communities and investors.

These engagements fit within the continuing collaborative efforts between investors through another Church of England-led initiative on engagement with Indigenous communities. Over 70 letters were sent to mining companies globally to request improved disclosure on stakeholder engagement and governance. The results are now being collected to determine next steps.

In Progress: The Forum has yet to meet with Rio Tinto on the Juukan Gorge incident, despite additional requests to this end. Rio Tinto has granted investors meetings on climate change and general governance at board level but continues to push back on human rights and stakeholder engagement discussions. Having heard from community representatives in both the US and Mongolia on Rio Tinto's conduct, it is becoming clear that there are systemic failings in the company's ESG assessment processes that LAPFF will want to discuss when a meeting is finally granted.

It is also increasingly clear that joint ventures need more investor attention. Apart from the fact that they facilitate governance gaps, it was apparent from this quarter's meetings that the investors involved do not have a common vision for their operation or how to address ESG issues through these structures. This must change quickly for progress to be made.

The Glencore meeting also focused largely on the company's announcement that it would be exiting coal and giving a greater focus to base metals. It will be important to follow up with the company to see how its strategy is being implemented, especially as the company is forecasting an increase in coal production to 2025 and with a new CEO, Gary Nagle, who is currently Head of Coal Assets, taking over from Ivan Glasenberg in the first part of next year.

Financing a Just Transition Alliance

Cllr Rob Chapman, LAPFF vice chair, joined the first meeting of the Alliance which aims to translate financial sector commitments into real world impact. The Alliance aims to build on positive momentum to encourage tangible action and profile promising case studies. Co-ordinated by the London School of Economics, a report will be produced setting out recommendations in time for COP 26.

ArcelorMittal and National Grid CA100+ Engagements Continue

Objective: to seek evidence of progress in the period to 2030 against the companies' net zero targets and to encourage board consideration of putting climate transition plans to shareholders for approval.

Achieved: Cllr Chapman, LAPFF vice-chair, met with Aditya Mittal, ArcelorMittal's Finance Director and Bruno Lafont, the lead independent director, together with representatives from the other two lead Climate Action 100+ (CA100+) investors. It was a productive discussion with Aditya Mittal committing to look at providing appropriate hybrid arrangements for investors to participate in the annual meeting and for his presentation to the meeting to include detail on the zero-carbon transition with time being allowed for discussion on this. He also spoke about exploring partnerships with other companies to work towards using renewable power in manufacturing green steel. The company's progress in the use of hydrogen in steel-making to decarbonise the process, has been the issue raised most consistently in meetings with company representatives. In the 'Climate Action in Europe' report produced during the year, it was notable that this technology was separated out from the other 'smart carbon' technologies with the company announcing this quarter that they will produce the first steel using hydrogen from renewables in 2020.

At National Grid, LAPFF has long

LAPFF HOLDS WEBINAR SERIES TO REPLACE THE ANNUAL CONFERENCE

Presentations at the webinars included an overview from David Enrich, New York Times business investigations editor of his new book Dark Towers. Also expert speakers presented on the Opioid Crisis, Managing climate change in a pension fund portfolio, Just Transition, Financial Reporting on climate, an update from the communities affected by the Tailing Dam disasters, the COVID crisis and workers and Workforce Engagement.

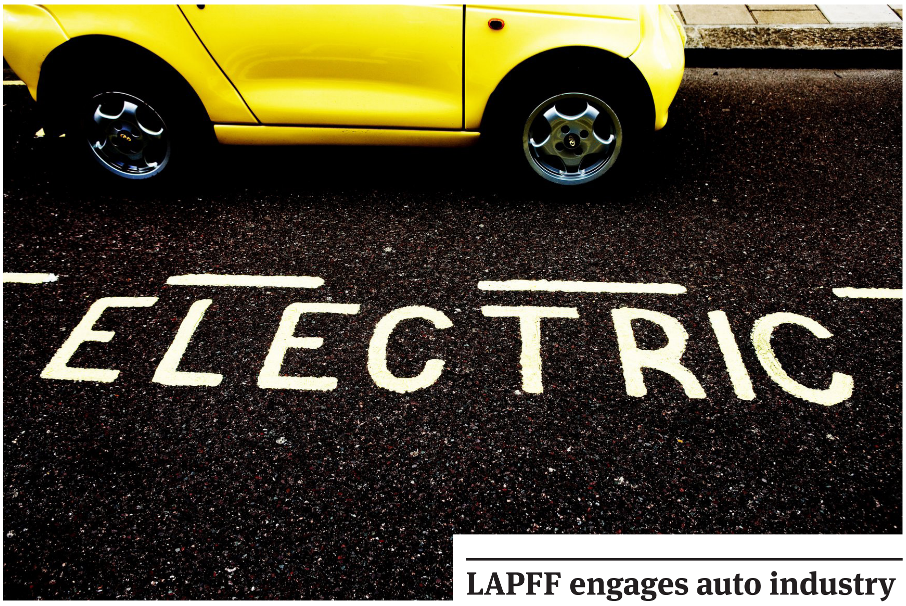
The Chair and Vice Chair also presented the LAPFF 2020 Annual report to the membership and detailed engagements undertaken on behalf of LAPFF.

COMPANY ENGAGEMENT

been pushing for group-wide net zero targets to be set. Although the company has been signed up to the science-based target initiative for some time, no scope 3 targets for the group had been set. At an ESG investor event, the company announced that it has set an interim target of 20% reduction in scope 3 emissions by 2030. LAPFF asked the chair if he would consider putting the net zero transition plan to vote at the next AGM. The answer was not in the affirmative, but will be something to pursue with Paula Rasput Reynolds who will replace Sir Peter Gershon as chair in 2021. After this event, Cllr Chapman met with Sir Peter and followed up on the possibility of the board putting a climate transition plan to shareholders at the AGM.
In Progress: Discussions continued with both ArcelorMittal and National Grid on the CA100+ benchmarking process. Some of the issues raised will be addressed in ArcelorMittal's second group climate report which seems likely to be issued in January 2021. Discussions with National Grid referred to the company's proposed Responsible Business Review to be published annually and how elements of the CA100+ benchmarking process might map into this and investors' ability to measure progress towards net zero.

LAPFF Approaches HSBC to Discuss Upcoming Climate Resolution

Objective: As was the case with the Barclays resolution this year, ShareAction has again approached LAPFF about co-filing a shareholder resolution with a UK bank. This time, HSBC is the target. The resolution calls on HSBC to 'reduce financed emissions from [its] portfolio of customers to net zero by 2050 or sooner. The Company should report on progress against its targets and strategy in its annual report on an annual basis, starting from 2021 onwards, including a summary of the framework, methodology, timescales and core assumptions used.'
Achieved: LAPFF's policy is to engage with companies prior to taking a view on whether or not to support a resolution, so a meeting with HSBC was requested in December to discuss the issue.
In Progress: This meeting will be pursued again in the new year.



LAPFF Engages Standard Chartered on Climate Finance

Objectives: LAPFF met with Standard Chartered to seek evidence of progress in the period to 2030 against the company's net zero targets and request the 2021 AGM be opened up to virtual attendance
Achieved: A virtual 'ESG' meeting provided access to the chairs of all board committees as well as the chair, José Viñals. Mr Viñals was responsive to both LAPFF questions. On progress to 2030, Standard Chartered has committed to net-zero emissions across its global properties by 2030 by sourcing energy from renewable sources and pursuing energy efficiency measures. For scope 3, he explained how the company is working with clients to measure, monitor and reduce emissions in order to ensure alignment of the portfolio with Paris goals. There are clear standards for non-compliance set but the bank has also committed to providing funding, with significant amounts for renewables and clean-tech projects over the next five years.
In Progress: In response to the question about running a 'hybrid' AGM, by allowing virtual attendance, Mr Viñals noted that the 2020 AGM had prepared for this by asking for a change in the articles of association. The board is reflecting on how this would work, including reflecting on the virtual ESG meeting itself and would 'try to do something that makes sense'.

LAPFF engages auto industry on climate

Objective: During 2020, LAPFF called on the UK government to ban sales of all new petrol, diesel and hybrid cars by 2025. Since then, the Government has confirmed that it will ban the sale of all new petrol and diesel cars by 2030, representing a significant 'real world' outcome in terms of carbon reduction impact. LAPFF has sought to engage with the auto industry to ascertain how car makers will be approaching the challenges of electrifying their fleets and what their plans are to reduce carbon emissions.
Achieved: So far, LAPFF has written to six vehicle manufacturers regarding these issues, and the Forum recently met with BMW. BMW has openly set science based targets for its Scope 1 & 2 emissions but has yet to set such targets for Scope 3 emissions. The company assured LAPFF that it is ready to meet a rise in demand for electric vehicles and that its own operations will be carbon neutral by next year by offsetting its carbon emissions in a number of ways. They have also ensured that all of their battery cell suppliers use green energy and are looking at all aspects of supply to reduce CO_2 emissions.
In Progress: LAPFF has meetings organised for early 2020 with two other vehicle manufacturers to discuss these issues. LAPFF hopes to get manufacturers that haven't already, to set science based targets for their scope 3 emissions and also wants to ensure that these companies are set up sufficiently to deal with the electrification of their fleets.

COMPANY ENGAGEMENT

Protesters demonstrate outside the Grosvenor House Hotel whilst arms dealers, MPS, and military personnel hold a black tie dinner.

LAPFF Attends BAE Briefing

Objective: About a year and a half ago, the Forum began an engagement with widely held defence contractors to discuss their arms policies given the use of their weapons for the war in Yemen. One of the companies engaged was BAE. The company had intended to hold an investor meeting just as the Covid pandemic broke, so decided to hold a webinar later in the year in lieu of a physical meeting. Cllr McMurdo attended to see if there were any updates on the initial meeting from August 2019.

Achieved: When Cllr McMurdo met with BAE, he raised the question of engagement with human rights. However, the company appears to continue to focus on staff issues as its primary indicator of performance on the 'S' element of ESG. While it is understandable that the company is in a difficult position with government arms contracts, it is worrying that it appears to barely acknowledge the human rights implications of its arms contracts.

In Progress: In the first instance, it seems that raising awareness within the industry of investor concerns about human rights is necessary. Perhaps further progress can be made once this has been done. Post-Covid, the Forum will also explore whether it might be fruitful to engage with government on this issue.

Israeli-Palestinian engagements underway

Objective: A number of LAPFF funds were approached by both pro-Israeli and pro-Palestinian groups about investments in the Israeli-Palestinian territories. Consequently, the Forum cross-referenced the companies of concern with a UN list of companies raising concerns based on their operations in this area to determine a preliminary list of companies with which to engage on this issue.

Achieved: The first engagements have taken place with three of the seventeen companies approached on this issue. So far, there has been pushback on two fronts from all three companies. Motorola, which the Forum has approached in the past, merely provided its standard annual report text in response to a meeting request and has not yet granted a meeting of any sort. Altice, a French telecommunications company, and Israeli Discount Bank have both pushed back on LAPFF's request for human rights impact assessments in respect of their operations in the territories on the grounds that the UN list is political and it would do no good to undertake these assessments because existing legal requirements ensure human rights compliance in any case. Altice did engage through a meeting, though, while Israeli Discount Bank submitted only a written response.

In progress: Forum members continue to be approached on this seemingly intransigent issue, and LAPFF will continue to engage with the companies approached. Although the Forum is not likely to solve this political problem, it is hoped that the companies engaged will come to understand the importance of conducting human rights impact assessments both for their own operations and in order to provide more helpful investment information to shareholders.

LAPFF IOPA Engagement Continues

Objective: LAPFF originally joined the Investors for Opioid and Pharmaceutical Accountability (IOPA) to combat the opioid epidemic in the US. However, since the Covid pandemic arose, the investor coalition has also engaged with pharmaceutical companies on their approaches to Covid vaccines.

Achieved: IOPA's Meredith Miller spoke at the LAPFF webinar series in early December and noted the dire situation on opioids in the US. Forum representatives also regularly attend IOPA meetings and have flagged shareholder resolutions stemming from the initiative.

In Progress: LAPFF will continue to notify members of co-filing opportunities as they arise.

COMPANY ENGAGEMENT

CONSULTATION RESPONSES

A letter on climate change was sent to the International Energy Authority (IEA) expressing LAPFF's concerns about carbon capture and storage (CCS). The letter points out the unproven record and technical lack of viability of CCS, coupled with the drastically reduced price of renewables in the last couple of years in questioning the IEA's position in support of CCS.

The CCS issue is of growing concern as company reporting in many of the hard-to-abate sectors appears to promote the technology and a meeting in December with the Global CCS Institute (GCCSI) revealed the extent of unsubstantiated and misleading material being shared with investors.

MEDIA COVERAGE

SAY ON CLIMATE:

Reuters UK local government pension group seeks mandatory climate votes

The Independent Why companies should give their investors a say on climate as well as bosses pay

Nasdaq UK local government pension group seeks mandatory climate votes

LSE (London South East) UK local government pension group seeks mandatory climate votes

IPE Ethos includes say on climate vote in guidelines

OTHER:

Telegraph Pension funds say accounting watchdog is compromised

Reuters Rio Tinto Names Sausholm as CEO in surprise pick after cave destruction

NETWORKS AND EVENTS

LAPFF Webinars

In addition to these end of year webinars, the Forum also held webinars with community members affected by mine operations in the US, Brazil, and Mongolia.

Once the world's fourth largest lake, the Aral has shrunk so much that it has now split into two separate bodies of water. [The United Nations Development Programme (UNDP) has been running an Aral Sea Programme since 1995, focusing mainly on water resources management, small business development, humanitarian assistance and a social and health programme as the ecological disaster of the dying sea has brought

VALUING WATER TASK FORCE

As a founding member of the Valuing Water Task Force, LAPFF attended the second task force meeting at the end of November. The purpose of the meeting was to provide feedback on the global impact assessment currently being undertaken by a team at the University of Saskatchewan. Task Force members discussed the importance of highlighting the link between water resources and climate change as well as the need for a solution-orientated approach. Members also discussed how best to encourage asset allocation to the future of water security. Part of the allocation discussion focussed on the potential scope and methods for harmonizing water risks and financial materiality. Ultimately, the methodologies of both the cost of inaction and the shadow price on water were identified as a potentially meaningful way of undertaking financial materiality assessments.

LGIM Stakeholder Webinar

A Forum representative also attended Legal and General Investment Management's annual stakeholder forum, held this year via video conference. The idea behind the event is to highlight upcoming issues for LGIM to consider in its voting and investing activities. This year, topics covered included anti-microbial resistance, climate, and human capital management.

CHRB and Covid Webinars

Forum representatives also attended a number of human rights-related webinars, including one on the impact of Covid on human rights and the launch of this year's Corporate Human Rights Benchmark (CHRB). This year's benchmark covers the auto industry for the first time with auto companies performing very poorly.

IIGCC Weekly Meetings

LAPFF continues to be represented in weekly meetings co-ordinated by IIGCC around the shareholder resolution filing process for CA100+. Information sharing at this group helps in engagements with chairs and joint-CA100+ leads on putting net zero transition plans to shareholders. A meeting was also held with JustShare, a south African NGO, who has had a proposed shareholder resolution on climate refused by the energy and chemicals company Sasol, despite other listed South African companies having tabled similar resolutions over the previous 15 years.

COMPANY PROGRESS REPORT

145 companies engaged over the quarter during 172 engagements

*The table below is a consolidated representation of engagements so reflects the number of companies engaged, not the number of engagements

Company	Activity	Topic	Outcome	Position Engaged	Domicile
AFRICAN RAINBOW MINERALS LIMITED	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	ZAF
AGNICO EAGLE MINES LTD	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	CAN
AIR LIQUIDE SA	Received Correspondence	Climate Change	Moderate Improvement	Non-Exec Director	FRA
AIRBUS SE	Sent Correspondence	Climate Change	Dialogue	Non-Exec Director	NLD
AK ALROSA PAO	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	RUS
ALCOA CORPORATION	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	USA
ALSTOM SA	Sent Correspondence	Human Rights	Awaiting Response	Chairperson	FRA
ALTICE EUROPE NV	Meeting	Human Rights	Dialogue	Chairperson	NLD
ALUMINUM CORPORATION OF CHINA LIMITED	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	CHN
ANGLO AMERICAN PLATINUM LTD	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	ZAF
ANGLO AMERICAN PLC	Meeting	Governance (General)	Dialogue	Chairperson	GBR
ANGLOGOLD ASHANTI LIMITED	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	ZAF
ANTOFAGASTA PLC	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	GBR
AP MOLLER - MAERSK AS	Sent Correspondence	Climate Change	Dialogue	Non-Exec Director	DNK
ARCELORMITTAL	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	LUX
ARCELORMITTAL SA	Meeting	Climate Change	Change in Process	Specialist Staff	LUX
ASTRAZENECA PLC	Meeting	Other	Satisfactory Response	Specialist Staff	GBR
B2GOLD CORP.	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	CAN
BAE SYSTEMS PLC	Meeting	Governance (General)	Dialogue	Chairperson	GBR
BANK HAPOALIM B M	Sent Correspondence	Human Rights	Dialogue	Chairperson	ISR
BANK LEUMI LE-ISRAEL BM	Sent Correspondence	Human Rights	Awaiting Response	Chairperson	ISR
BARRICK GOLD CORPORATION	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	CAN
BASF SE	Sent Correspondence	Climate Change	Dialogue	Non-Exec Director	DEU
BAYERISCHE MOTOREN WERKE AG	Meeting	Environmental Risk	Change in Process	Specialist Staff	DEU
BEZEQ THE ISRAELI TELECOMMUNICATION CORP LTD	Sent Correspondence	Human Rights	Awaiting Response	Chairperson	ISR
BHP	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	AUS
BHP GROUP PLC	Meeting	Human Rights	Dialogue	Specialist Staff	GBR
BOLIDEN AB	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	SWE
BOOKING HOLDINGS INC.	Sent Correspondence	Human Rights	Awaiting Response	Chairperson	USA
BP PLC	Sent Correspondence	Climate Change	Dialogue	Non-Exec Director	GBR
CHINA MOLYBDENUM CO., LTD.	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	CHN
CHINA NORTHERN RARE EARTH HIGH-TECH CO., LTD.	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	CHN
CHINA SHENHUA ENERGY CO LTD	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	CHN
CITIGROUP INC.	Resolution Filed	Climate Change	Dialogue	Chairperson	USA
COAL INDIA LTD	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	IND
COMPAGNIE DE SAINT GOBAIN	Sent Correspondence	Climate Change	Dialogue	Non-Exec Director	CHE
CONTINENTAL AG	Sent Correspondence	Climate Change	Dialogue	Non-Exec Director	DEU
CRH PLC	Sent Correspondence	Climate Change	Dialogue	Non-Exec Director	IRL
DAIMLER AG	Sent Correspondence	Climate Change	Dialogue	Non-Exec Director	DEU
DELEK GROUP LTD	Sent Correspondence	Human Rights	Awaiting Response	Chairperson	ISR
DIXONS CARPHONE PLC	Sent Correspondence	Environmental Risk	Dialogue	Chairperson	GBR
E.ON SE	Received Correspondence	Climate Change	Dialogue	Specialist Staff	DEU
EDF (ELECTRICITE DE FRANCE) SA	Sent Correspondence	Climate Change	Dialogue	Non-Exec Director	FRA
ENDESA SA	Sent Correspondence	Climate Change	Dialogue	Non-Exec Director	ESP
ENEL SPA	Sent Correspondence	Climate Change	Dialogue	Non-Exec Director	ITA
ENGIE SA.	Sent Correspondence	Climate Change	Dialogue	Non-Exec Director	FRA
ENI SPA	Sent Correspondence	Climate Change	Dialogue	Non-Exec Director	ITA
EQUINOR ASA	Sent Correspondence	Climate Change	Dialogue	Non-Exec Director	NOR

COMPANY PROGRESS REPORT

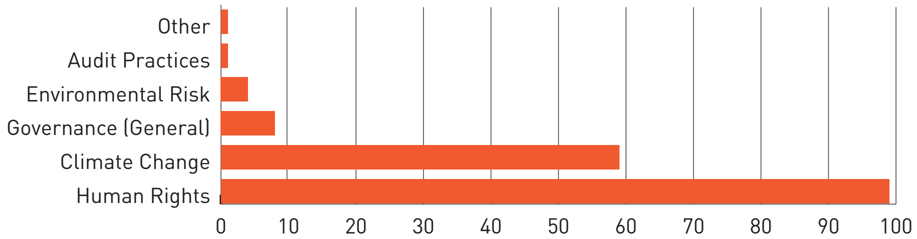
EVOLUTION MINING LTD	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	AUS
EVRAZ PLC	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	GBR
EXPEDIA GROUP INC	Sent Correspondence	Human Rights	Awaiting Response	Chairperson	USA
EXXON MOBIL CORPORATION	Received Correspondence	Climate Change	Dialogue	Specialist Staff	USA
FIAT CHRYSLER AUTOMOBILES N.V.	Sent Correspondence	Climate Change	Dialogue	Non-Exec Director	NLD
FIRST INTERNATIONAL BANK OF ISRAEL	Sent Correspondence	Human Rights	Awaiting Response	Chairperson	ISR
FIRST QUANTUM MINERALS LTD	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	CAN
FORD MOTOR COMPANY	Sent Correspondence	Climate Change	Awaiting Response	Chairperson	USA
FORTESCUE METALS GROUP LTD	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	AUS
FREEPORT MCMORAN INC	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	USA
GANFENG LITHIUM CO., LTD.	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	CHN
GENERAL MILLS INC	Sent Correspondence	Human Rights	Dialogue	Chairperson	USA
GENERAL MOTORS COMPANY	Sent Correspondence	Climate Change	Dialogue	Chairperson	USA
GLENCORE INTERNATIONAL AG	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	CHN
GLENCORE PLC	Meeting	Governance (General)	Small Improvement	Chairperson	JEY
GOLD FIELDS LTD	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	ZAF
GRUPO MEXICO SERVICIOS SA DE CV	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	MEX
HAIER ELECTRONICS GP CO LTD	Sent Correspondence	Environmental Risk	Awaiting Response	Chairperson	HKG
HSBC HOLDINGS PLC	Sent Correspondence	Climate Change	Dialogue	Chairperson	GBR
IBERDROLA SA	Sent Correspondence	Climate Change	Dialogue	Non-Exec Director	ESP
ILUKA RESOURCES LTD	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	AUS
IMPALA PLATINUM HOLDINGS LTD	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	ZAF
INCITEC PIVOT LIMITED	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	AUS
INDEPENDENCE GROUP	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	AUS
INDORAMA VENTURES PCL	Sent Correspondence	Human Rights	Awaiting Response	Chairperson	THA
INDUSTRIAS PENOLES, S.A.B. DE C.V	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	MEX
ISRAEL DISCOUNT BANK LTD	Sent Correspondence	Human Rights	Awaiting Response	Chairperson	ISR
JIANGXI COPPER COMPANY LIMITED	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	CAN
KGHM POLSKA MIEDZ	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	POL
KINROSS GOLD CORP	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	CAN
KIRKLAND LAKE GOLD	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	CAN
KUMBA IRON ORE LTD	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	ZAF
LAFARGEHOLCIM LTD	Received Correspondence	Climate Change	Small Improvement	Non-Exec Director	CHE
LINDE PLC	Sent Correspondence	Climate Change	Dialogue	Non-Exec Director	IRL
LUFTHANSA AG	Sent Correspondence	Climate Change	Dialogue	Non-Exec Director	DEU
LYNAS CORP LTD	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	AUS
MINERAL RESOURCES LTD	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	AUS
MITSUBISHI MATERIALS CORPORATION	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	JPN
MIZRAHI TEFAHOT BANK LTD	Sent Correspondence	Human Rights	Awaiting Response	Chairperson	ISR
MMC NORILSK NICKEL PJSC	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	RUS
MMG LIMITED	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	AUS
MOTOROLA SOLUTIONS INC.	Sent Correspondence	Human Rights	Dialogue	Chairperson	USA
NATIONAL GRID PLC	Meeting	Climate Change	Moderate Improvement	Specialist Staff	GBR
NEWCREST MINING LTD	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	AUS
NEWMONT MINING CORP	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	USA
NEXTERA ENERGY INC	Sent Correspondence	Climate Change	Dialogue	Chairperson	USA
NISSAN MOTOR CO LTD	Sent Correspondence	Climate Change	Awaiting Response	Chairperson	JPN
NORTHERN STAR RESOURCES LTD	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	AUS
NOVOLIPETSK STEEL PJSC	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	RUS
NUTRIEN LTD.	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	CAN
OMV AG	Sent Correspondence	Climate Change	Dialogue	Non-Exec Director	AUT
OROCOBRE LTD	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	AUS
OZ MINERALS LTD	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	AUS
PAN AMERICAN SILVER CORP	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	CAN
PAZ OIL CO LTD	Sent Correspondence	Human Rights	Awaiting Response	Chairperson	ISR
PEUGEOT SA	Sent Correspondence	Climate Change	Dialogue	Non-Exec Director	FRA
PILBARA MINERALS LTD	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	AUS

COMPANY PROGRESS REPORT

POLYMETAL INTERNATIONAL PLC	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	CYP
POLYUS MC	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	RUS
REGIS RESOURCES LTD	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	AUS
RENAULT SA	Sent Correspondence	Climate Change	Dialogue	Non-Exec Director	FRA
REPSOL SA	Sent Correspondence	Climate Change	Dialogue	Non-Exec Director	ESP
RESOLUTE MINING LTD	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	AUS
RIO TINTO GROUP (GBP)	Sent Correspondence	Climate Change	Change in Process	Non-Exec Director	GBR
ROYAL DUTCH SHELL PLC	Sent Correspondence	Climate Change	Dialogue	Non-Exec Director	NLD
SAINSBURY (J) PLC	Sent Correspondence	Environmental Risk	Awaiting Response	Chairperson	GBR
SANDFIRE RESOURCES	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	AUS
SARACEN MINERAL HOLDINGS LTD	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	AUS
SAUDI ARABIAN MINING COMPANY SJSC	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	SAU
SEVERSTAL PJSC	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	RUS
SHAANXI COAL INDUSTRY COMPANY LIMITED	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	CHN
SHANDONG GOLD MINING CO., LTD.	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	CHN
SIBANYE STILLWATER LTD	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	ZAF
SILVER LAKE RESOURCES	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	AUS
SOUTH32	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	AUS
SOUTHERN COPPER CORP	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	USA
ST BARBARA LTD	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	AUS
STANDARD CHARTERED PLC	Meeting	Climate Change	Small Improvement	Chairperson	GBR
SUMITOMO METAL MINING CO LTD	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	JPN
SUMITOMO MITSUI FINANCIAL GROUP	Sent Correspondence	Governance (General)	Dialogue	Chairperson	JPN
TECK RESOURCES LTD	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	CAN
TESLA INC	Sent Correspondence	Climate Change	Awaiting Response	Chairperson	USA
THE MOSAIC COMPANY	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	USA
THYSSENKRUPP AG	Sent Correspondence	Climate Change	Dialogue	Non-Exec Director	DEU
TOTAL SE	Received Correspondence	Climate Change	Moderate Improvement	Exec Director or CEO	FRA
TRIPADVISOR INC.	Sent Correspondence	Human Rights	Awaiting Response	Chairperson	USA
UNIPER SE	Sent Correspondence	Climate Change	Dialogue	Non-Exec Director	USA
UNITED TRACTORS	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	IND
VALE SA	Meeting	Human Rights	Dialogue	Chairperson	BRA
VEDANTA LIMITED	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	IND
VOLKSWAGEN AG	Sent Correspondence	Climate Change	Dialogue	Non-Exec Director	DEU
WESTERN AREAS LTD	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	AUS
YARA INTERNATIONAL	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	NOR
YES BANK	Meeting	Audit Practices	Awaiting Response	Chairperson	IND
ZHEJIANG HUAYOU COBALT	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	CHN
ZHONGJIN GOLD CORP., LTD.	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	CHN
ZIJIN MINING GROUP CO LTD	Sent Correspondence	Human Rights	Dialogue	Exec Director or CEO	CHN

ENGAGEMENT DATA

ENGAGEMENT TOPICS



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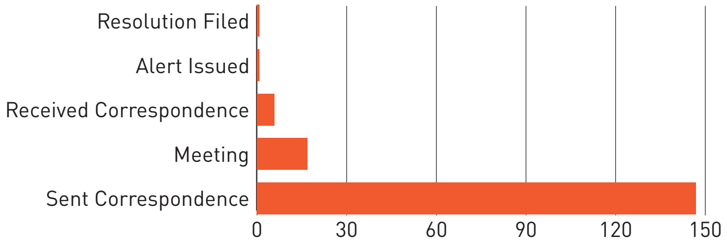
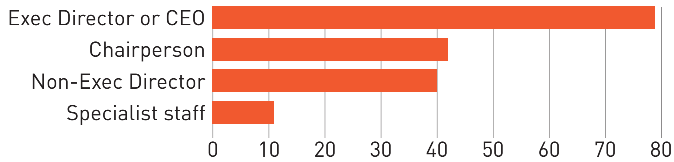
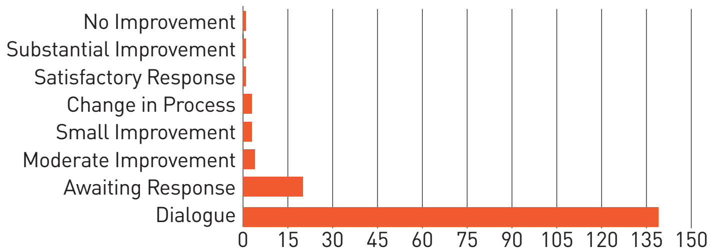


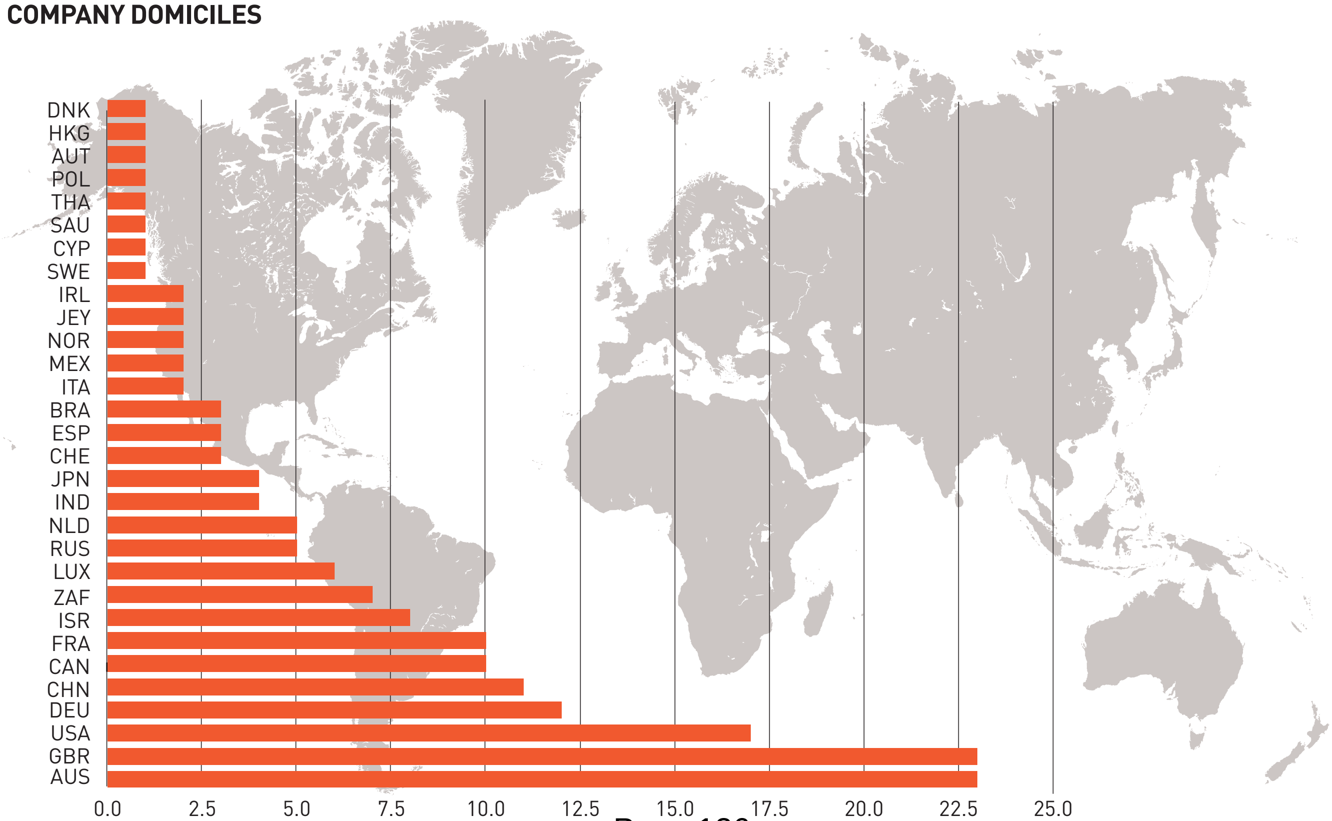
POSITION ENGAGED



MEETING ENGAGEMENT OUTCOMES



COMPANY DOMICILES



LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

Individual Member Funds
Avon Pension Fund
Barking and Dagenham Pension Fund
Barnet Pension Fund
Bedfordshire Pension Fund
Bexley Pension Fund
Brent Pension Fund
Cambridgeshire Pension Fund
Camden Pension Fund
Cardiff & Glamorgan Pension Fund
Cheshire Pension Fund
City of London Corporation Pension Fund
Clwyd Pension Fund (Flintshire CC)
Cornwall Pension Fund
Croydon Pension Fund
Cumbria Pension Fund
Derbyshire Pension Fund
Devon Pension Fund
Dorset Pension Fund
Durham Pension Fund
Dyfed Pension Fund
Ealing Pension Fund
East Riding Pension Fund
East Sussex Pension Fund
Enfield Pension Fund
Environment Agency Pension Fund
Essex Pension Fund
Falkirk Pension Fund
Gloucestershire Pension Fund
Greater Gwent Pension Fund
Greater Manchester Pension Fund
Greenwich Pension Fund
Gwynedd Pension Fund
Hackney Pension Fund
Hammersmith and Fulham Pension Fund
Haringey Pension Fund
Harrow Pension Fund
Havering Pension Fund
Hertfordshire Pension Fund
Hounslow Pension Fund
Islington Pension Fund
Kingston upon Thames Pension Fund
Lambeth Pension Fund
Lancashire County Pension Fund
Leicestershire Pension Fund
Lewisham Pension Fund
Lincolnshire Pension Fund
London Pension Fund Authority
Lothian Pension Fund
Merseyside Pension Fund
Merton Pension Fund
Newham Pension Fund
Norfolk Pension Fund
North East Scotland Pension Fund
North Yorkshire Pension Fund
Northamptonshire Pension Fund
Nottinghamshire Pension Fund
Oxfordshire Pension Fund
Powys Pension Fund
Redbridge Pension Fund
Rhondda Cynon Taf Pension Fund
Shropshire Pension Fund
Somerset Pension Fund
South Yorkshire Pension Authority
Southwark Pension Fund
Staffordshire Pension Fund
Strathclyde Pension Fund
Suffolk Pension Fund
Surrey Pension Fund
Sutton Pension Fund
Swansea Pension Fund
Teesside Pension Fund
Tower Hamlets Pension Fund
Tyne and Wear Pension Fund
Waltham Forest Pension Fund
Wandsworth Borough Council Pension Fund
Warwickshire Pension Fund
West Midlands Pension Fund
West Yorkshire Pension Fund
Westminster Pension Fund
Wiltshire Pension Fund
Worcestershire Pension Fund

Pool Company Members
Border to Coast Pensions Partnership
Brunel Pensions Partnership
LGPS Central
Northern LGPS
London CIV
Wales Pension Partnership

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Agenda Item 8

Report to:	**Pension Committee**
Date of meeting:	**1 March 2021**
By:	**Chief Financial Officer**
Title:	**East Sussex Pension Fund (ESPF) quarterly budget report and 2021/22 Pension Fund business plan and budget**
Purpose:	**This report updates the 2020/21 Quarter 3 budget report and sets out the business plan and budget for 2021/22.**

RECOMMENDATION

The Pension Committee is recommended to:

1) **note the revised forecast 2020/21 outturn position; and**
2) **approve the Business Plan and Budget for 2021/22 as set out in Appendix 1**

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1. Background

1.1 Under the Local Government Pension Scheme (LGPS) Regulations, East Sussex County Council is required to maintain a pension fund, known as East Sussex Pension Fund (ESPF or the Fund), for its employees and other 'scheduled bodies' as defined in the Regulations. The Regulations also empower the Fund to admit employees of other 'defined' bodies (e.g. other public bodies) into the Fund.

1.2 The business plan and budget set out the direction of travel, objectives and targets to be achieved in the management of the Fund, and the Council will be able to perform its role as the administering authority in a structured way. The Pension Committee is charged with meeting the duties of the Council in respect of the Pension Fund.

1.3 As reported at the last meeting, the budget estimates do not incorporate any provision for investment fees earned by the alternative fund managers since these are deducted at source by asset managers.

1.4 **Appendix 1** sets out the proposed 2021/22 business plan and budget for the Fund.

2. Supporting information

2020/21 Investment and Administration Expenses Outturn Report

2.1 In June 2020, the Pension Committee agreed to the revised down budget of £3.730m from £3.795m agreed in March 2020 (2019/20: £4.857m) due to budget adjustments in respect of the Data Improvement Plan and work undertaken by Environmental, Social and Governance (ESG) suppliers, PIRC and EIRIS.

2.2 The forecast outturn for 2020/21 is £5.895m, against a budget of £3.730m resulting in an overspend of £2.165m, an increase of £1.154m from the outturn position reported at the last meeting. The 2020/21 projected outturn against line items is shown at Table 3 in Para. 2.8 below. Table 3 also shows the budgeted expenditure and actual spend to Quarter 3.

2.3 The overspend, in the main relates to the expected costs associated with bringing the administration service back under sovereign control, details can be seen in paragraph 2.8 and table 2. Other large movements to the forecast are set out in Table 1 below and movements detailed in Para. 2.4 to 2.7. The other lines items variation is not provided in detail as the movement from budget to forecast was reported in prior quarters and mostly results from investment management fees that now directly invoiced and not deducted at source.

Table 1

	2020/21 Budget	2020/21 Forecast Outturn November	Variance from last reported position	Variance to Budget
Staffing - Para 2.4	385	485	93	100
Custody - Para 2.5	150	67	(33)	(83)
Legal costs - Para 2.6	115	187	72	72
Actuarial - Para 2.7	250	323	73	73
Pensions Administration - Para 2.8	1,080	2,069	989	989
Other line items – minor variations	1,750	2,764	(40)	1,014
Total	**3,730**	**5,895**	**1,154**	**2,165**

2.4 Since the last report the Fund has been able to work to provide more up to date figures on the staffing costs for the new structure. This has resulted in an increase of £93,000 from the last report. This includes £50,000 for the costs of recruitment.

2.5 The Custodian forecast has been reduced to be in line with the activity that they currently do for the Fund and anticipated increased costs based on the new equity structure. The underspend on this item has increased by £33,000.

2.6 The external legal fee costs have been increased to cover the additional work that the Fund commissioned whilst the resources of the Fund were depleted during the summer as well as to complete significant due diligence in relation to the new investments made through the year to ensure the fund was well protected. This overspend on this item is £72,000 for an initial budget of £115,000.

2.7 The actuary's fees have been increased to £309,000 to bring the forecast in line with the experience of the fee levels that have been incurred for the first 3 quarters along with a reduction in the amount that we are expecting to recover from employers as the documentation is not in place to charge these costs. This has resulted in an overspend of £73,000.

2.8 Arrangements around the Pension Administration Team (PAT) being brought back under sovereign control have started to clarify costs, which were previously incurred by the Surrey Shared Service within Orbis. There are still some elements of the final budget requirement to be worked through, however, it is estimated that the cost for the administration will be £2.069m, which is £989m more than the budget of £1.080m. The original budget was based on previous Orbis recharges to the ESPF for the PAT. It is anticipated the Orbis recharge will be £200,000 higher than the previous budget, in addition the Fund now has costs of £360,000 for the staff that were part of the Transfer of Undertakings (Protection of Employment) Regulations (TUPE) to East Sussex. The Fund is also incurring a number of project costs associated with the dissolution from Orbis, such as the data migration project. In addition, there are other direct costs, such as employer portal costs and the roll out of new agile working packs to the new staff through TUPE or establishment expansion. There will also be further costs for i-Connect and other projects undertaken. Budgeting for Pensions Administration has been limited to date, however, as Pensions Administration comes further under sovereign control the transparency of costs will increase. Table 2 shows the basis for the revised forecast of £2.069m.

Table 2 Pensions Administration Forecast 2020/21

Line item	2020/21 Forecast Outturn, February £000	One off or ongoing details
Orbis Business Operations Support services	1,077	Last year of Orbis contract, 2021/22 budget replaces this with ongoing staffing and software licence costs
PAT staffing, post TUPE	360	Direct Staff costs December 2020 to March 2021 as a result of TUPE
One off Data migration costs	75	One off costs, ESCC share to replicate Altair system
Systems and licences	323	Altair BAU support, Employer website, i-Connect
IT equipment	77	One off IT associated costs for data migration including new servers and equipment for staff
Consultancy and project costs	150	Mostly one off projects, including GMP reconciliation, Mortality screening, licence for data access, address tracing
Other general expenditure	7	
Pensions Administration total forecast line	**2,069**	

Table 3 2020/21 Outturn Report Q3

2019/20 Outturn £000	Item	2020/21 Budget £000	2020/21 Actuals to December £000	2020/21 Forecast Outturn November £000	2020/21 Forecast Outturn February £000	Variance to the last reported Forecast £000
	Pension Fund Oversight and Governance					
345	Actuarial Fund Work	250	245	250	309	59
97	Actuarial Employer Work	150	61	150	90	(60)
(97)	Employer reimbursement	(150)	(20)	(150)	(76)	74
88	Good Governance Program	47	22	47	25	(22)
75	Data Improvement Program	100	40	40	40	-
8	Independent Pension Board Chair	5	9	13	12	(1)
307	Fund Officers*	385	376	392	435	43
	Recruitment Costs	-	-	-	50	50
30	External Audit – Grant Thornton	26	24	30	30	-
-	Democratic Services Support	-	-	18	22	4
17	Internal Audit*	19	28	37	37	-
119	Legal Fees	115	140	115	187	72
11	Subscriptions and other Expenses	70	59	70	96	26
1,000	**Sub Total**	**1,017**	**984**	**1,012**	**1,257**	**245**
	Investment activities					
114	Investment Consultant	120	157	200	182	(18)
-	PIRC ESG Report	11	11	11	11	-
-	EIRIS Carbon Report	24	25	25	25	-
11	Independent Advisor Basic	12	9	12	12	-
5	Independent Advisor Project work	8	5	16	16	-
54	Custodian	150	52	100	67	(33)

2019/20 Outturn £000	Item	2020/21 Budget £000	2020/21 Actuals to December £000	2020/21 Forecast Outturn November £000	2020/21 Forecast Outturn February £000	Variance to the last reported Forecast £000
3,003	Investment Manager Fee Invoices	1,200	1,311	2,167	2,167	-
3,187	**Sub Total**	**1,525**	**1,570**	**2,531**	**2,480**	**(51)**
	ACCESS					
67	ACCESS Support Unit	98	98	98	88	(10)
(3)	Fund Officer Time Rebates	(20)	(2)	(10)	(2)	8
64	**Sub Total**	**78**	**96**	**88**	**86**	**(2)**
	Pension Board/Committee Training:					
-	Training Costs	30	1	30	3	(27)
-	**Sub Total**	**30**	**1**	**30**	**3**	**(27)**
1,106	**Pension Administration*:**	**1,080**	**1,211**	**1,080**	**2,069**	**989**
5,357		**3,730**	**3,862**	**4,741**	**5,895**	**1,154**

* These costs are invoiced to the Fund from ESCC and Orbis currently this is done annually but we are working with the finance officer for ESCC and Orbis to do this quarterly going forward. We have been provided information from ESCC for these costs up to the 31 December 2020

2021/22 Business plan and budget

2.9 It is anticipated that 2021/22 will see some key activities within the following themes:

- Pension Fund Oversight and Governance activities: Fund/Employer actuarial work, Fund external legal advice, Pension Fund Annual Report and Accounts, External/Internal audit work, Achievement of the Statutory Annual Benefit Statement, Implementation of McCloud provisions, Public Sector Exit Payments, Review of Academies, Employer covenant reviews and final implementation of the ill health insurance cover for employers.
- Investment activities: Review investment strategy, develop the Fund's ESG credentials, UK Stewardship Code 2020, Principals of Responsible Investment, review and implement any agreed changes to the Fund's credit structure, assistance with annual accounts completion, Investment Governance, Investment Pooling, Cost Transparency, Cost Management, Strategic ESG Repositioning.
- ACCESS activities: ACCESS support unit (ASU), Actively managed listed assets, Alternative/ non-listed assets, alternative / non listed assets, passive assets, Governance.
- Employer engagement activities: i-Connect implementation, contribution monitoring, communications strategy
- Pension Board/Committee Training: Implementation of the agreed training strategy for the Board and Committee, Provision of 2 Investment Governance/Strategy days, Attendance at third party provided LGPS related training, Breaches, Good Governance.
- Pension Administration: Implementation of the sovereign pensions administration service, Maintaining Member Data, Data Improvement Programme, Annual Benefit Statement (ABS) Compliance, McCloud working group.

2.10 Each theme within the business plan includes milestones planned for the year. The strategic nature of the Fund's objectives means that a number of the 2021/22 milestones build on work previously undertaken and will in turn provide the foundation for further milestones in subsequent years.

2.11 A draft budget totalling £7.155m (£3.730m 2020/21) to support the business plan is set out in the **Appendix 1**.

2.12 The budget is significantly higher in 2021/22 than that reported through 2020/21 is partially due to increased transparency of costs that were previously recharged to the Fund by ESCC or Orbis. In addition, the increased establishment for the Pension fund and under-resourcing in 2020/21 will have a significant impact as do a number of projects to improve data and help bring the service back to a high standard of working throughout 2021/22.

2.13 The draft budget, set out in the Appendix 1, for its consideration and approval.

3. Conclusion and reasons for recommendation

3.1 The Fund is required to maintain an annual business plan and budget to ensure that it can fulfil its duties in the management of the Fund. The Business Plan sets out the themes of work for the Fund and the work plan details specific areas of work required to meet these. The Budget sets out the believe costs associated with delivering the Fund's Business Plan. The Pension Committee is recommended to note the revised forecast 2020/21 outturn position; and approve the Business Plan and Budget for 2021/22

IAN GUTSELL
Chief Finance Officer

Contact Officer:	Sian Kunert, Head of Pensions
Tel. No.	01273 337177
Email:	Sian.kunert@eastsussex.gov.uk

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East Sussex Pension Fund

2021/22

Business Plan & Budget

1. Business Plan

1.1 It is anticipated that 2021/22 will see some key activities within the following themes:

- **Pension Fund Oversight and Governance activities:** Fund/Employer actuarial work, Fund external legal advice, Pension Fund Annual Report and Accounts, External/Internal audit work, Achievement of the Statutory Annual Benefit Statement, Implementation of McCloud provisions, Public Sector Exit Payments, Review of Academies, Employer covenant reviews and final implementation of the ill health insurance cover for employers.

- **Investment activities:** Review investment strategy, develop the Fund's Environmental, Social and Governance (ESG) credentials, UK Stewardship Code 2020, Principals of Responsible Investment, review and implement any agreed changes to the Fund's credit structure, assistance with annual accounts completion, Investment Governance, Investment Pooling, Cost Transparency, Cost Management.

- **ACCESS activities:** ACCESS support unit (ASU), Actively managed listed assets, Alternative/ non-listed assets, alternative / non listed assets, passive assets, Governance.

- **Employer engagement activities:** i-Connect implementation, contribution monitoring, communications strategy.

- **Pension Board/Committee Training:** Implementation of the agreed training strategy for the Board and Committee, Provision of 2 Investment Governance/Strategy days, Attendance at third party provided LGPS related training, Breaches, Good Governance.

- **Pension Administration:** Implementation of the sovereign pensions administration service, Maintaining Member Data, Data Improvement Programme, Annual Benefit Statement (ABS) Compliance and Employer Engagement Planning, McCloud working group.

1.2 Each theme within the business plan includes activities planned for the year. The strategic nature of East Sussex Pension Fund objectives means that a number of the 2021/22 activities build on work previously undertaken and will in turn provide the foundation for further milestones in subsequent years.

1.3 On a day to day basis the pension function is led and co-ordinated by the Pension Fund Officers. Pension administration will be a sovereign provision of service and will sit under the Head of Pensions in April 2021 and no longer provided by Orbis Business Operations. The Pension Committee and Board will receive updates on the work plan each quarter.

1.4 A budget totalling **£7,091k** (£3,730k 2020/21) to support the business plan for 2021/22 is detailed below in Table 1:

Table 1 Pension Fund Management Expenses

2019/20 Outturn £000	Item	2020/21 Budget £000	2020/21 Forecast Outturn £000	2021/22 Budget £000
	Pension Fund Staff Costs			
376	Fund Officers[1]	431	591	1,706
-	Recruitment costs	-	50	12
376	**Sub Total**	**431**	**641**	**1,718**
	Pension Fund Oversight and Governance			
345	Actuarial Fund Work	250	309	250
97	Actuarial Employer Work[2]	150	90	100
(97)	Employer reimbursement	(150)	(76)	(100)
-	Training Costs	30	3	10
30	External Audit – Grant Thornton	26	30	30
17	East Sussex County Council Recharges[3]	19	217	286
119	Legal Fees	115	187	165
182	Subscriptions and Other Expenses	222	173	72
693	**Sub Total**	**662**	**933**	**813**
	Investment activities			
130	Investment Advice	140	210	192
-	ESG Advice	35	36	25
54	Custodian	150	67	75
64	ACCESS	78	86	93
3,003	Investment Manager Fee Invoices[4]	1,200	2,167	3,313
3,251	**Sub Total**	**1,603**	**2,566**	**3,698**
	Pension Administration[5]			
999	Orbis Business Operations Support Services	934	1,123	-
-	East Sussex County Council Recharges[3]	-	-	237
-	System Services and License	-	398	346
38	Consultancy & Service Providers - Benefits	100	150	100
-	Other Expenses	-	84	243
1,037	**Sub Total**	**1,034**	**1,755**	**926**
5,357	**Total**	**3,730**	**5,895**	**7,155**

[1]This is assuming a full team it is in place
[2]As we are moving away from a valuation year we expect the employer queries to decrease in 2021/22
[3]Staffing on costs have been separated from the direct staffing costs to provided greater clarity on staffing costs.
[4]The Fund has appointed some new external managers as part of a review of the its ESG and equity positioning which has increased the estimated invoiced fees amount for 2021/22.

[5]The Pension Administration team is moving to sovereign control some costs have not been fully agreed a prudent estimate has been applied

Key budget assumptions

1.5 The key budget assumptions are set out below

- ACCESS cost based on the budget set by the ACCESS Joint Committee.
- Manager fees based on invoiced fees only. Fees are based on the assets under management no movement has been included in this figure.
- Assumptions of a 1.5% pay award have been built into the staffing model
- The full budgetary implications for the change from Orbis to East Sussex to the Pension Fund has not been fully costed at this point a reasonable estimate has been made from available information.

1.6 This budget will deliver the key themes detail in table 2 below:

Table 2 Business plan deliverables by key theme

Theme	Tasks	2020/21 activity	Action Update
Fund Oversight and Governance activities	Fund/Employer actuarial work	New Actuary working arrangements and reporting to be implemented Employer accounting reports/Employer requests/ Bulk Transfers calculations Regular meeting attendance / Officer Support Benefits Consultancy and Governance support/Club Vita longevity analysis/	
	Fund external legal advice	LGPS specific legal advice provided by external specialist lawyers.	
	Pension Fund Annual Report and Accounts	Statutory documents produced once a year providing information on the Pension Fund activities over the past year.	
	External audit	External Audit: statutory audit of the 2021/22 Pension Fund accounts.	
	Internal audit	Internal Audit: delivery of the 2021/22 Internal Audit Plan	
	Good Governance	Finalising the recruitment to the new structure put forward by the Good Governance Project to ensure that the Pension Fund has appropriate resources in place to deliver the required governance.	
	Procurements	Strategically important procurement of an Independent Advisor to the Committee	

Theme	Tasks	2020/21 activity	Action Update
	Public Sector Exit payments	The introduction of the £95k cap on exit payments has created a conflict in legislation which needs to be monitored as a resolution is sought.	
	GDPR review	Review of GDPR compliance and assessment of the level of communication from the Fund	
	Policy review	Review of policies to ensure all up to date and on a cycle for regular refresh	
	TPR COP14 compliance	Review of COP14 to ensure compliance to the Pensions Regulator checklist built into the funds practices	
Investment activities	Review investment strategy	Implement any strategic changes agreed at the Q1 2020 equity strategy review. Implement any investments into the Fund's private markets programme. Review the Income generation of the Fund's investments. Review the credit portfolios of the Fund. Discuss strategy at the 2 strategy day meetings.	
	Develop the Fund's ESG credentials	Consider requirements under the UK Stewardship Code with a view to the Fund becoming a signatory. Complete reporting of Fund Activities to PRI as part of requirements of being a signatory. Undertake a review of the ESG credentials of all managers and develop appropriate analytic metrics to monitor the Fund.	

Theme	Tasks	2020/21 activity	Action Update
	Assistance with annual accounts completion	Collate quarterly analysis of fossil fuel exposure and voting & engagement records. Prepare the usual information for the Report & Accounts, including performance and private markets summary	
ACCESS	ACCESS Support Unit Actively managed listed assets Alternative / non listed assets Passive assets	The implementation of the increased ASU will be completed. Launch of Tranche 5b Launch of Tranche 6 Determine, approval & launch of Tranche 7 Ensure sub-funds meet Link's due diligence requirements and ACCESS Authorities' Value for Money criteria (including transition activity). Manager search and selection activity where required. Work with Link to submit applications to the FCA for approval of the set-up of subfunds. Launch. A process for transitioning between sub-funds is established. Scheduled BAU evaluation Implementation of approach to pool illiquid assets. Following work undertaken in 2020/21 to consider the needs and implementation options. Ongoing monitoring of assets managed on a passive basis.	

Theme	Tasks	2020/21 activity	Action Update
	Governance	This follows the migration of passive assets held by ACCESS Authorities to UBS in early 2018. Meetings and oversight Operational protocols Engagement with HM Government Joint Polices & guidelines.	
Employer Engagement	i-Connect implementation Contribution monitoring Communications strategy	To roll out the i-Connect employer interface module to all employers to simplify data submission and validation. To develop a robust contribution monitoring, reconciliation in conjunction with the roll out of i-Connect. To develop and implement a communication strategy so that we are proactive in providing information to employers and members.	
Pension Board/Committee Training	Implementation of training strategy 2 Investment Strategy days Third party training	Provision of speakers to deliver East Sussex Pension Fund led training. Commissioning work to examine the current investment strategy Identifying useful third party provided session that will be useful for ESPF to attend.	
Pension Administration	Implementation of the sovereign pensions administration service	Overseeing the disaggregation of pension administration services from Orbis	

Theme	Tasks	2020/21 activity	Action Update
	Maintaining Member Data	Day to day imputing of data into the pension system to ensure the records are up to date.	
	Data Improvement Programme	Identifying areas where data within the pension system can be improved and developing plan of redress.	
	Annual Benefit Statement (ABS) Compliance,	Annual Benefit Statements need to be produced by statute. Ensuring the data is up to date to be able to provide an accurate statement to Members.	
	McCloud working group	Group to work through the redress of benefit calculations in relation to the outcome of the McCloud case and guidance from Government.	

1.7 A separate risk register included measures the risk of the strategic objectives and milestones not being achieved.

2. Significant Workstreams Analysed by Stream

2.1 There are 5 significant work streams against various thematic headings with in the budget these are:

1. **Pension Fund Oversight and Governance activities:**
    - Governance and compliance reviews
    - Data Improvement
    - Communications implementation

2. **Investment activities:**
    - Investment Strategy
    - UK Stewardship Code 2020
    - Principals of Responsible Investment
    - Investment Governance

3. **ACCESS activities:**
    - Sub Fund transition management
    - Investment Governance

4. **Pension Board/Committee Training:**
    - Relevant Training
    - CIPFA Knowledge and Skills Framework

5. **Pension Administration:**
    - Performance Management Group
    - McCloud Work Plan

1. Pension Fund Oversight and Governance activities:

Good Governance Review

In 2019/2020 the Pension Committee commissioned forward looking Good Governance Review, with its primary purpose to support the East Sussex Pension Fund's desire to get ahead of the game and establish the principles of the Scheme Advisory Board's ("SAB") Good Governance Project in the Pension Fund's governance arrangements, in order that it will be compliant with the recommendations expected to follow.

The project lead to a significant number of changes to the fund including a new Pension Fund team structure and revisions to various policies as well as the introduction of a conflicts of interest policy. The work resulting from the good governance review concluded in November 2020, however the pension fund though the expansion of the team and through Internal audit reviews have identified further work that is needed from a governance and compliance perspective. In 2021/22 the fund will undertake a comprehensive review of THE Code of practice 14 to ensure that the fund meets the expectations of compliance of the Pensions Regulator in all areas of fund administration. In addition the fund will reconfirm it is fully compliance on GDPR and that it provides sufficient documentation for members and employers in this area.

Data Improvement

In 2019/20 there were issues in delivering the 2019 Annual Benefit Statements. There was a major project commissioned in 2020 to clear many of the problems and ensure the 2020 ABS process was improved. The 2020 ABS project was a significant success compared to the prior year however there are still a few areas where data can be improved. Data will never be perfect as it is continually moving but the Fund should be aiming for improved Data Scores annually.

The Pensions Regulator (TPR) has set targets of 100% for both common and scheme specific data and the fund saw an improvement in its score in November 2020 resulting from the projects completed to date.

A new data improvement project will begin in 2021 and this will be managed inhouse, however there will be various smaller projects that could be outsourced once the data item has been identified.

One of the main projects planned for 2021/22 is the roll out of i-Connect for employers to submit data monthly. This will enable data to be input into the system monthly and cleansed at point of input rather than requiring significant work from employer and the Pensions Admin team annually.

Communications Implementation

The Fund commissioned a communications review to take place in the last quarter of 2020/21 to report back to Pensions Committee in March with recommendations. The fund will implement the recommendations in line with Pension Committee approval, developing a brand for the Fund and ensuring the fund communicate with members of the fund and employers more effectively. The budget has not yet been updated for this project and ongoing costs while we await approval from the Pensions Committee on the recommendations.

2. Investment activities:

New Investment Strategy

The Investment Strategy is usually reviewed annually and the strategy can be amended through out the year at Pension Committee meetings. The Fund will be focusing on a number of areas in 2021/22 including a review of the remaining passive equity holdings, review of FI and credit, further allocation to Infrastructure cashflows into Private Equity and significant work on ESG.

UK Stewardship Code 2020

This sets high stewardship standards for asset owners and asset managers, and for service providers that support them.

The Code comprises a set of ‘apply and explain’ Principles for asset managers and asset owners, and a separate set of Principles for service providers. The Code does not prescribe a single approach to effective stewardship. Instead, it allows organisations to meet the expectations in a manner that is aligned with their own business model and strategy.

The investment market has changed significantly since the publication of the first UK Stewardship Code. There has been significant growth in investment in assets other than listed equity, such as fixed income bonds, real estate and infrastructure. These investments have different terms, investment periods, rights and responsibilities and signatories will need to consider how to exercise stewardship effectively in these circumstances.

Environmental, particularly climate change, and social factors, in addition to governance, have become material issues for investors to consider when making investment decisions and undertaking stewardship. The Code also recognises that asset owners and asset managers play an important role as guardians of market integrity and in working to minimise systemic risks as well as being stewards of the investments in their portfolios.

When applying the Principles, signatories should consider the following, among other issues:

- the effective application of the UK Corporate Governance Code and other governance codes;
- directors' duties, particularly those matters to which they should have regard under section 172 of the Companies Act 2006;
- capital structure, risk, strategy and performance;
- diversity, remuneration and workforce interests;
- audit quality;
- environmental and social issues, including climate change; and
- compliance with covenants and contracts.

PRI (Principle of Responsible Investment)

The PRI is the world's leading proponent of responsible investment.

It works to understand the investment implications of environmental, social and governance (ESG) factors and to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The PRI encourages investors to use responsible investment to enhance returns and better manage risks but does not operate for its own profit; it engages with global policymakers but is not associated with any government; it is supported by, but not part of, the United Nations.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating ESG issues into investment practice.

The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system. They have attracted a global signatory base representing a majority of the world's professionally managed investments.

3. ACCESS activities:

Sub Fund transition management

As at the end of December 2020 there is £31.119 billion of investments pooled within ACCESS. The total number of actively managed listed asset sub-funds created by link is currently 22 with another 6 planned to launch over the next year. There are 2 more sub-funds being considered by ACCESS as potentially viable in the pool.

Once this has been completed ACCESS will need to review its sub-fund offering to ensure it enables investing authorities to implement their investment strategies. Consider requests from investing authorities around additional sub-fund offerings.

ACCESS will need to undertake a review of its arrangements for the operator of its ACS to determine how it wants to proceed at the end of the current contract.

The ACCESS Support Unit and Link are continuing to work to find a solution to enable investing authorities to transition investments from one sub-fund to another, within Link's ACS structure. Currently this is not possible within the sub-fund structure as the trading costs associated with investing and dis-investing would be shared by any other investors in the sub-funds.

Discussions have taken place with Link with a view to create a number of specific 'transition' sub-funds, that would enable transitions within the ACS and ensure that the costs of transition remain with the authority moving their investment. Link have provided an initial quote for the cost of 'transition' sub-funds.

It remains an option for authorities invested in a sub-fund to transition in cash – by disinvesting from one sub-fund and using the cash to invest in another, or transition outside the ACS – authorities can disinvest from a sub-fund 'in-specie' and undertake a transition in an account held with their own custodian, using a specialist transition manager, and then invest 'in-specie' to the new sub-fund.

Investment Governance

The governance arrangements around ACCESS is currently being reviewed with updates to the Inter Authority Agreement being completed in 2020/21 and Governance manual being updated to reflect current practices. Once this have been agreed the structure of the Officer groups will be reviewed to ensure that the appropriate decisions are being made at the appropriate level with the necessary level of delegation.

4. Pension Board/Committee Training:

Relevant Training

Relevant training is required to aid the Committee members in performing and developing personally in their individual roles and to equip them with the necessary skills and knowledge to act effectively in line with their responsibilities. The Committee and Board are required to improve knowledge and skills in all the relevant areas of activity for the purposes of enabling members and representatives to properly exercise their functions as a member of the ESPF.

The training necessary to achieve the required knowledge and skills is set out in the training plan. The strategic objectives relating to knowledge and skills are to:

- ensure the Fund is managed and its services delivered by people who have the appropriate knowledge and expertise;
- ensure the Fund is effectively governed and administered;
- ensure decisions are robust, are well founded and comply with regulatory requirements or guidance from the Pensions Regulator, the Scheme Advisory Board and the Secretary of State for Communities and Local Government.

To achieve these objectives – Members of the Committee require an understanding of:

- their responsibilities as delegated to them by East Sussex County Council as an administering authority of an LGPS fund;
- the fundamental requirements relating to pension fund investments;
- the operation and administration of the Fund;
- the principles involved in controlling and monitoring the funding level; and
- effective decision making in the management of the Fund.

To assist in achieving these objectives, the Fund will aim for full compliance with the CIPFA Knowledge and Skills Framework and the Pension Regulator's Code of Practice to meet the skill set required. Attention will also be given to the guidance issued by the Scheme Advisory Board, the Pensions Regulator, Local Government Association and guidance issued by the Secretary of State. So far as is possible, targeted training will also be provided that is timely and directly relevant to the Board and Committee's activities as set out in the Fund's business plan.

Addressing the ESPF Business Plan

It is vital that training is relevant to any skills gap or business need and training should be delivered in a manner that fits with the business plan. The training plan will therefore be regularly reviewed to ensure that training will be delivered where necessary to meet immediate needs to fill knowledge gaps.

Consideration will be given to various training resources available in delivering training to the Board and Committee. These may include but are not restricted to training delivery:

- In-house
- Self-improvement and familiarisation with regulations and documents
- The Pension Regulator's e-learning programme
- Attending courses, seminars and external events
- Internally developed training days and pre/post meeting sessions
- Regular updates from officers and/or advisers
- Circulated reading material
- Desktop / work-based training
- Attending courses, seminars and external events
- Internally developed sessions
- Shared training with other funds or frameworks
- Circulated reading material

The Fund will commit to providing a minimum of 4 formal training sessions per year for Board and Committee members inline with the approved annual training plan

Acquiring, Reviewing and Updating Knowledge and Understanding

Committee members should commit sufficient time in their learning and development and be aware of their responsibilities immediately they take up their position. The Fund will therefore provide induction training for all new Committee members.

Flexibility

It is recognised that a rigid training plan can frustrate knowledge attainment when too inflexible to reflect a change in pension law or new responsibilities required of Board members. Learning programmes will therefore be flexible to deliver the appropriate level of detail required.

The Pensions Regulator E-learning toolkit

The Regulator has developed an on-line tool designed to help those running public service schemes to understand the governance and administration requirements in the public service schemes code of practice. The toolkit is an easy to use resource and covers 7 short modules. These are:

- Conflicts of Interests;
- 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.

These modules are designed to apply to all public service schemes and are not LGPS specific. The toolkit is designed specifically with pension board members in mind, however in the view of Fund the material covered is of equal relevance to members of the Committee. Completion of the toolkit will not in itself provide Committee and Board members with all the information they require to fulfil their knowledge and skills obligations. It does however provide a good grounding in some general areas.

The intention is that the e-learning modules will be completed collectively by the members of the committee as part of their regular meetings. This allows answers to be discussed among the group and ensures that all members present will benefit from the training. As with other training sessions, the e-learning sessions will only be undertaken when the committee is quorate.

Risk

Risk Management

The compliance and delivery of training is at risk in the event of –

- frequent changes in membership of the Committee;
- resources not being available;
- poor standards of training;
- inappropriate training plans.

These risks will be monitored by officers within the scope of this training strategy and be reported where appropriate.

Budget

Training is an essential requirement of a well-run pension fund. A training budget will be agreed as part of the business plan and costs will be met from the Fund.

5. Pension Administration:

Pension Administration Transfer

The decision was taken for the pension administration team to be moved back to sovereign control from the Orbis partnership. Work has been undertaken for the service to have fully transferred by 1 April 2021.

Once the team is fully transferred there will be a program to shape the service to meet the needs of the East Sussex Pension Fund. Work will be taking place throughout the year to improve the service that is provided to members employers and other stakeholders. This will ensure that the Pension Fund is well place to deal with the other issues that it will face throughout the year.

McCloud Work plan

The Fund is part of the Local Government Pension Scheme (LGPS), a public service scheme for local government and associated workers. Following the Hutton review of public service pension schemes, LGPS benefits accruing from 1 April 2014 were changed from 1/60ths final salary to 1/49ths Career Average Revalued Earnings (CARE). Retirement ages were also increased from age 65 to State Pension Age (SPA), although many members have protected retirement ages lower than 65. CARE benefits effectively lose the link to salary growth and are instead revalued each year in line with Consumer Price Index (CPI) inflation. As part of a package of “transitional protections” accompanying the change, members who were within 10 years of the 60ths scheme normal retirement age at 1 April 2012 were protected by an ‘underpin’. The underpin ensures that the benefit received by eligible members for service from 1 April 2014 was the greater of 1/60ths final salary or 1/49ths CARE.

Two Court of Appeal judgements in December 2018 (which the Supreme Court denied the Government’s leave to appeal against in June 2019), collectively referred to here as the “McCloud” judgement, ruled that similar transitional protections in the Firefighters’ and Judges’ pension schemes amounted to unlawful discrimination against younger members (and indirectly against women and ethnic minorities). A written ministerial statement confirmed that the principle applies to these transitional protections in the LGPS and other public service schemes.

It is, however, very unclear what form the remedy will take in the LGPS i.e. how benefits will change to remove the discriminatory protections and what would be done to compensate members for any adverse impact on service from 2014 to that point. In essence, therefore, McCloud will have a retrospective effect on current active members’ benefits, as well as future service benefit accrual.

Report to:	**Pension Committee**
Date of meeting:	**1 March 2021**
By:	**Chief Financial Officer**
Title:	**Communications Review Report**
Purpose:	**This report informs the Pension Committee on the outcomes of the Communications review completed by the Head of Communications and Marketing**

RECOMMENDATION

The Pension Committee is recommended to:

1) **Consider the recommendations laid out in the Communications Review**
2) **Note the feedback from Pension Board in relation to this paper;**
3) **Approve the recruitment of a designated Pension Fund Communications Manager;**
4) **Approve the creation of a Correspondence Policy; and**
5) **Endorse the establishment of a Pension Board Communications Working Group**

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1. Background

1.1 In November 2020 the East Sussex Pension Fund (ESPF or the Fund) instructed the East Sussex County Council's Head of Communications and Marketing, to carry out a detailed review of the Fund's Communications. The review was commissioned to advise on recommendations in relation to how the Fund communicates with its members, employers and outside interested parties. The scope of the review included how to better engage, how to be clear and consistent and how may the Fund go about implementing these recommendations. A scope for this piece of work was included in the November Pension Board and Pension Committee papers.

2. Supporting information

2.1 The detailed results and recommendations of the Communications review can be found in **Appendix 1**.

2.2 The report outlines a number of recommendations as result of evidence collected from the Fund which have been summarised in the table 1 below.

Table 1

Topic	**Recommendation**
Strategic Objectives and messaging	Draft and agree a single-sentence statement that summarises the Fund's objectives to act as a thread running through ESPF communications. Draft and publish short statements to describe the strategy for key areas of operation, including investment,

	Environmental, Social and Governance (ESG), offer to employers. Make these easy to find
Branding	Set a process and timescale for creating and implementing a new brand and allocate resources accordingly.
Website	Make links to My Pension portal much more prominent on the website, on all main pages. Site content should make it clearer what tasks can be accomplished on the My Pension portal and link to those tasks from the relevant section. Update the site regularly, for example with newsletters and other fresh content. If you don't know what content will tempt users to visit the site, conduct a survey or workshop with some users to find out their needs. Keep using other channels, like newsletters, to drive traffic to the portal and the website. Track events like file downloads in Google Analytics. Better still, convert them to forms that users can fill in online. This is quicker, cheaper and more effective than using paper-based forms. Find out what most popular tasks on the website are (these could be to find information or to complete a task like filling in a form) – put these tasks clearly on the homepage in order of popularity.
Digital newsletter	Buy an email newsletter tool to use as the primary means of sharing news with different audiences, tracking engagement and giving a consistent look and feel to messages for stakeholders.
Content of messaging	Consider drawing up a content strategy to outline the types and balance of content likely to be effective and a content plan to plan and sequence messages, updates and events across the year. Pilot more 'lifestyle' oriented content and track its popularity. Involve designers and writers in planning and producing all major documents, such as the annual report, so that they can help structure them and use plain English and graphics to make them as accessible as possible to a general reader.
News and media handling	Actively publicise action and decisions by the committee, especially when they involve significant developments in the Fund's ESG policy. Agree and publish a clear correspondence policy which set out how the fund will respond to public queries, recognising its limited resources. Capture a clear and updated narrative about the Fund's policy on fossil fuels and other ethical investment issues which is prominent

	in all communications. Refer campaigners as well as members and employers to factual sources of information and keep these regularly updated to reflect the progress made.
Engagement	Design and run a member survey within the first weeks of the new fund administration to help understand communications need and effect. Identify a small number of communication metrics (probably no more than three initially) for regular evaluation.

2.3 In addition to recommendations above, the review set out on page 17 of **Appendix 1** a timeline for the delivery of the key priorities; this is duplicated in table 2 below:

Table 2 Priorities

Immediate action
Draft, agree and publish a single sentence which captures the fund's purpose.
Draft, agree and publish short position statements on key areas of business, including policy and action on fossil fuel investment.
Scope and resource a brand review
Procure a newsletter software as the main tool for all updates to members, employers and other stakeholders *(ensuring compatibility with Altair and data security)*
Design and initiate a survey of members
Prepare 'launch' communication: • First post-April newsletters to announce the fund's new arrangements. • Redesign of portal (already in hand). • Signpost correspondence policy in conjunction with online positioning statements • Make essential website updates
Within six months
Carry out brand review
Analyse member survey
Agree an initial selection of communications metrics and targets *(align with helpdesk data)*
Develop forward content plan (frequency, formats and types of content)
Within 12 months
Implement revised brand (including redevelopment and updates of website and portal, updates to newsletters and publications)
Trial and evaluate newer formats of communication (e.g. 'lifestyle' content in newsletters, video webinars for members)

Carry out employer survey
Evaluate communications metrics and adjust communications activity accordingly.

Correspondence Policy

2.4 One of the areas raised within the Communications review on pages 14 and 15 of Appendix 1 is the scale and impact of questions and challenges to the Fund and how these are handled. The report only touches on some of the specific methods of correspondence and communications relating to news, media, controversy campaigns and questions the Fund receives.

2.5 There are number of routes in which members of the Fund, employers, residents and other interested parties engage with the Fund and this is not currently coordinated.

2.6 Within appendix 1 it is highlighted that in the past 24 months the press office at East Sussex County Council has dealt with 18 media enquiries relating to the Fund and captured more than 70 pieces of media coverage.

2.7 At the last four Full Council meetings, covering the period July 2020 to February 2021, there were approximately 700 questions from members of the public relating to questions on climate change and human rights issues. Many of the questions are repeats of the same question. However, in a number of cases the questions were very detailed asking specific questions about strategy or opinions, in some cases asking for ethical stances. Due to the parameters set around the process of Full Council questions and the technical nature of some of the questions it is difficult for the Fund to fully address some of the concerns of ESPF members. This is due to the impact on resources and the very short turnaround of 3.5 days to publish responses as the Fund will often need to liaise with external fund managers and other sources to fully respond. It is important that the Fund properly answers the question that has been raised.

2.8 There are a number of websites that automatically send emails to East Sussex Councillors if someone enters their name in response to information about the Pension Fund. Often these websites are outdated with their information about the Fund and raise undue concern by Pension Fund members. In many cases there is no method for the Fund to respond directly to the member as emails are sent from generic system emails. Officers were passed eight from one site within two months where it is unknown if the sender receives the response as there are no direct contact details. The Fund also received four from a secondary site over the Christmas period, which does provide direct email addresses to respond. Often the Fund receives no comment or follow up questions to these responses.

2.9 In addition to the routes above, the Fund has received a small number of letters from employers within the Fund around investment activity; Freedom of Information (FOI) requests relating to investment positions in certain asset classes and sectors; engagement through social media directly with Councillors; emails directly to Councillors; and cards and postcards posted directly to Councillors' home addresses.

2.10 Due to varying sources of communications to the Fund there is currently no recording method of questions or correspondence policy to respond within certain timeframes. So, in line with the recommendation in the review, officers support the recommendation for a Correspondence Policy to be put in place for the Fund. It is important that response timeframes are achievable within the resources of the Fund, bearing in mind the workload of the Fund. In addition, persistent questions that have previously been answered or continual follow up questions need to be managed effectively. The Correspondence Policy will cover the ways in which questions can be raised to the ESPF and how the Fund will respond.

2.11 In producing a Correspondence Policy, the Fund will need to consider the most effective point of contact, possibly through a designated email address, and ensure there is a resource to monitor, log and respond to all queries. The Fund will need to consider if this should and could fall within the helpdesk remit or other area of the Fund service provision.

Potential costs and resources

2.12 The review suggests three alternative staffing models to implement the recommendations and provide effective communications throughout the Fund.

- Option A would be to recruit a permanent communications manager
- Option B existing officers commission all communications needed
- Option C recruit a temporary communications manager to oversee year one and existing staff take over delivery in future years.

2.13 Fund officers will recommend to Pension Committee that Option A is considered due to the significant amount of ongoing communications work required in the team and to ensure the Fund's communications are kept up to date once the first stage work is implemented.

2.14 In addition to staffing costs there will be other financial implications to enable to the work to be completed within expected standard including some software and design costs. Estimates on various costs are include on page 19 of Appendix 1. Costs have not yet been built into the Pension Fund Budget while we await approval from Pension Committee.

Communications Working Group

2.15 At the last meeting of the Pension Board on 15th February, the Board agreed to establish a Working Group to review and comment on draft communications produced by the Pensions Team in response to the Communication Review, including questionnaires to Fund Members, webpages, branding, newsletters, and any information to be sent to Fund Members. This will ensure that representatives of employers and employees of the Fund will have had the opportunity to review communications and have input into their development before they are published.

3. Conclusion and reasons for recommendation

3.1 The Pension Committee is asked to approve the implementation of recommendations within the communications review, including the recruitment of a Communications manager to lead on this project and ensure the fund continually provides members with an expected level of service through communications. The Committee is also asked to approve the creation of a Correspondence policy to ensure all correspondence is dealt with consistently and within an agreed standard. The Committee is advised to note the costs associated with this project are not built within the budget, if approved the budget will be revised next quarter.

3.2 The Committee is also recommended to endorse the Pension Board's Communications Working Group.

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East Sussex Pension Fund

East Sussex Pension Fund – communications review

Summary

Moving the communications for the East Sussex Pension Fund 'in-house' offers the chance to refresh the conversation with members, pensioners and employers, to target communications more effectively and to further enhance the fund's public standing.

The first task of pension communication is to help the fund meet its legal obligations and its duty to give timely, accurate and useful information to everyone who benefits from its investments. These goals are more likely to be achieved by developing communication which feels relevant and engaging and is also clear and easy to navigate. Communicating effectively and efficiently should benefit not only everyone with a stake in the pension fund but also those who administer it, given the pressure on their time and resources.

This review therefore tries to suggest both what might be considered good communications practice for this type of business and the structures (staffing, resources, platforms, and timelines) to enable it. It assumes resources will be limited and that the development of communication will be incremental. There is an understanding that the fund's overall aims are not about growth and recruitment but rather about improving existing operations.

The first section of this report is a review of current areas of communication and, where appropriate, recommendations of where they might be developed. The second section suggests an approach and structure for delivery.

As a broad summary, the suggested key themes for development of communications, are:

1. **Establish a clear brand for the East Sussex Pension Fund to give it a distinct identity to help build the relationship with members, employers, and other stakeholders.**
   A distinctive identity will capture what people value about the ESPF and express that through tone, language, visuals and style of communication. This identity might draw on the key themes of security (the advantages of a defined benefit scheme) and lifestyle (how regular engagement with your pension plan shapes your quality of life). The fund should invest effort and resources in developing its brand to dictate its design and other communications. All main 'badging' should be of ESPF, removing references to Orbis or other local authorities.

2. **Invest in, and integrate, digital communication tools, especially email newsletter software, to manage and target different audiences effectively and help drive self-service.**
   Online transaction, if it's done well, is easier for both customers and for the fund. Buy email

newsletter software to manage communications with members and employers which will make it easier to segment approaches and to evaluate success. Make the portal the centre of online activity by giving it much greater prominence on the website. Create online rather than paper forms. Consider greater use of video webinars and other more personalised types of communication.

3. **Tell a strong and clear story about the fund's actions on environmental, social and governance issues.**
   ESPF has a positive story to tell about the work it's doing to respond to climate change and other ESG concerns but this is not very visible. Work should be done to establish a clear and easily found narrative on these issues and to show the momentum behind it. This will help the 'silent majority' of stakeholders understand the fund's position but also help streamline the process of responding to campaigners.

All these suggestions, and others, are explored in more detail in the review below. It also identifies many existing strengths in the current communication which should be retained.

The review is based on analysis of current publications and activity; conversations with pension fund staff and committee members; the survey carried out with employers; and, on observation of communication from other organisations working in the same field.

Part One - Review of current communications

Strategic objectives and messaging

There is no prominent 'pull out' of a mission statement or overall objective on the website or elsewhere in ESPF comms.

Although the website is primarily customer-facing and so deals with the practicalities of pensions, it would still be possible to capture the fund's core objective(s) in a short form which can run like a thread through the site and other forms of communication.

This might feel particularly useful given the increasing focus on balancing performance and security of investment with ethical and social impacts, especially climate change.

There is information about the fund's objectives, but it tends to be buried in documents. For instance, according to the Investment Strategy Statement:

"The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis. This funding position will be reviewed at each triennial actuarial valuation, or more frequently as required."

Perhaps this might be reviewed and distilled into a new sentence or two which sums up the essential purpose of the fund which finds simpler, non-technical language and includes some emphasis on its ESG agenda.

To give an example, the Local Government Pension Fund, uses this phrase:

"The LGPS is a secure, flexible and tax efficient way of making sure you have a decent pension to look forward to in retirement"

ESPF could produce its own simple story in this vein. Perhaps something like:

"The purpose of the fund is to give members a secure and decent pension when they retire by investing wisely and ethically on their behalf and ensuring they have a say in how this is managed."

At the next layer down from this short objective statement, it might be useful to develop slightly longer (circa 150 words) templates covering the other main strategic areas: investment strategy, ESG and/or divestment, relationship with employers etc. These would be a middle layer between the short mission statement and the full strategies such as the Statement of Responsible Investment Principles, the Investment Strategy Statement, etc.

A further issue is that of the relationship and hierarchy with the LGPS. Does the East Sussex Fund intend to position itself as the intermediary/local deliverer of the national scheme and uphold LGPS's brand to members as secure and reassuring? Or does ESPF intend to be the 'primary' brand for customers, with LGPS used more prominently in communications with employers to aid them with professional/technical standards and support?

Recommendation: Draft and agree a single-sentence statement that summarises the fund's objectives to act as a thread running through ESPF communications. Draft and publish short statements to describe the strategy for key areas of operation, including investment, ESG, offer to employers. Make these easy to find (for example, near the website's top layer of navigation and as prominent 'box-outs' in longer documents or reports).

The ESPF brand

The move to in-house administration of the pension fund offers an opportunity to clarify and strengthen the ESPF brand.

There are two main areas where the brand might benefit from review:

Distinctiveness

This is partly about organisational identity. Currently, if a pension member or employer receives a newsletter, they'll see multiple overlapping corporate identities, including Orbis, ESPF, LGPS and several other local authorities in the scheme. Similarly, the pension fund website looks entirely different from the Orbis-branded portal. In future it would be much better to develop and apply a single identity – East Sussex Pension Fund – to all communication. If the connection to LGPS is valuable and reassuring to members/employers then it could be 'nested' one level down from the ESPF brand. For example, key webpages might include a small footer with LGPS logo and text to explain that ESPF is a part of the LGPS scheme.

But distinctiveness also comes from emphasising and embedding what is different about ESPF. What are the features which would make members and employers glad to be a part of it and not a different pension scheme?

For example; the security and stability of a defined benefit scheme, the responsiveness of a fund close to its local membership, the 'family' feeling of people who've all worked in the public sector Whichever of these (or other) sentiments are most resonant with members and employers should shape the branding and communications – visuals, language, tone and content.

Customer-focus

Across the pensions sector, communications with customers has increasingly moved to a more 'lifestyle' model. Large pension providers now tend to try and hold conversations with members that are more personalised, bite-sized, colourful, and pitched at particular topics which might resonate.

For example, newsletters might now lead with messages like 'Dear Jane, here are top six ways to save tax' rather than just 'access your annual statement.' Some providers offer personalised videos which embed your name and financial information from the pension calculator in a simple 60-second visual presentation. Discussion about expectations for retirement involve not just the likely sum of a pension but talk about quality of life, personal priorities, and other 'softer' topics.

If a similar approach is favoured at ESPF it would shape both the tone, form and content of communication, positioning the fund as a 'friend', suggesting more investment in video or 'face to face' webinars with customers and perhaps lending itself to briefer but more frequent contact with stakeholders, rather than biannaul or annual updates alone.

Pension funds cannot give financial advice and must be rigorous about the information they present – but this need not be a block to further developing the brand towards one which feels a little more informal and customer-focussed.

Other thoughts on the current brand is that it incorporates a slightly tired and bland visual style which suggests the 'corporate brochure' (e.g. images of stacks of coins or growing plants) and a relatively muted colour palette (greens tend to be thought of as cool, measured and organic rather than warm and energetic). However, this is largely subjective and no approaches to branding are automatically right or wrong.

To fully refresh the brand, a sample or focus group of active members, pensioners and employers would ideally be consulted to help develop this.

Once the fund has a clear strategy in mind for its brand this should inform the communications 'building-blocks' of tone, visual-style and content mix. This would probably include: colours, logo, imagery and typography; writing style and layout, emphasis on dynamic content (video and online chats/webinars) and levels of personalisation.

There are specialist brand consultancies and agencies who will conduct the entire process for an organisation though the costs can be high. As a lower cost option, a communications manager working with a designer can implement brand changes, although they may not be specialists in the field and the workload is still considerable.

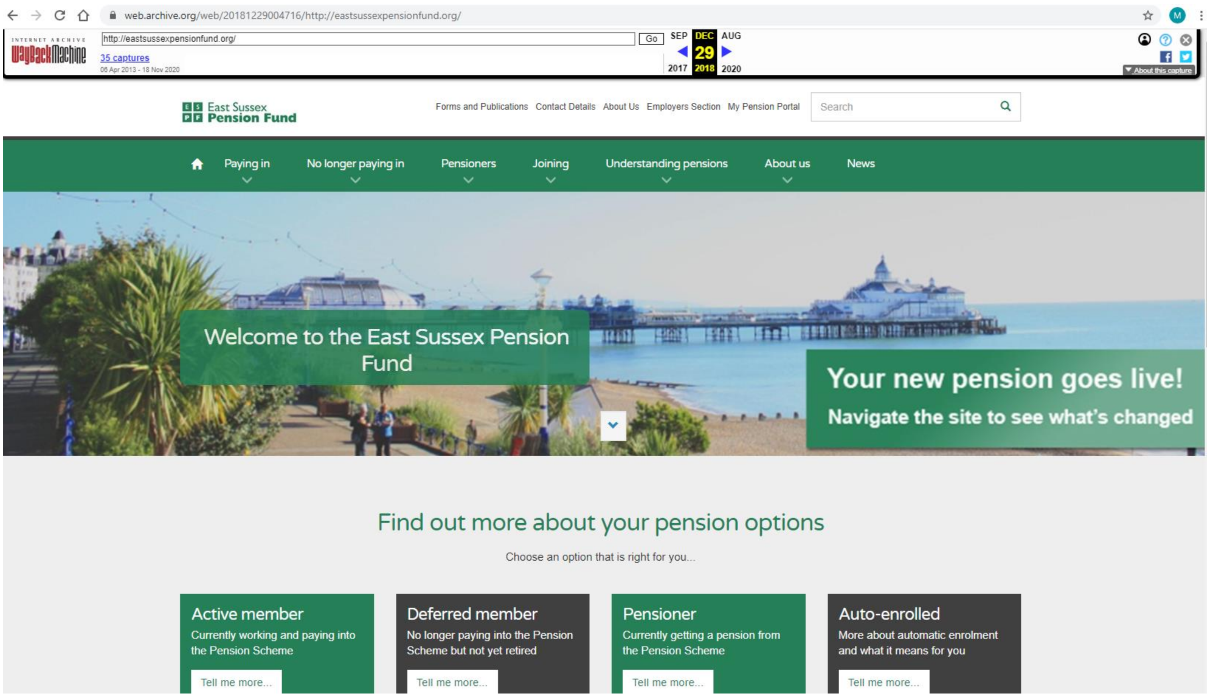
Recommendation: Set a process and timescale for creating and implementing a new brand and allocate resources accordingly.

Website

https://www.eastsussexpensionfund.org/

The site is hosted on a secure domain which is important to build trust with users as well as improve your search engine rating. The domain name is excellent as it reflects the exact name of the organisation. However, a UK-based organisation would normally have a .org.uk address, a .org address normally indicates a US or a world-wide organisation. If there are plans to relaunch the website that could be a golden opportunity to switch to a .org.uk address but it's arguable whether it's worthwhile changing otherwise, especially if there are lots of print materials with the current address.

Design-wise, the site is responsive (resizing correctly for different screen sizes like mobile & tablet) though the look and feel are dated. According to the Wayback When internet archive the homepage looks exactly the same as it did in Dec 2018.



East Sussex Pension Fund website December 2018

The images on the site look very much like stock photography and don't add much value to the site. In particular, generic 'financial' images can make the site look like thousands of others in the same field.

Accessibility

Since the [Public Sector Bodies (Websites and Mobile Applications) (No. 2) Accessibility Regulations 2018act]() came into force last September public sector websites open to the public must meet accessibility standards. This means online public services are accessible to all, including disabled people and access technology users. The pension site has been audited for accessibility using the [SortSite accessibility audit tool]() & there were over 100 high priority issues reported falling into three main types. Some errors are related to the templates used so are reported multiple times.

1. HTML used in the templates - pages are not structured correctly, there are hidden Aria elements, the page language is unidentified & tables headers are not coded for accessibility. & others These will require development to fix.
2. Images – webpage images without alternative text or with blank alternative text, images in PDFs without alternative text, images with the filename as the alternative text. Most can be fixed without development by whoever updates the website.
3. Use of inaccessible PDFs. PDFs cause particular accessibility issues especially when used in forms. Depending on the content of the PDFs, converting to an online form or HTML webpage is the preferred solution. Otherwise PDFs can be tagged to make them more accessible but that's not ideal for users & is relatively complex to accomplish.

Analytics (Jan 2020-Dec 2020 – visitor behaviour)

There were 9,252 unique visitors to the website in 2020, with most activity in May & traffic growing increasing by c10% over the year. About 2/3rd of the site traffic comes from desktop computers as opposed to mobiles or tablets. Normally this suggests that users are older and/or office/home based and they're not checking the site on the move but current pandemic has changed user behaviour and this may simply reflect that many people now work from home on laptops. Most visitors to the site come from the UK but there are also visitors from more exotic places like Beijing and Karnataka, reflecting that ES pensioners may not settle in the UK.

There are 16k page views per year with 13k unique page views – users are typically viewing one page only and the average length of a visit is about a minute. The site bounce rate is 76% - this means that ¾ of the people who visit the site 'bounce' off i.e. view one page & leave the site. While that could indicate a positive visit where the user gets the information they need quickly and leave the site happy, the other stats suggest otherwise. The vast majority of visitors only view the homepage & there is a 74% exit rate (people leaving the site after looking at the homepage). Taken all together, this suggests a complete lack of user engagement with the content.

Content

In over a year nothing has been added or changed on the homepage to tempt a user to explore the site or alert them that new information has been added. This will discourage repeat visitors including search engine bots, which can affect findability online.

The website should give much greater prominence to My Portal as this is mainly where the fund wants to encourage members and pensioners. Rather than having the portal as just one of the navigation links, it could be an eye-catching box on the homepage and all other top-level pages. Although it's on a separate domain. (.gov.uk), provided the portal pages also offer a link back to the pension site it should be relatively simple to move between the two.

Recommendation: Make links to My Pension portal much more prominent on the website, on all main pages. Site content should make it clearer what tasks can be accomplished on the My Pension portal and link to those tasks from the relevant section.

Recommendation: Update the site regularly, for example with newsletters and other fresh content. If you don't know what content will tempt users to visit the site, conduct a survey or workshop with some users to find out their needs.

Recommendation: Keep using other channels, like newsletters, to drive traffic to the portal and the website.

Keywords and search

On a positive note, the keywords that bring users to the website are all on-point – strong keywords associated with East Sussex Pension Fund which also echo the domain name.

	Keyword
1.	(not provided)
2.	east sussex pension fund
3.	(not set)
4.	east sussex pension
5.	east sussex pension scheme
6.	east sussex pensions
7.	www.eastsussexpensionfund.org
8.	east sussex pension fund website
9.	east sussex county council pension fund
10.	east sussex pensions website

Keywords for ESPF site

Search isn't much used on the website – this suggest users find what they need on the homepage, browse to find it or are one of the 74% who simply leave the site after viewing the homepage. Visitors who come to the website via search engines like Google or Bing should land directly on the page that most meets their needs (i.e. not the homepage) so there are lower bounce rates on these visits.

The site has a clear information architecture (IA) based on users' current pension status which seems a sensible way to categorise content but the only way you can be truly confident that the navigation is effective is to ask your users. A good IA is created first by defining the site aims and then by doing a card sort of all the proposed site content.

Paying in | No longer paying in | Pensioners | Joining | Understanding pensions | About us | News

Exploring the first section 'Paying in' we see content written as if it's the last century & we need to explain how to use websites. For any competent web browser, the section below is completely redundant and actively interferes with them completing their task quickly.

Welcome to the section of the site for members who are currently paying in to the Pension Scheme.

Whether you've just joined or you are about to retire you can find out all about your pension scheme here. You can move around this part of the site by clicking the pages listed on the right.

Other useful links appear at the bottom of this page as well as any forms or documents that might be helpful. These links change on each page so they are relevant to the content you are reading.

Section introduction - what function does this content perform?

It's most likely that this text was added because the template demands it, but that's not a good enough reason for adding content.

Tasks

This is mainly an information site but there are some forms that users can download to complete a task. Unfortunately, these events aren't tracked in Google Analytics so we don't know how popular they are.

Recommendation: Track events like file downloads in Google Analytics. Better still, convert them to forms that users can fill in online. This is quicker, cheaper and more effective than using paper-based forms.

Recommendation: Find out what most popular tasks on the website are (these could be to find information or to complete a task like filling in a form) – put these tasks clearly on the homepage in order of popularity.

Digital newsletters and emails

Current newsletters show considerable effort has gone into making them succinct and eye-catching. Topics are broken down into short, digestible chunks and the language used is admirably plain and simple.

Evidence that this works comes from the survey of employers; most employers who responded said they found their newsletter helpful (either 'very' or 'somewhat').


Pension News

Autumn 2020

An update for Members of the Local Government Pension Scheme (LGPS)

Dear Colleague,
We are pleased to publish the latest edition of our Members Newsletter, which is produced to keep you updated on changes in the Local Government Pension Scheme (LGPS) and other useful information.

COVID-19 Update

With the COVID-19 (Coronavirus) outbreak creating a fast moving and uncertain situation affecting us all, personally and professionally, we wanted to set out our arrangements for delivering our services to you.

Orbis Pensions remains operational and our aim is to ensure we can maintain vital services during this time. For current information regarding our services, and for other queries you may have regarding how this outbreak may affect your pension, please visit: www.eastsussexpensionfund.org

'Pension Made Simple' Videos

Would you like to know more about your pension?

The LGPS member website has recently uploaded 7 videos to explain various pension topics.

These videos are short, simple and packed with

Autumn 2020 Active Employee Newsletter

However, the branding of the newsletters is potentially confusing as several overlapping organisational identities are in play: Orbis, ESPF, LGPS and individual local authorities. A reader is likely to be confused about who is communicating with them and on whose behalf. Establishing a clear, single brand (as outlined above in the section on branding) would have a particularly clear benefit when applied to newsletters.

Newsletters are currently in pdf format, and links to these pdfs are shared by email. There is a strong case for using a newsletter software system to replace the pdf format. This would have several advantages:

- It allows you to drop the designed content directly into a branded email template – no need to follow a link to a pdf
- It enables more direct engagement metrics – seeing how many people open the email, click on links, or unsubscribe
- It makes it easy to segment members in your database for specific messages and build sub-groups – for example, if you wanted to send a specific message to members aged 45 or over, or contact people who've previously signed up for events or webinars. It could also make it easier to spread the release of large-scale updates over several days to help manage spikes in calls to the helpdesk.
- It makes it simple to put all email communications into a consistent branded template. One-off emails to employers could use the same format as regular newsletters, helping to tie all pension communications together in peoples' minds.

Newsletter software can also generate a pdf version of newsletters to send hard copies to people who still rely on print.

Recommendation: Buy an email newsletter tool to use as the primary means of sharing news with different audiences, tracking engagement and giving a consistent look and feel to messages for stakeholders.

Letters and printed publications

Paper copies of the annual benefit statement and newsletters are sent out to people who have not supplied an email and/or registered for the self-service portal.

Hard-copy leaflets and guides are also produced to distribute at pension workshops/member events when they're requested by employers though these have been paused during the pandemic.

Communications content mix

An audit of a year's activity (2020)

Newsletters	8	*Pensioners annual* *Deferred – annual* *Active – biannual* *Employers - quarterly*
Emails to employers	Four *(since September)*	*Records for earlier contacts in 2020 not immediately available*
Letters/direct mail	8	*Assuming paper versions of email newsletter as above*
Video	2 (in-house)	*Voice-over-slides video explainer on annual benefit statement.* *Voice-over-screenshots video on registering for My Portal.* *Also LGPS explainer videos linked from newsletters though are not on website*
Media releases	0	*Website updated with Storebrand announcement.*
Social media	0	
Website updates	6	*'Be aware of pension scams' - December* *Storebrand announcement – December* *Annual benefit statement - December* *Covid update – May* *Covid update – April*
Webinars/online forums	1	*Employers' forum online*

Communication is almost entirely in text formats, though this is spread across emails, newsletters and website updates. There is little or no direct use of video, graphics, slides, audio or webinars. The video content ('Pensions made simple') produced by LGPS is included in newsletters but not embedded in the website.

Plain text is a natural choice when emailing members and pensioners is the main means of communication and it's repeatable – the same item can easily be shared between emails, newsletters and on the website. However, adding more visual forms of communication to the mix might help to

- Break up the wall of text and make communication more colourful
- Explain difficult or technical concepts
- Establish a friendlier and slightly less formal tone
- Offer an alternative to people who find reading online less easy

Video technology also allows 'two-way' communication, like webinars where people can join a conversation and have their questions answered. Finding effective ways of using these might not just achieve the four advantages set out above but could also help reduce some of the traffic to the helpdesk. For example, members could be invited on a first-come, first-served basis to book places at online help sessions where they can hear fund updates and ask questions. These could be targeted at different parts of the audience – new starters, people in their mid-40s, those nearing statutory pension age. Sessions could also be offered to individual employers and tailored to their priorities.

More content which takes a 'lifestyle' approach to pensions issues, such as focussing on well-being, general financial health or life-planning, should be explored – as mentioned in the discussion on brand. This approach is already widespread with commercial pension providers and may be suitable for ESPF.

Recommendation: consider drawing up a content strategy to outline the types and balance of content likely to be effective and a content plan to plan and sequence messages, updates and events across the year. Pilot more 'lifestyle' oriented content and track its popularity.

Content effectiveness

Newsletters and other direct communications to members appear to be generally clear and well-written – aiming for plain, non-technical language, divided into shorter and easy-to-digest sentences and using headings and sections to lay content out comprehensibly.

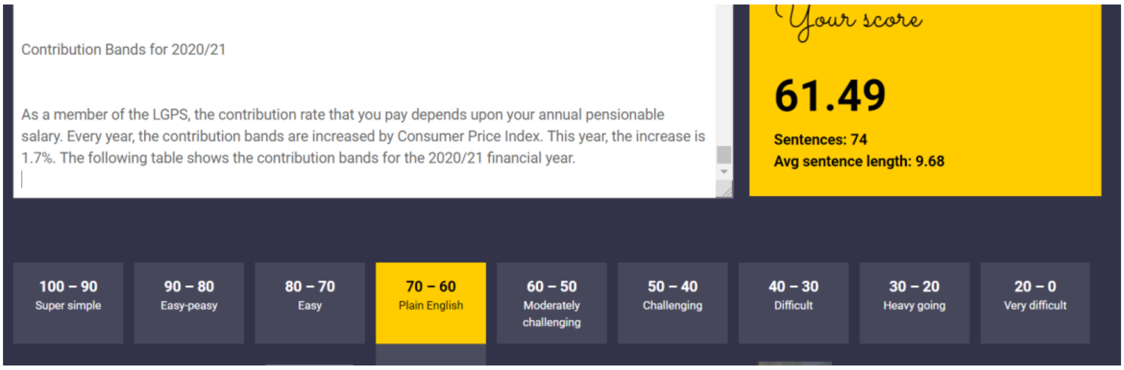
This impression is confirmed by running some communications to members through readability software.

Readability Consensus

Based on (7) readability formulas, we have scored your text:

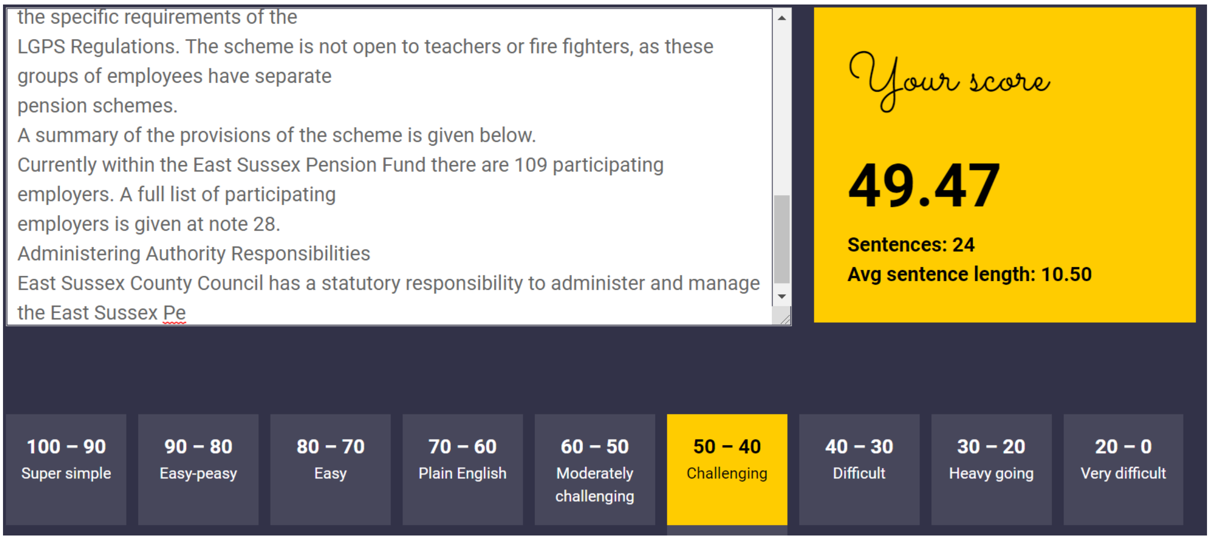
Grade Level: 9
Reading Level: standard / average.
Reader's Age: 13-15 yrs. old (Eighth and Ninth graders)

Guide to annual benefit statement



Newsletter to active employees

Attention could be paid to ensure this applies to all levels of fund communication. Direct communication with pension members strives for clear and plain English, but this is less in evidence when it comes to annual reports or policy statements. For example, the introduction to the annual report from moves from the 'Plain English' rating of newsletters to 'Challenging'.



Introduction to annual report

These are obviously more technical documents but would still benefit from a tighter focus on plain English and readability; the assumption must be that any member might want to look at the annual report. Planning documents to give them a narrative structure and relegating technical detail to appendices or sub-sections helps make them readable, rather than just placeholders to fill a legal requirement. Thoughtful use of graphics and illustrations, and design which makes complex pages more eye-catching and digestible, will also help.

Consistency is also an issue to consider. As well as the potential confusion from overlapping brands, fund communications sometimes uses different terms or language for the same thing. For instance, the website uses 'active member' where newsletters sometimes use 'active employee' to refer to the same group. It may seem like a minor distinction, but effective communication often relies on using repeated terminology, messages and patterns to crystallise understanding, especially in an area like pensions where there may be long gaps between an individual's engagement with your communications.

Repeating effective content across all platforms (an approach known as COPE – 'Create Once, Publish Everywhere') will help with consistency. If you have an eye-catching infographic, case study or video, use it in newsletters, on the website and link to it in press releases.

Recommendation: Involve designers and writers in planning and producing all major documents, such as the annual report, so that they can help structure them and use plain English and graphics to make them as accessible as possible to a general reader.

News and media-handling

Over the past 24 months, the press office at ESCC has dealt with a total of 18 media enquiries relating to the East Sussex Pension Fund and captured more than 70 pieces of media coverage.

While some enquiries have come from specialist media and relate to details of investment and fund management, the vast majority were made by reporters from local or regional media organisations and were in direct response to action taken by Divest East Sussex.

Articles appearing in the local and regional media focus on the actions of Divest East Sussex, with a comment provided by the press office or a quote taken from a councillor during a meeting tagged at the end of the article. As a result, the articles are largely negative. The way the media has handled the story can be attributed to a number of factors: an increase in the level of interest in environmental issues, the emotive nature of the subject, the newsworthiness of the protests and the fact that Divest East Sussex provide ready-to-print press releases.

While it would be extremely difficult to change the focus of these articles, the fund should consider a more proactive media stance; especially announcing decisions and reporting discussions by the pension fund committee relating to environmental issues and social factors. This could lead to more balanced articles appearing in the local media and regional media and will help establish a more positive narrative about environmental and social responsibility.

Recommendation: Actively publicise action and decisions by the committee, especially when they involve significant developments in the fund's ESG policy.

Social media

The fund does not have any social media accounts and this is almost certainly not a priority area.

Unless there is demand from pensioners or employers to contact the fund by social media or see updates, keeping contact through email and website should be sufficient given these touchpoints are relatively infrequent and predictable.

Creating social media accounts is more likely to build a 'machine' to be serviced and may act as a magnet for critics and provocateurs. A better use of resources would be to ensure the website is kept updated with clear and simple factual statements about the fund's areas of work. This would be a place to direct people for information if they use social media to pose questions or challenges to individuals or partners organisations connected with the fund.

Regular but routine monitoring of social media for mentions of ESPF, to help prepare for any emerging issues, would still be useful however.

Handling controversy, campaigns, and questions

There's no evidence that most ESPF members or other stakeholders consider divestment from fossil fuel companies a pressing issue but board members, fund staff and the County Council must regularly respond to criticisms and questions from vociferous campaigners on this topic.

The volume of queries received by the fund (and by East Sussex County Council members and officers) suggest that ESPF could benefit from establishing a formal and transparent correspondence policy to set out how it will manage responses to the enquiries within its limited resources.

To support this approach, the fund's communications should publish online, and regularly update, a short and plain English summary of its activity and policy regarding fossil fuel investments. This position statement would:

- provide a succinct explanation of the fund's ESG policy in general and on fossil fuel investment in particular
- clearly show the long-term movement away from fossil fuel investment
- recognise the shades of opinion on these issues but emphasise the duties to pensioners and members which the fund must fulfil
- Provide a single factual source to which people can be referred, as an alternative to answering multiple, similar questions

Questioners should be referred to this online source with a polite explanation that it sets out the fund's position, developed through its transparent governance system, and that it has been developed as the best way to answer most public queries given limits on staff resources.

The statement could also include simple graphics which illustrate the small and shrinking proportion of investment in fossil fuel firms and should link on to the full Statement of Responsible Investment Principles.

This clear, simple narrative about fossil fuels should be embedded throughout the fund's communications, including in the regular updates for members and employers. It's important to proactively show the progress that's being made on the issue to counter any perception that it's a simple binary decision for the fund.

Recommendation: Agree and publish a clear correspondence policy which set out how the fund will respond to public queries, recognising its limited resources.

Recommendation: Capture a clear and updated narrative about the fund's policy on fossil fuels and other ethical investment issues which is prominent in all communications. Refer campaigners as well as members and employers to factual sources of information and keep these regularly updated to reflect the progress made.

Evaluation and analytics

The existing communications strategy says that a key aim is to:

- *Regularly evaluate the effectiveness of communications with members and employers and shape future communications appropriately*

Some measurement of communications success already exists - including website analytics and a survey of employers – but it appears much more could be done to establish systematic evaluation of communications.

In particular, surveys of members (or a sample focus group of members), should help drive brand development, identify key tasks for the website and portal, inform the type of content that members would find useful and guide frequency and format of communications. The communications strategy recommends an annual survey of members; this should be a priority.

Using an email newsletter platform will also offer valuable metrics on member and employer engagement with different topics and types of content and what tactics are successful in driving take-up of the self-service portal.

Data from the helpdesk should be cross-referenced to communications metrics to guide help identify particular friction in online tasks and to steer timing and frequency of newsletters and other communications.

Recommendation: Design and run a member survey within the first weeks of the new fund administration to help understand communications need and effect.

Recommendation: Identify a small number of communication metrics (probably no more than three initially) for regular evaluation.

Part Two - A structure for future communication

It's clear the workload and breadth of communications and engagement work for the fund will be considerable, especially in the first year of operating independently. Making the right choices for the fund now, in strategic areas like branding and investment, can provide a base for good communications to develop over years to come.

Set out here is a suggested sequence of communications priorities for the next 12 months. This is followed by three possible models for providing the communications needed (with the very approximate costs involved).

Priorities

Immediate action
Draft, agree and publish a single sentence which captures the fund's purpose.
Draft, agree and publish short position statements on key areas of business, including policy and action on fossil fuel investment.
Scope and resource a brand review
Procure a newsletter software as the main tool for all updates to members, employers and other stakeholders *(ensuring compatibility with Altair and data security)*
Design and initiate a survey of members
Prepare 'launch' communication: • First post-April newsletters to announce the fund's new arrangements. • Redesign of portal (already in hand). • Signpost correspondence policy in conjunction with online positioning statements • Make essential website updates
Within six months
Carry out brand review
Analyse member survey
Agree an initial selection of communications metrics and targets *(align with helpdesk data)*
Develop forward content plan (frequency, formats and types of content)
Within 12 months
Implement revised brand (including redevelopment and updates of website and portal, updates to newsletters and publications)
Trial and evaluate newer formats of communication (e.g. 'lifestyle' content in newsletters, video webinars for members)
Carry out employer survey
Evaluate communications metrics and adjust communications activity accordingly.

Costs and resources

These are indicative costs only and are not actual quotes so should be treated with caution, but they may help in considering investment in communications work.

Brand review and development	A consultant or agency is likely to charge anything between **£15,000 and £50,000+** for a comprehensive brand review and development and design costs could push this higher. A DIY option, where existing staff commission a designer and a content specialist/copywriter is likely to be a less expensive, but more home-made, choice. Allowing 15 hours of time for each, this might cost around **£2,000** (does not include the time of ESPF staff)
Cost of newsletter software	Annual cost likely to range between **£6,500** and up to **£20,000+** depending on provider and features chosen.
Website development	Highly variable depending on the supplier and the level of development required, but revising navigation, implementing a new brand and other recommended development might be expected to cost between **£5,000** and **£10,000**.
Copywriting	If a specialist pensions copywriter is needed, for example to create 'lifestyle' pensions content and material, they're likely to cost **£400 a day.**
Freelance design	About **£250** a day

Other communication costs that might be incurred include survey software, web hosting, maintenance and domain registration, printing costs, direct mail and video production.

Staffing models

Three possible models for delivery of communications are suggested.

Option A – permanent communications manager

Recruit a permanent member of staff to manage communications for the fund. This would be a communications all-rounder, capable of writing, editing, sending newsletters, creating communications and content plans, updating the website, making simple videos and having the experience to commission more specialists services such as brand, design and complex digital content (advanced graphics, animation or video).

The FTE cost for this post would be about £45,000 (with on-costs). It might be possible, if challenging, to manage the workload at 0.75 FTE - £34,000.

Option B – existing ESPF staff commission all communications need

All communications work is bought in as required. Existing staff would commission web development but update the site themselves. They'd distribute newsletters and other updates to stakeholders, buying in copywriting and design services as needed.

This would keep staff cost down but suggest the need for a large and more flexible annual communication budget to meet the fund's needs.

Option C – transformational communications manager, reverting to steady-state communications

A temporary communications manager is recruited to oversee the first year of the fund's new communications set up. This person could take day-to-day responsibility for the new communications set-up, commissioning necessary branding, re-design and web development, implementing surveys and establishing narratives, communications strategy and content plans. The FTE cost would again be around £45,000. This would need to be a full-time role.

The post would cease after a year and existing pension fund staff would take over delivery of the communications system and templates left in place. There would be some need to commission further communications work at times, but this would be less frequent if a strong footing and clear plan was in position after the initial year.

29 January 2021

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Report to:	**Pension Committee**
Date of meeting:	**1 March 2021**
By:	**Chief Finance Officer**
Title:	**Governance and Employer Engagement Report**
Purpose:	**To provide an update on various governance and employer engagement work completed and changes effecting the Local Government Pension Scheme (LGPS) and East Sussex Pension Fund (ESPF)**

RECOMMENDATIONS

The Pension Committee is recommended to:

1) **Endorse the Terms of Reference for the Investment Implementation Working Group (Appendix 1);**

2) **Approve the strategic objectives for Isio as Investment Consultants (Appendix 2);**

3) **Note the update on the McCloud Working Group;**

4) **Note the update on ill health insurance for employers; and**

5) **Note the update on Employer Engagement**

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1. Background

1.1 This report is brought to the Pension Committee to provide an update on various changes within the Local Government Pension Fund (LGPS) regulatory framework, as well as any governance and employer engagement issues that directly affect the East Sussex Pension Fund (the Fund).

1.2 The report provides updates on work in progress, draft terms of reference for the Investment Implementation Working Group and draft strategic objectives for the Investment Consultants.

2. Supporting information

Investment Implementation Working Group Terms of Reference

2.1. It is common for Local Government Pension Schemes (LGPS) to establish a working group of professional advisers and pension fund officers to help the latter implement decisions made by the scheme manager, i.e., the administering authority's Pension Committee, and advise officers on pension investment matters.

2.2. The Fund has operated a working group for several years comprising investment advisers and officers to drive the investment strategy implementation and direction of travel forward making recommendations to Pensions Committee. This allows the Fund to ensure the Investment Strategy is achieving the expected returns to align with the funding strategy and ensure the portfolio is within appropriate levels of risk and diversification while being compliant with investment regulations. It is important to note that investment decisions must be taken with appropriate advice. The advisor and officer led group are able to carry out research and analysis between committee meetings to provide well documented reports and recommendations to the Pension Committee to support their decision making; this is in addition to having both the Fund investment consultants and the Independent adviser at each meeting to support the papers and provide technical input into discussions.

2.3. During an extensive review of the governance arrangements of the Fund and reorganisation of the Pension Fund Team during 2019 and 2020, it was agreed that elected members of the Pension Committee could also sit on the working group to monitor the effectiveness of implementation of investment decisions and provide a forum to ask questions of the investment strategy or investment managers outside of the main Committee to increase confidence in the administration of the Pension Fund. An Environmental, Social and Governance (ESG) Working Group was also created at the time.

2.4. The Pension Committee agreed to merge the ESG and Investment Working Groups in September 2020 to form the Investment Implementation Working Group (IIWG) on the grounds that ESG considerations are integral to all investment decisions and should not be separate.

2.5. The purpose of the terms of reference in **Appendix 1** are to clarify the roles and responsibilities and the membership of the Investment Implementation Working Group.

Investment Consultant Strategic Objectives

2.6. The Competition and Markets Authority (CMA) investigated the investment consultancy and fiduciary management market following a referral made by the Financial Conduct Authority (FCA) in September 2017. Trustees of occupational pension schemes are among the largest institutional investors that use these services in the UK. The CMA therefore focused on trustees as customers in this market. In December 2018, the CMA published its report following this review of the investment consulting and fiduciary management markets.

2.7. On 10th June 2019 the CMA published the Investment Consultancy and Fiduciary Management Market Investigation Order 2019 (‘the Order’) placing new obligations on service providers and pension schemes for Fiduciary Management (FM) and Investment Consultancy (IC) Services. The Order implements the CMA’s recommended remedy 1 (tendering for FM services) in Part 3 and remedy 7 (Setting objectives for IC) in Part 7. As it stands currently it is understood that LGPS funds are in scope currently for applying remedy 7 of setting objectives for Investment Consultants.

2.8. The CMA requirement stipulate that trustees must set strategic objectives for the Investment consultant by 10 December 2019. At the Pension Committee meeting on 25 November 2019, the Pension Committee approved the objectives for Hymans Robertson who were Investment Consultants at that time in advance of the 10 December deadline.

2.9. With the introduction of the new Investment Consultancy contract with ISIO, Pension Committee are asked to review and approve the strategic objectives that have been set for ISIO under their new contract as laid out in **Appendix 2**. There are no major changes proposed to the strategic objectives, as applied to Hymans Robertson.

McCloud Working Group

2.10. An initial meeting of the McCloud Working Group took place on 8 December 2020. Attended by:

- Councillor Fox (Pensions Committee Chair)
- Lynda Walker (Local Pension Board)
- Stephen Osborn (Local Pension Board)
- Sian Kunert (Head of Pensions)
- Paul Punter (Head of Pensions Administration)
- Dave Kellond (Compliance & Local Improvement Partner)
- Ian Colvin (Head of LGPS Consultancy, Hymans Robertson)
- Peter Riedel (Senior Benefits & Governance Consultant, Hymans Robertson)

- Susan McKenzie (Project Manager, Hymans Robertson)

2.11. The McCloud Working Group is responsible for overseeing the implementation of the McCloud ruling in the Fund within a prescribed timeframe and addressing any gaps and barriers preventing progress and ultimately delivery of the project. The Working Group will:

- oversee the McCloud project, drive delivery, and receive project updates;
- tackle employer related issues that become or continue to be a barrier to the effective collection and use of data; and
- be aware of and manage dependencies across third parties.

2.12. The Group discussed the data gathering processes required for implementation of the possible scheme remedies required to the statutory underpin in response to the McCloud judgement. The collective view of the group that this process will need to be carefully managed, in tandem with several other interlinked workstreams such as the data improvement project, Guaranteed Minimum Pension (GMP) Reconciliation/Rectification and Annual Allowance. All of which to varying extents will impact on member benefit entitlements.

2.13. The Group determined it should delay any decisions on how/when to request data from scheme employers until after the Pensions Manager for Employer Engagement was in post. It was felt vitally important that we adopt a co-ordinated data gathering process from employers, incorporating where possible all data required for the various projects, and not to be repeatedly asking for several differing data sets.

2.14. A further meeting of the working group will take place in February 2021.

Ill Health Insurance

2.15. The ill health risk management workstream was added to the Fund's 2020/21 Business Plan as part of the June Pension Board and Pension Committee meetings. This has since been progressed by officers working alongside the Fund Actuary to investigate the potential risk management options (including obtaining a range of indicative insurance quotes from Legal & General) and a proposed categorisation of scheme employers.

2.16. At the September and November Pension Board and Committee meetings, papers were received and discussed in detail. This resulted in the Pensions Committee on 30 November approving an approach to roll out ill health insurance in line with recommendations of Pensions Board.

2.17. The roll out of ill health insurance has been agreed with employer's allocation to one of three categories where they are included, they can opt out or they can opt into the insurance cover. There is no new cost to the employer of the insurance, the insurance is funded through existing contribution rates and provides security to smaller employers against the risk of high ill health strain costs.

2.18. The project has now started to be rolled out. Employers have been sent letters explaining the insurance and what is required of them to opt in or out if relevant. Any opt in or opt out decisions are due by the 1 March 2021. Hymans Robertson, as part of the roll out project, are coordinating responses and are available to all employers if they have any questions or concerns. Fund officers will also be advised of any questions or apparent training requirements arising from the roll out to help support employers and improve the service we provide to them.

Employer Engagement

2.19. The new Employer Engagement Team within the new fund structure is starting to have a presence with the introduction of the new Pensions Manager for Employer Engagement, Tim Hillman, who started in early January 2021. The new Team has been focusing on establishing a complete list of employer contacts for all employers within the Fund, using both previous internal contact information as well as the active Orbis administration team list of active contacts. This list will then be used going forward and updated when employers join or leave or any changes in staff within the individual employers.

2.20. The Employer Engagement Team has already started to reach out to employers with an initial introductory communication. The aim is to help build engagement with all employers across the Fund and provide a first point of contact if they require any support or assistance. This initial communication contained a link to the LGPS payroll guide which gives a comprehensive breakdown of what is expected of employers in the Fund.

2.21. The i-Connect project was also referenced in the introductory email to employers and one of the main focuses for the Employer Engagement Team in the next quarter is to roll out the i-Connect system to some of the larger employers in the Fund alongside the Pensions Administration team. The Fund will be communicating with all employers on this very shortly to provide background and estimated staging dates for when they can expect the Team to facilitate their joining of the i-Connect system.

2.22. The Team will also focus on building a project plan to establish what the priorities are for the next 6 months and for the rest of the year. Within the next quarter we will establish good governance on two pressing priorities of admissions and cessations along with a more robust contribution reconciliation process.

2.23. Alongside the communication review, the Fund will assess the current Employer communications held on the Fund website and implement any changes that it is felt may be required. The Fund will continue to monitor the documentation and information held on the website and add any resources or communications which will help the employers to engage with the Fund.

2.24. There is still a vacancy in the Employer Engagement Team for a Pensions Employer Engagement officer which will be advertised shortly.

2.25. Other vacancies across the Fund are in varying degrees of progress, with some advertised and others due to begin shortly. The new Pensions Manager for Governance and Compliance is due to begin with the fund on 15 February.

3. Conclusion and reasons for recommendations

3.1. The Pension Committee is recommended to endorse the terms of reference for the Investment Implementation Working Group, approve the strategic objectives set for ISIO as investment consultants for the Fund and note the updates provided in the report.

IAN GUTSELL
Chief Finance Officer

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Pension Fund Investment Implementation Working Group (IIWG)

Terms of Reference

Objectives

The IIWG has an advisory role. Its purpose is to:

1. oversee the implementation of decisions by the Pension Committee by the Chief Finance Officer in relation to investments.

2. undertake detailed reviews requested by the Pension Committee on future strategic asset allocations, including relating to Environmental, Social and Governance (ESG) matters, and report back with recommendations.

3. consider investment manager activity and performance throughout the year and advise the Chief Finance Officer of any manager concerns, reporting this to the Pensions Committee.

4. carry out research and consider investment options as part of the direction of travel of the Investment strategy, taking forward recommendations or research pieces to the Pension Committee where appropriate.

Exclusions

The IIWG is not a sub-committee of the Pension Board or Pension Committee. No functions of the Pension Board or Pension Committee are delegated to the IIWG.

The IIWG will not:

1. take decisions in relation to investment matters that are the responsibility of the Pension Committee

2. take decisions in relation to investment matters or the appointment of investment advisers, actuaries, or independent pension advisers that are delegated to the Chief Finance Officer under the Scheme of Delegations.

3. oversee or advise on any decisions taken by the Pension Committee other than in relation to investment strategy.

Membership

The IWG is an officer-led group chaired by Head of Pensions.

Membership comprises:

- Head of Pensions
- Pensions Manager – Investments and Accounting
- Independent Adviser
- Investment Consultant

Chair of Pension Committee or substitute Pensions Committee member is also invited to attend the working group.

The IIWG is not a committee or sub-committee established under the Section 101 of the Local Government Act 1972, so political proportionality rules under the Local Government and Housing Act 1989 do not apply.

Meetings

The IIWG meets at least quarterly between Pension Committee meetings, or more as required to implement investment strategy decisions as directed by the Pension Committee

Reporting

Where the Pension Committee requests the IIWG undertakes a review, recommendations of the IIWG may be reported to the Pension Committee for consideration within the Investment Report.

The IIWG is not a committee or sub-committee established under the Section 101 of the Local Government Act 1972, so access to information regulations do not apply.

Strategic Objectives for Isio as investment Consultant for approval by Pensions Committee

East Sussex Pension Fund objectives and requirements from consultants	Investment Consultant objectives	Desired outcomes / measurement
• Ensure members' benefits are met as they fall due • Support a long term funding approach that is consistent with a stable and affordable contribution approach from the employers	• Advise on a suitable Strategic Asset Allocation and investment strategy. • Ensure the strategy is reviewed and amended to deliver the required investment returns from the Fund's investments in line with Funding Strategy statement. • Ensure risk and return is assessed in all strategic investment decisions supporting the need for pension liabilities of the Fund to be met and support progress towards a long term steady state of funding • Deliver an investment approach that reflects the Fund's cashflow position, and likely evolution, and minimises the risk of forced disinvestment.	• Returns from the investment strategy over time are in line with or exceed the assumptions within the Funding Strategy Statement and the funding level remains within the expected range of outcomes • The Fund has sufficient cash flow to allow members benefits to be paid when due
• Ensure the Fund's approach is aligned with the objectives of pooling and associated guidance • Ensure cost efficient implementation of the Fund's investment strategy	• Advise on the cost efficient implementation of the Fund's investment strategy as required, taking into account the evolution of the ACCESS pool. • Provide clear information so that the Committee is able effectively to monitor the underlying strategies it is invested in. • Provide oversight and scrutiny of the ACCESS Investments.	• Evolve performance monitoring and reporting to reflect the investment of assets through the ACCESS pool • Ensure a focus on key risk / return priorities • Challenge of any areas of poor performance highlighted and solutions identified

	• Ensure transition costs are considered in manager or asset class changes • Consider all associated costs when supporting the fund in manager selection or pool allocation decisions	
• Ensure the Fund's approach reflects relevant regulatory and legislative requirements • Ensure the Funds Responsible Investment policy is kept under review and is reflected in ongoing governance and decision making processes	• Ensure investment advice complies with relevant pensions regulations, legislation and supporting guidance. • Advise and support the Committee in developing the Committee's policies and beliefs, including those in relation to Responsible Investment. • Ensure investment advice reflects the Committee's policies and beliefs, including those in relation to Responsible Investment considerations.	• No instances of non-compliance with relevant regulations • Evidence that the Fund's investment arrangements are consistent in all respects with the Committee's set of investment beliefs • Committee very satisfied with level of support provided
• Ensure the Fund's investment objectives are supported by an effective governance framework	• Provide relevant and timely advice. • Help the Committee develop knowledge and understanding by providing appropriate training and well structured reports with clear language and supported recommendations. • Assist with identifying topics where further training may be beneficial to the Committee	• All reports and advice delivered within prescribed timescales • Committee Knowledge and Understanding on investment matters increases or remains high • Committee are very satisfied with the value of money represented by the services provided

Report to:	**Pension Committee**
Date of meeting:	**1 March 2021**
By:	**Chief Finance Officer**
Title:	**Pension Administration Report**
Purpose:	**To provide an update to the Pension Committee on matters relating to Pensions Administration activities**

RECOMMENDATIONS

The Pension Committee is Recommended to:

1) Note the updates; and

2) Note the progress of management in implementing the agreed actions arising from the internal audit report (Appendix 4.

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1. Background

1.1. The Pensions Administration Team (PAT), based partly in-house (since 1 December 2020) and partly within Orbis Business Services, carries out the operational, day-to-day tasks on behalf of the members and employers of the East Sussex Pension Fund (ESPF) and for the Administering Authority. They also lead on topical administration activities, projects and improvements that may have an impact on members of the Local Government Pensions Scheme (LGPS).

2. Supporting Information

Key Performance Indicators (KPI)

2.1. The Performance Report, for the period February to December 2020 can be found at **Appendix 1**. The PAT has continued to produce some excellent performance numbers with over 98% of key tasks completed within the Orbis service levels for December 2020. It should be noted that the number of tasks relating to deaths for January 2021 is looking a lot higher. In February and March 2021 resources will have to be diverted to supporting the data migration project with much work required around User Acceptance Testing and two Parallel Runs of pensioner payroll. This will certainly see a fall in Business as usual performance numbers.

2.2. Under the Good Governance Review documents were developed and updated covering the Service Level Agreement and Roles & Responsibilities of the future "in-house" PAT rather than one provided through Orbis Business Services An overview of the proposed all-encompassing high-level insight of the administration service was shared at the last Committee meeting. New performance measurements will go live in the new East Sussex Altair database, in the meantime, the KPI's presented continue to be from the shared Altair database.

Note – the hardest task to achieve in 2020 has been the "Employer estimate provided" as this has a 7 days target whilst under the new proposed SLA the target is 10 days, same as "Employee projections provided". In early October 2020 redundancy quotations ceased to be provided, as a consequence of the uncertainty of information to be given under the £95k Exit Regulations. Estimates were reinstated in January 2021 when ESPF presented a temporarily solution to the £95k Exit Regulations dilemma.

2.3. The Orbis Pensions Helpdesk was introduced in November 2019 and their performance is shown in **Appendix 2**. Management of the service recognise the results have been poor since lockdown and are actively working to improve resourcing, telephony tools, staff training, back-up plans, smoothing peaks & troughs and ultimately the quality of the customer experience.
Note – the helpdesk will continue to be delivered by Orbis post April 2021.

Pension Administration Transfer and Staffing Update

2.4. 17 staff transferred to East Sussex on 1 December 2020 through Transfer of Undertakings (Protection of Employment) regulations (TUPE). All administration staff are continuing to work from home, and none have tested positive for COVID-19. Staff remain in good spirits and their wellbeing is closely monitored. It is not anticipated that staff will be returning to Lewes County Hall before April 2021 at the earliest.

2.5. A Transition Board has been set up to oversee the PAT return to East Sussex. The East Sussex plan has a target transfer date of 1 April 2021 but recognising this is an ambitious target. The key milestones are:

- Project governance & reporting – the principles of disaggregation, regular meetings
- Pension Admin budgets & recharges – reconciliation will take place as at 31 March 2021
- Design of Pen Admin function in East Sussex – structure and processes
- Staffing – TUPE transfer, implementation of team structure, recruitment & training
- Systems – re-procurement, new system approach, hosting, data configuration, data migration, user testing & pensioner payroll
- Projects – support where required
- Communications
- Regulatory & Compliance
- Helpdesk
- Post go live – ongoing support, Internal Audit review, lessons learnt

2.6. The migration project key achievements since the last meeting:

- 17 staff TUPE to East Sussex on 1 December 2020.
- All staff in County Hall to collect new laptops on 11 December 2020.
- Approval of the 5 years Aquila Heywood contract is finalised and signed off in January 2021.
- Work progressing with Aquila Heywood and first test data cut successfully migrated to ES servers in January 2021.

2.7. The proposed structure for the East Sussex PAT is set out in **Appendix 3**. Job descriptions and person specifications have been written and will shortly be put through the East Sussex Job Evaluation process. Three roles are due to be advertised on 1 February 2021.

Internal Audit

2.8. **Appendix 4** updates the Pension Committee on the progress of implementing the Management Actions agreed for the 2019/20 Pension Administration Audit on Compliance with Regulatory Controls.

2.9. The Internal Audit team have now begun the equivalent 2020/21 Pensions Administration Audit and this with both review and evidence the completed 2019/20.

Projects update

Data Improvement Project

2.10. Since the handover from Hymans to PAT progress has continued to be tracked by the Working Party. The vast majority of the targeted work is completed and at the Working Group meeting on 16 December 2020 it was agreed to rollover any items outstanding into Phase 2 that formally started in 2021. The keys areas of focus are:

- Pension differences <£100 that were put on hold.
- Annual Benefit Statement (ABS) 2019/20 outstanding actions:
  (a) Identify and act upon 809 new status 2 cases.
  (b) Investigate the 67 deferred that never got a statement.
  (c) Investigate the 366-544 actives that never got a statement (200 ESCG cases underway)
- Outstanding or incomplete items from Phase 1.
- Common Data report findings that are deemed very high or high risk, namely:
  (a) 36 false National Insurance Numbers
  (b) 7 blank Date Joined Fund
  (c) 15 false Date Joined Fund
  (d) 521 Status & Invalid Data View – Exit Details
  (e) 904 Status & Invalid Data View – Deferred Details
  (f) 441 Status & Invalid Data View – Pension Details
  (g) 178 Status & Invalid Data View – Dependant Details
  (h) 1 Status & Valid Data View – Missing Deferred Details
- Any urgent aspects of the Conditional Data report may be considered in Q2, 2021.

GMP Reconciliation, Rectification and Equalisation

2.11. Orbis commissioned JLT (Mercers) to undertake the reconciliation and rectification work. The project has been held up by HMRC provision of final data. Mercers provided the final reconciliation report to Orbis in January 2021. The results of the reconciliation will be presented to the Working Group in February to revisit the decisions made about rectification before proceeding. If proceeding, will need to be after the April 2021 pension increases.

i-Connect

2.12. The Heywoods module is has been tested by East Sussex (as the main employer) and the December payroll data being loaded in January 2021.This was a key topic of discussion at the Employers Forum webinar on 20 November 2020 and was presented to some members of the Pension Board following the last meeting in November 2020. The PAT's new Employer Engagement Manager has a clear roll-out plan which ensures the employers remain engaged and supportive:

- The Fund has written to the next 3 biggest employers asking them to provide details on the i-Connect project and how the Fund will be looking to implement this with them in the next few months. The PAT anticipates running test data uploads on these employers for March and if these are successful, the Fund would expect to get live uploads starting from April 2021.
- Employers who are currently using the old Pensions Web data transfer have been notified that this will be switched off later this year and that i-Connect will provide a much easier and efficient method of data transfer going forward.
- An initial i-Connect communication will be sent out to the rest of the employers by the end of February making sure they are aware of the project and allow them to ask questions and request further information if needed. Within this communication, the Fund will facilitate the demonstration of i-Connect that was provided in the November Employer forum available for reference.
- A phasing of the onboarding process will be done based on the size of employer, starting with the largest and working down. However, any employers that have requested or shown an interest in onboarding earlier will be highlighted and the opportunity to implement and

start using i-Connect will be offered regardless of size. It is understood that some employers have had experience of i-Connect through other payrolls so are aware of the benefits of the system and how it functions.

- By 31 December 2021, the Fund expects to have onboarded a minimum of 50% of employers onto i-Connect, with the anticipation that all employers will be setup and using i-Connect by the end of March 2022. This will allow all end of year data to be provided by employers via i-Connect for the 2022 Annual Benefit Statements.
- Feedback from employers already onboarded will be collected used to help the ongoing roll out and improve our implementation process.

Pension increases as at 1 April 2021

2.13. The April 2020 supplementary pension increases were processed by Heywood's as at October 2020 and records/pay updated.

2.14. The April 2020 increases uncovered a number of non-critical errors and warnings and these will be addressed in February 2021 as part of the preparation for the 2021 increases. It should be noted that many of the errors or warnings do not indicate an error or an issue with the individual's record or the amount of pension or compensation they are being paid simple a statement of fact such as a new joiner.

2.15. East Sussex staff have been trained by Heywoods to undertake the 2021 Pension increases and a project plan is now in place.

£95k exit cap

2.16. On 5 October 2020 the Orbis PAT paused the provision of early retirement termination estimates with immediate effect so as to not provide incorrect figures for pension benefits and strain costs.

2.17. On 4 November 2020 the Exit Payment Regulations become law but the Ministry of Housing, Communities and Local Government decisions on Compensation Regulations where not finalised and the LGPS Regulations will now not be updated until three Judicial Reviews have been heard (commencing in late March 2021). The resulting conflict between the two sets of Regulations is causing much confusion, concern and the calculation position remains uncertain.

2.18. The Administrating Authority took the following position:

- To adopt the Government Actuaries Department (GAD) unisex strain factors early rather than create a new set of Fund specific unisex factors.
- To allow members to have a partially actuarially reduced retirement package where the value of the exit package exceeds £95k.

2.19. The Fund worked with Barnett Waddingham to create a new strain cost calculator. The Fund finally created a new letter template for the over £95k cases which is full of caveats and saying the figures cannot be guaranteed. The PAT began issuing redundancy quotations in mid-January 2021.

2.20. On 12 February 2021, HM Treasury published the Exit Payment Cap Directions 2021 which disapply regulations 3.9 and 212 of the Exit Payment Regulations meaning that the exit cap does not apply to exits that take place in England on or after 12 February 2021. The Government concluded that the Cap may have had unintended consequences and should be revoked.

2.21. The PAT team is in the process of reviewing all early retirement termination quotes were the exit cap would have been exceeded and is communicating with employers.

3. Conclusions and reasons for recommendation

3.1. The Pension Committee is recommended to note the updates provide with in this report including the progress in implementing management actions from the internal audit report.

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Chief Finance Officer

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APPENDIX 1

These are Orbis internal targets and the ESCC targets agreed in Sept 20 as a result of Good Governance review cannot commence until April 21 or until we go live with a separate database.

East Sussex Pensions Administration - Key Performance Indicators

	Activity	Measure	Impact	Target	Dec-20		Nov-20		Oct-20		Sep-20		Aug-20		Jul-20		Jun-20		May-20		Apr-20		Mar-20		Feb-20	
	Scheme members	Pensioners, Active & Deferred			78448		78426		77,920		77,944		77,619		77,706		77,429		75,196		76,851		76,885		76,762	
	New starters set up				232		530		299		239		205		409		358		128		162		283		413	
					Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score	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%**	20	100%	28	100%	34	100%	29	100%	17	100%	35	100%	16	100%	33	100%	43	100%	21	100%	26	100%
1b	Award dependent benefits (Death Grants)	within 5 days	H	**95%**	11	100%	7	86%	18	100%	9	89%	8	100%	6	100%	12	100%	6	100%	4	100%	8	100%	7	100%
2a	Retirement notification acknowledged, recorded and documentation sent	within 5 days	M	**95%**	43	94%	56	97%	63	96%	52	97%	73	91%	74	92%	68	98%	46	98%	48	96%	94	99%	70	100%
2b	Payment of lump sum made	within 5 days	H	**95%**	84	99%	85	97%	140	94%	114	94%	127	94%	103	97%	82	97%	88	99%	121	97%	89	100%	75	99%
3	Calculation of spouses benefits	within 5 days	M	**90%**	8	100%	11	100%	23	100%	13	100%	10	100%	12	100%	16	100%	12	100%	16	100%	11	100%	20	100%
4a	Transfers In - Quote (Values)	within 10 days	L	**90%**	18	95%	17	100%	21	96%	37	100%	20	95%	12	92%	12	100%	19	95%	6	84%	21	100%	21	100%
4b	Transfers In - Payments	within 10 days	L	**90%**	5	100%	19	90%	22	100%	10	90%	15	60%	16	88%	12	100%	9	100%	20	95%	28	97%	39	100%
5a	Transfers Out - Quote	within 25 days	L	**90%**	22	96%	27	97%	33	100%	41	91%	18	100%	20	95%	16	100%	10	100%	18	100%	30	100%	33	97%
5b	Transfers Out - Payments	within 25 days	L	**90%**	8	100%	20	90%	11	100%	13	85%	8	100%	11	100%	7	86%	6	100%	11	100%	12	100%	24	96%
6a	Employer estimates provided	within 7 days	M	**95%**	9	89%	12	100%	10	100%	12	84%	54	73%	45	49%	25	72%	7	72%	11	91%	34	92%	24	100%
6b	Employee projections provided	within 10 days	L	**95%**	9	100%	22	96%	31	94%	19	79%	17	94%	18	84%	12	100%	5	100%	5	100%	22	91%	25	100%
7	Refunds	within 10 days	L	**95%**	21	100%	32	100%	39	100%	23	100%	32	100%	31	100%	38	98%	16	100%	12	100%	26	100%	39	100%
8	Deferred benefit notifications	within 25 days	L	**95%**	150	100%	150	98%	146	100%	122	100%	117	100%	160	100%	78	99%	102	100%	139	100%	202	100%	239	100%
	TOTAL TASKS COMPLETED				**408**	98.28%	**486**	97.53%	**591**	98.31%	**494**	95.34%	**516**	92.64%	**543**	92.63%	**394**		**359**		**454**		**598**		**642**	
	Missed target cases				7		12		10		23	5>3days	38		40											
9	Complaints received- Admin				0		0		2		0		6		0		1		0		1		0		0	
	Complaints received- Regulatory				0		0		0		0		0		0		0		0		0		0		0	
13	Compliments received				0		0		0		0		1		0		0		0		0		0		1	

Performance
Feb to Nov inclusive

Total	Fails	% pass
302	0	100
96	2	97.9
687	28	95.9
1104	39	96.4
152	0	100
204	7	96.6
195	13	93.3
268	8	97
131	6	95.4
243	64	73.7
185	12	93.5
309	1	99.7
1605	4	99.8
5485	184	96.6

OVERDUE CASES	RED-AMBER		Dec-20	Nov-20	Oct-20	Sep-20	Aug-20	Jul-20	Jun-20	May-20	Apr-20	Mar-20	Feb-20
1b	Award dependent benefits (Death Grants)			1 Overdue by 13 days		1 overdue - 2 days							
2a	Retirement notification acknowledged, recorded and documentation sent						7 overdue - average by 12 days	6 Overdue - Average 2 days		1 task overdue by 16 days			
2b	Payment of lump sum made				8 Overdue by average of 7 days		9 overdue - average by 3 days	9 Overdue - 1 by 348 days		1 task overdue by 17 days			1 case overdue by 10 days
3	Calculation of spouses benefits												
4a	Transfers In - Quote (Values)									1 task overdue by 1 day	1 case overdue 47 days		
4b	Transfers In - Payments						8 overdue - average by 32 days	3 Overdue - Average 9 days					
5a	Transfers Out - Quote												1 case overdue
5b	Transfers Out - Payments								1 Task, 5 Days overdue				1 case overdue
6a	Employer estimates provided		1 Overdue by 3 days			1 overdue - 7 days	15 overdue - average by 3 days	28 Overdue - Average 8 days	7 Tasks, 4 Days overdue average	2 tasks overdue by 2 days on average		3 tasks overdue on average by 1 day	
6b	Employee projections provided				2 Overdue by average of 6 days	4 overdue - average 2.5 days	1 overdue - by 37 days	5 Overdue - 1 by 73 days				2 tasks overdue by average of 2 days	
8	Deferred benefit (DB5YE)												1 case overdue
Summary for failed cases					Half the late lumpsums are where retirements returned paperwork early. Redundancy quotes stopped early October.	More intense training. TV in/out activity high. Projects - DIP, overseas mortality, ABS queries.	39 days holiday = 288 hours. Retirements & Employer estimates at high level. Training new starters.	Overall post up 38% on last month. Team encouraged to take leave.					
		Jan - new structure Chart	Staff roles made permanent - Paul, Jennie, Julie & Joe				7/8 Aaron Martin left Mubu Mubukwanu joined	Job Robinson promoted	12/6 Simon Bathurst left	Will Bamber joined			
		Ten vacancies	Two vacancies	Two vacancies	Two vacancies	Two vacancies	Two vacancies	Two vacancies	Two vacancies	One vacancies	Two vacancies		

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Appendix 2

Helpdesk performance (all six funds) Currently about 2 FTE allocated to ESPF (team is 14).
Introduced the call centre for ESPF in November 2019 (not taken on managing the corporate email box).

Period	Offered (Calls received)	Handled (Calls answered)	Abandoned (Caller hung up)	Aband %	SLA % (75% of calls within 20 seconds)	Queue %	Abandoned Time
01/01/20 to 31/03/20	8,415*	7,896	519	6.17%	Jan 40% Feb 57% Mar 56%	Jan 59% Feb 43% Mar 45%	Jan 4.32 Feb 22.38 Mar 3.27
01/04/20 to 30/06/20	3,953*	3,381	572	14.5%	Apr 52% May 40% Jun 9%	Apr 42% May 55% Jun 88%	Apr 4.59 May 6.59 Jun 7.10
01/07/20 to 30/09/20	7,300*	6,051	1,249	17.1%	Jul 22% Aug n/a Sep 24%	Jul 74% Aug 81% Sep 73%	Jul 6.42 Aug 7.57 Sep 6.19
01/10/20 to 31/12/20	6,881*	5,975	906	13.2%	Oct 22% Nov 32% Dec 32%	Oct 75% Nov 64% Dec 63%	Oct 7.11 Nov 5.54 Dec 6.44

* *Since lockdown the telephone service opening times has been restricted (with NO back-up – phone line is still only open from 10am to 2pm and 2pm to 4pm). First few months there was no call recording and logging was inconsistent. All staff did not initially have laptops and only got Jaba software from June 2020.*

Following ongoing challenge from East Sussex PAT the telephone opening times are being reviewed alongside the capacity planning. Prior to the pandemic the telephone open times have always been 9am to 4pm.

Helpdesk - Top five reasons for ESPF calls:

Oct 20		Most popular calls	Dec 20	
Number	Reason		Reason	Number
76	Self-service on-line activation	1st	Login to website issues	40
61	Login to website issues	2nd	Guidance with forms	35
57	Guidance with forms	3rd	Self-service on-line activation	26
37	Updates on benefit settlements	4th	Address updates	25
35	Member options guidance	5th	Member options guidance	20

Helpdesk (website) performance

Period	Calls received	Handled	Abandoned	Abandoned %	SLA %	Queue %	Abandoned Time
01/01/20 to 31/03/20	697	574	123	17.64%	Jan 24% Feb 28% Mar 28%	Jan 52% Feb 49% Mar 37%	Jan n/a Feb 5.08 Mar 1.17
01/04/20 to 30/06/20	1,320	871	449	34.02%	Apr 28% May 28% Jun 0%	Apr 43% May 56% Jun 75%	Apr 2.59 May 2.27 Jun 4.13
01/07/20 to 30/09/20	1,032	926	106	10.27%	Jul 1% Aug n/a Sep 39%	Jul 41% Aug 46% Sep 26%	Jul 4.45 Aug 3.28 Sep 1.37
01/10/20 to 31/12/20	451	362	89	19.73%	Oct 37% Nov 32% Dec 37%	Oct 35% Nov 39% Dec 32%	Oct 1.54 Nov 4.57 Dec 6.14

Proposed ES Helpdesk service levels for helpdesk services 2021-22

We are looking to accept a “Gold” service for the combined telephone and bulk email inbox.

Pension Fund	Annual volumes (2020)	%	Enquiries per member pa	Charge based on rate per enquiry	Cost Per member per annum	Calls	%	Calls per member pa	Emails	%	Emails per member pa	Fund members
ESCC	8623	13%	0.12	£63,049	£0.84	6569	76%	0.09	2054	24%	0.03	74965
SCC	40974	63%	0.37	£299,590	£2.69	15474	38%	0.14	25500	62%	0.23	111314
Hillingdon	5687	9%	0.24	£41,582	£1.73	2928	51%	0.12	2759	49%	0.11	24020
LBHF	4988	8%	0.33	£36,471	£2.38	2493	50%	0.16	2495	50%	0.16	15296
Westminster	4829	7%	0.29	£35,308	£2.10	2413	50%	0.14	2416	50%	0.14	16853
Totals	**65101**	**100%**	**0.27**	**£476,000**	**£1.96**	**29877**	**46%**	**0.12**	**35224**	**54%**	**0.15**	**242448**
Additional charge to manage all ESCC email enquiries												
ESCC	12522		0.17	£91,559	£1.22							
Combined charge to manage all ESCC enquiries through the helpdesk												
ESCC	21145		0.28	£154,608	£2.06	6569	31%	0.09	14576	69%	0.19	74965

KPI	A	B	C	D
	First time fix	**Call answer time**	**Abandoned call rate**	**Email response time**
Gold	85% of enquiries dealt with at first point of contact	75% of calls answered in 20 seconds	Less than 5% of calls abandoned	100% of emails answered within 3 working days
Silver	80% of enquiries dealt with at first point of contact	50% of calls answered in 20 seconds	Less than 10% of calls abandoned	75% of emails answered within 3 working days
Bronze	70% of enquiries dealt with at first point of contact	30% of calls answered in 20 seconds	Less than 15% of calls abandoned	75% of emails answered within 10 working days
Below Bronze	<70% of enquiries dealt with at first point of contact	<30% of calls answered in 20 seconds	>15% of calls abandoned	<75% of emails answered within 10 working days

- There will need to be a three months’ notice lead in period, to allow the team to expand and train the team.
- Then live but with a three months’ shadow period to adjust to the required higher standards where we will not apply performance penalties
- Thereafter quarterly performance assessed against the scoring mechanism with rectification plan for underperformance including penalty clauses for sustained underperformance.

APPENDIX 3 - Pension Admin Team

- **Head of Pensions Admin** – 1 FTE
  - **Pensions Manager Admin Team 1** – 1 FTE
    - Senior Officer – 0.9 FTE
    - Senior Administrator – 1 FTE; Vacancy
    - Administrator – 4.8 FTE
    - Apprentice – Vacancy
  - **Pensions Manager Admin Team 2** – 1 FTE
    - Senior Officer – 1 FTE
    - Senior Administrator – 1 FTE; Vacancy
    - Administrator – 4FTE
    - Apprentice – Vacancy
  - **Pensions Manager Systems and Projects** – Vacancy
    - **Projects Team**
      - Senior Officer – Vacancy
      - Project Officer – Vacancy
      - Project Support – Vacancy
      - Data Improvement Officer – Vacancy
    - Technical & Compliance / Training officer – Vacancy
    - **Systems & Support Team**
      - Senior Tech officer – 1FTE
      - Senior Payroll officer – 1FTE
      - Technical Support – 0.6FTE; Vacancy

August 2020

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Appendix 4

OPEN ACTIONS

Audit	Date	Ref	Finding	Risk Rating	Agreed Action	Target Date	Requested Revised Target Date	Responsible Officer	Imple-mented?	Comments
Pension Fund Administration, People, Processes and Systems, 2019/20	Jan-20	1.1	We found that the payments of lump sums and transfers out to other pension providers are managed through a central spreadsheet. The spreadsheet, which is not password protected, has no audit trail and is accessible to all members of the Pension Administration Team, is forwarded periodically to the Business Operations Payment Team in order to set up new vendor records and new payments in SAP. The Pensions Administration Team Leader, who is a SAP approver, advised that the payments in SAP are only checked back to the spreadsheet, not to the source information held in Altair before being released for payment.	High	1. We shall instigate a project to standardise and align these controls by introducing a direct interface between Altair and SAP which will remove the need maintain a payments spreadsheet.	01/03/2020	01/05/2021	Paul Punter	Partial	Heywood's Altair software has a payroll module which has two non-core modules we are looking to introduced to resolve the issue. 1. The ability to make one-off payments using the "Immediate Payments" module. This can either work in a stand-alone, or fully integrated way. To ensure proper control it needs to be fully integrated, requiring all other software components to be in place and up-to-date. Completed June 20. 2. We are looking to implement "Admin to Pay" integration module for payroll but there are a number of actions that need to be completed first: (a) The introduction of Immediate Payments cause the subsequent monthly data transfer from Altair to SAP to crash. The existing Altair extract reports were double counting some transactions from the immediate payments. Its transpired that ESPF set up is different to the other five Orbis funds. Result was we needed Heywoods to prepare two new Altair data extract reports which were prepared, tested and live in September. Meanwhile this created a backlog of data to be entered into SAP. When the June data was imported it was rejected as the system was expecting the current data. This is being resolved with IT - how to open closed periods. Completed October 20 (b) The Altair admin and payroll sytems need to contain the same "pensions in payment" data. It transpired that this was not the case for approx 130 pensioners and the records needed investigating. Decision was made to fully investigate the cases greater than £100 p.a. and these cases were completed in August and payroll updated where appropriate in September. For differences less than £100 p.a. the decision was to accept the payroll data as correct and overwrite the data into the admin system. The original admin data would be stored in the notes section and be investigated further as part of the next phase of Data Improvement Project. Was planned for Feb live - being tested now. Testing will be completed but will not go live until April/May as will impact data migration parallel runs testing. (c) Due to a key man risk issue (long term sick) the April 2020 pension increase exercise was outsourced to Heywoods to perform. The main pensions increase were completed but created approx 3,000+ warnings that need to be investigated. These are being reviewed in Feb 21. (d) Heywoods first need to undertake the supplementary pension increases. Completed Nov 20
		1.2		High	2. Until the interface has been implemented, we will ensure that all outgoing payments are correct and reconcile to members' records in Altair.	01/02/2020	01/07/2020	Clare Chambers	Yes	Short term - Team Leaders check the spreadsheet v SAP v Altair for every entry. Long term - Integrated Immediate Payments. WENT LIVE JUNE 20
Pension Fund Administration, People, Processes and Systems, 2019/20	Jan-20	3.1	It was brought to our attention during the course of this audit that, the Pensions Administration Team (PAT) has been undertaking a range of salary-related calculations on behalf of East Sussex County Council, an employer in the scheme. The estimate of the resources used in making these calculations is two full time equivalent staff. These include: • final and career average revalued earnings (CARE) salaries; • leavers moving into deferred status; • leavers moving into retirement status; • refunds (for members with between three and 24 months' LGPS membership) • redundancy payments (including for non-LGPS employees). The PAT does not perform these calculations for other employers and such activities are not and should not be within the remit of the PAT who operate on behalf of the Pension Fund. We understand that this practice arose as a result of staff in the PAT being co-located with payroll staff and having access to the ESCC payroll system.	High	1. A technical solution is being developed to remove the need for these calculations to be made by the Pensions Administration Team.	30/06/2020	01/03/2021	Phil Hall	Partial	SCC payroll developed a leavers report that is run monthly against SAP and then passed to the pensions admin team. The report provides CARE and final pay calcs which in turn removes the need for payroll staff to undertake calculating pay details manually. There are some exceptions on specific types of cases (unpaid leave in the last three years etc.) where a warning indicator is added to the entry on the report so the pensions admin team know to query this with the payroll team and ask for the calculation to be undertaken manually. The Orbis IT SAP development team are currently working on the leavers report for ESCC payroll. The SCC and ESCC payrolls are not identical, so whilst the SAP development team are using the SCC report as the first iteration of the ESCC report it doesn't "fit perfectly" and is currently at the amending and testing stage. ESCC leaver report completed November 20 (in respect of Oct 20 exit cases). The i-Connect file will automatically record new entrants, changes, contributions, CARE and final pay and leaver notifications but it will not provide the final pay calcs for the three year period. Once operational, both i-Connect and the Leavers Report are run monthly going forward. The SCC i-Connect file has just been tested against the Altair test environment, with good initial results, and the i-Connect file for ESCC is ready to be tested, and Amy and Mandy are working together to progress this at the moment. ESCC payroll running December 20 pay in i-Connect live in January 21 - subsequent validation / task creation in Altair in Feb 21. For the employers on the ESCC payroll, HR prepare the redundancy quotations but PAT prepare the final actual numbers (even for non-pension scheme members). PAT have confirmed 80%+ of the quotations are correct and differences are usually down to changes in overtime in the last few months. Discussions to move all calculations to HR are now complications by the Govt introduction of the £95k cost cap and MCHLG redundancy regulations. There has been some slippage on the handover date. Actions and plans are in place to deliver the technical solution (which is now in final testing); assigning tasks within the payroll team to undertake the work and transfer of knowledge and process from pensions team to payroll team. Complete November 20.
		3.2		High	2. A credit adjustment will be made to the annual pension administration charge to compensate the Fund, whilst the technical solution is being developed. The terms of the financial compensation plan will be worked through and presented to the Pension Committee.	01/04/2020	01/04/2020	Ian Gutsell	Yes	Review undetaken and no action no required Complete October 20.
Pension Fund Administration, People, Processes and Systems, 2019/20	Jan-20	10.1	Testing of a sample of deferred pensions found that new deferred tasks are not always allocated to members of the Pensions Administration Team for processing immediately. We found that eight out of 15 cases tested had not been processed promptly, with an average delay of nine weeks before the tasks were allocated in these cases. The KPI for deferred pensions sets a target to process 98% of all deferred cases within 25 days of receipt. The KPI's between November 2018 and July 2019 state that the target has been met. However, the way that the figures are calculated does not take account of the delay in allocating new cases and, therefore, the published KPI for deferred cases is overstated.	Medium	1. This issue will be resolved by the transfer of responsibility for the final pay calculations for ESCC employees to the County Council.	30/06/2020	01/03/2021	Phil Hall	Partial	The issue is linked to 3.1 above and when that is resolved this item will be fixed. Anticipate completion in Feb 21.
		10.2		Medium	2. Until such time that final pay calculations are transferred to ESCC, the KPI for deferred pension transactions will exclude ESCC Pension Fund members.	01/02/2020	30/06/2020	Clare Chambers	Yes	Included in KPIs

Appendix 4

CLOSED ACTIONS

Audit	Date	Ref	Finding	Risk Rating	Agreed Action	Target Date	Requested Revised Target Date	Responsible Officer	Imple-mented?	Comments
Pension Fund Administration, People, Processes and Systems, 2019/20	Jan-20	2.1	The Altair system calculates pension benefits for new pensioners. However, during testing, we found that in two out of 15 cases, the benefits had been calculated manually by the Pension Administration Team. We understand that this was because of delays in receiving documentation from the employer, in one case, and the employee in the other case. It is further understood that the Altair system cannot calculate benefits retrospectively. In reviewing these two cases, whilst we found evidence of signed checklists, the manual calculations were not completed using a formal template to aid consistency and there was no clear evidence that the calculations had been checked, for example by the signature of the checker at the foot of each page where system generated figures had been overwritten by manual calculations. Furthermore, there is no clear governance process to support the over-writing of data held in Altair with manual figures because the supporting checklist does not adequately demonstrate that each step in the process has been completed and then checked. Testing of an additional 15 new pensions found a further four pension benefits that had been calculated manually. This suggests that around 20% of pension benefits involve a manual calculation although no errors were found during testing. A pension calculation is a longstanding calculation so an error at inception would pervade 20-30 years after the calculation was committed. This would affect all other calculations derived from that initial calculation.	Medium	1. Aquila Heywood will be commissioned to implement system functionality to resolve the retrospective calculation issue together with relevant system controls and sign off controls.	01/04/2020	30/06/2020	Nick Weaver	Yes	Further investigation with the Internal Audit identified a misunderstanding about the functionality capabilities of the Heywood Altair system. It does calculate the member pension benefits at the normal retirement date. Under the LGPS Regulations if the member, for whatever reason, does not forward the completed acceptance forms in a timely manner the benefits are backdated rather than making the member retire at a later date. The issue is where the member benefits are backdated for a number of months or years the Altair system is unable to determine the current benefits. The administrator uses a template spreadsheet to take the Altair calculated benefits at the original normal retirement date to determine the subsequent annual pension increases between then and the actual first payment date plus the arrears for the first pension payment. To ensure the template spreadsheet is clear that it has been checked four new boxes have been added to show the name of the doer and checker and the date they performed and chech the work. These names and dates should then be able to be crossed checked against the retirement calculation checklist to provide a clear audit trail that the work was checked. East Sussex follow the same process as Surrey.
		2.2		Medium	2. Until a system-based solution is achieved, we will implement a template for recording manual calculations in order to aid consistency, reduce the risk of error and to provide a clear audit trail to demonstrate how the figures and the final benefit award were derived.	01/02/2020	30/06/2020	Nick Weaver	Yes	ESCC have adopted the Surrey version of the template spreadsheet.
Pension Fund Administration, People, Processes and Systems, 2019/20	Jan-20	4	The Administration Service reported to the September 2019 Pension Board that 258 active members and 11,004 deferred members had not received their Annual Benefit Statements (ABS) for 2018/19. However, our testing identified further members who had not been sent their ABS, or had not been provided with written notification that their ABS are available on-line, as required under section 14 of the Public Service Pensions Act 2013. Specifically: 1. 1,780 members held in 'status 2' (undecided leavers) did not received their ABS; 2. 5,631 active members, where no email address was held, did not receive written notification that their statements were available on-line; and 3. New members were not advised in writing that their ABS was available on-line. Additionally: 4. There are 4,500 members held in 'status 9' (frozen refunds), who may also be entitled to an ABS, did not receive one; and 5. There are 9,535 deferred members, for whom we do not hold a current email address, and who did not receive an ABS. At the time of testing, these additional breaches had not been reported to the Pension Regulator.	High	Measures to ensure that all required ABS are issued by the statutory deadline for 2020 will include, but are not limited to: • A series of workshops to plan the end to end process; • The creation of a robust plan which sets out roles and responsibilities, milestones and objectives; • Consultation with key stakeholders and immediate communication of expectations from employers; • The identification of early tasks that need carrying out before 31 March; • The cleansing of data held in Altair prior to 31 March; • Establishing a membership baseline through the creation of a snapshot of the membership database – as at 31 March; • The identification of all members requiring an ABS; • A clear understanding that no assumptions are made in the absence of documentation from employers; • Appropriate communications with members in accordance with LGPS regulations. The final plan will be agreed with the Fund.	30/06/2020	01/10/2020	Mike Lea & Clare Chambers	Yes	Work was progressing with Hymans to incorporate the Data Improvement Plan (DIP) results into the ABS' and to issue them by the agreed 31 July deadline. However, for various reasons (including coronavirus) not all the data was collected from the employers by the extented deadline of 15 June 2020. That collected and forwarded to the Orbis system support team was incorporated into the ABS data. The Pensions Board and Officers asked Hymans to cease work on the DIP and prepare a handover report as at 24 July 2020. Hymans produced a DIP closure as at 31 July 2020. The project will be finalised as BAU by PAT. COVID-19 had an impact on the employers ability to complete their annual returns so the deadline for completing the ABS was pushed back to 31 August 2020. An update report was provided to the Board & Committee in September 2020. The committee minutes stated "***The PAT should be congratulated for the improvements it has made to the Annual Benefit Statement (ABS) process. Excluding a few issues due to employers not responding, 99.6% of statements were issued on time*** ."
Pension Fund Administration, People, Processes and Systems, 2019/20	Jan-20	5.1	We understand that a data cleansing exercise was undertaken during 2019 in preparation for the Triennial Valuation, which identified a number of critical errors, which have subsequently been corrected. We requested sight of information relating to the data cleansing process, including sight of the audit trail of changes made to extracted data. Whilst most of our questions relating to this data were answered satisfactorily, it remains unclear, at the time of reporting, why the number of deferred members reported appears to exceed the number of records on the extracted data. A high-level review of data in the live system was carried out, which identified a number of data quality issues, including: • Eight active member records, where one or more fields contained the word 'Delete' or 'Duplicate?', which casts doubt on the accuracy of these records. • Twelve active and 115 deferred members with temporary National Insurance numbers. • Fourteen deferred records where the date commenced employment, or the date commenced current employment were blank. • Six deferred cases where there was no record of the date that the member left active service. • We found 2,261 deferred cases where the reason for the change in status from Active to Deferred was not recorded.	Medium	1. The Fund has commissioned a data improvement programme to be carried out by Hymans Robertson, who will liaise with employers to correct any missing data or inaccuracies. The data collected will be provided to the Pensions Administration Service which will upload it onto Altair. Any changes between the snapshot provided to Hymans and the data held in the live system at the point of upload will be investigated and resolved.	01/04/2020	31/12/2020	Paul Punter	Yes	See 4 above. Significant data quality improvement work has been achieved by Hymans; the work has been handed back the the East Sussex PAT to finalise as BAU. Data quality retention & improvement is an ongoing challenge, anew phase will begin in Q1, 2021. We produce tPR validator common & conditional reports annually (next due November 20) to continually monitor the data quality levels. ***We are confident the data & quality has improved across the PAT service and therefore happy to close this action - data will never be 100% accurate.***
		5.2		Medium	2. The Pension Administration Service will propose procedures and policies to maintain and enhance data quality and seek to obtain the relevant ISO quality accreditation. This will include consideration of capacity and the benefit and cost of establishing a new data quality team.	01/04/2020	01/10/2020	Ian Gutsell	Yes	1. Improvements to procedures and policies impacting the quality of data including the use of statuses is complete. 2. ISO9001 accreditation was a commitment by Orbis that has not materialised. This is a best practice item and nice to have but not a priority so will be revisited in a few years when some of the significant urgent projects are finalised. 3. The Compliance Local Improvement Partner (CLIP) was appointed 3 August 20 and he will oversee quality. The Orbis data quality team has not materialised and the restructure for ES will not include a specific team. Quality should be owned by every individual. ***We are confident the data & quality has improved across the PAT service and therefore happy to close this action - data will never be 100% accurate.***

Pension Fund Administration, People, Processes and Systems, 2019/20	Jan-20	6	We understand that Status 8 is used in Altair for records that have been created in error. However, we reviewed a sample of six cases and found two records where members had opted out and had received a refund of contributions via payroll. These records had been moved to Status 8 in error and we understand that they have now been moved to Status 0 (opt Out) following the queries raised by Internal Audit.	Low	The Pension Administration Team will develop an improvement plan and identify specific administration resources to address Status 8 cases. It will share the plan with the Pension Board, to which it will also share progress reports. Consideration will be given to the creation of a new role - Compliance and Local Improvement Partner (CLIP), to co-ordinate and oversee improvements.	01/06/2020	01/06/2020	Mike Lea	Yes	Periodically a report of status 8 cases will be run to ensure it is being used correctly. Historical cases were reviewed by Hymans and the East Sussex head of administration has in August 2020 been given the Heywoods Altair system superviser status to "delete" records where appropriate.
Pension Fund Administration, People, Processes and Systems, 2019/20	Jan-20	7.1	A review of cases held in Altair under 'status 2' (Undecided Leavers) and 'status 9' (Frozen Refunds) identified over 5,000 cases that had been in these status codes for more than a year and, in some cases, based upon the 'date left active service' field in Altair, extending back as far as 1975. A review of these cases, found that 449 members were above the retirement age, including 288 who were above the age of 70. Whilst we have not tested the reasons behind these cases, we have seen evidence of at least one transfer out where notification of a member's intention to transfer the pension had been received but had not been actioned because the Administration Team believed the information to be incomplete. When this matter was brought to the attention of the team, it was indicated that no action would be taken to address the issue because they believed it was not their responsibility to take any further action. From this, it may be inferred that it is possible that other notifications have been received but not processed, which would result in cases remaining indefinitely in a suspense account.	Medium	1. The Pension Administration Team will develop an improvement plan and identify specific administration resources to address Status 2 and Status 9 cases. It will share the plan with the Pension Board, to which it will also share progress reports.	01/04/2020	31/12/2020	Mike Lea	Yes	On 30 January 2020 a full cut of scheme data was provided to Hymans to commence the DIP and significant improvement have been made since then (outlined in the 31 July 2020 Hymans closure report): **Status 2 (unresolved leavers)** Initally 977 cases identified & at the point of handover back to ES PAT 532 had been resolved & a further 117 were ready to be validated. This left 323 remaining to be followed to seek missing data from Employers (8 Employers accounted for 282 cases or 87% and 16 Employers for the remaining 41 cases or 13%). To put in perspective the 2020 ABS has identified 865 new status 2 cases that will need investigating **Status 9 (frozen - undecided refunds)** Initally 4,650 cases and all validated as true cases (except 6) - these are with ES PAT to settle as requested by members. New process in place to automatically prepare to settle these three months before the five years anniversary of leaving. The new process includes address tracing where necessary and providing a quotation and requesting bank details for settlement. This is now BAU with diarised monthly reports being run to identify forthcoming cases. **We are confident the data & quality has improved across the PAT service and therefore happy to close this action - data will never be 100% accurate.**
		7.2		Medium	2. Consideration will be given to the creation of a new role - Compliance and Local Improvement Partner (CLIP), to co-ordinate and oversee improvements.	01/04/2020	01/04/2020	Kevin Foster	Yes	CLIP started on 3 August 2020
Pension Fund Administration, People, Processes and Systems, 2019/20	Jan-20	8.1	We understand that there is no process in place to update addresses for employees who opt out and defer their pensions, even though employers hold this information.	Low	1. The Pension Administration Team will develop an improvement plan and identify specific administration resources to capture changes of address for all deferred members. It will share the plan with the Pension Board, to which it will also share progress reports.	01/06/2020	01/06/2020	Clare Chambers	Yes	This will be part of the standard deferred benefit process.
		8.2		Low	2. Consideration will be given to the creation of a new role - Compliance and Local Improvement Partner (CLIP), to co-ordinate and oversee improvements.	01/06/2020	01/06/2020	Kevin Foster	Yes	CLIP started on 3 August 2020.
Pension Fund Administration, People, Processes and Systems, 2019/20	Jan-20	9.1	The previous year's audit reported that a data cleansing exercise had been carried out, which had identified 14,000 queries and 67,000 warnings, where data may contain errors or be incorrect. It was agreed that all errors and/or warnings from the membership data cleansing exercise would be investigated and the data would be amended, if it was found to be incorrect. This action has not been carried out and it was noted that the 2019/20 data cleansing exercise for the triennial valuation identified 137,911 warnings.	High	See Action 5, above.	01/04/2020	01/10/2020	Kevin Foster	Yes	See 5 above
		9.2		High	See Action 5, above.	01/04/2020	01/10/2020	Ian Gutsell	Yes	See 5 above

Pension Fund Administration, People, Processes and Systems, 2019/20	Jan-20	11	The Pension Administration send out an annual return at the end of each year relating to members' annual allowances. For new members transferring into the fund, this information needs to be collected from the previous employer. We tested a sample of transfers into the Pension Fund. We found that, in one out of five cases, the member's annual allowance information had not been received from the previous employer but that the checklist had been approved as complete, despite the step to obtain the annual allowance information being left blank. Further enquiries confirmed that there were five other transfers in where the annual allowance was missing. In three of these cases, checklists had been marked to show the transactions as complete. The remaining checklists differed and did not cover the receipt (or not) of annual allowance information. The closing of transfer-in cases before all steps have been completed also has a positive and misleading impact upon the KPIs.	Low	We will review the process and the Transfer In checklist to ensure that the most efficient use is made of our resources. We shall review the KPI report to ensure all relevant information is included and that reports provided to the Board and Committee are clear.	01/06/2020	30/06/2020	Clare Chambers	Yes	The Annual Allowance (AA) statements are produced for about 120 ESPF members who exceed the annual monetary amount. In trying to determine the correct AA information you can account for any unused allowance for the previous three years. For members who have completed an interfund transfer during the year the data may not be easily assessible (for members with no Altair member print from the previous employer). East Sussex administration team tried to obtain a note of the AA used in the current yearas part of the TV-in process. As the provision of this data is not mandatory or statutory and does not impact the calculation of the transfer of benefits it is not chased at the time of transfer. If later, it is discovered the member is actually exceeds the AA, then the administrator will as part of that task request the AA data from the previous employer.
Pension Fund Administration, People, Processes and Systems, 2019/20	Jan-20	12	Testing revealed that 80% of complaints to the Pensions Administration Team were not responded to within 10 days, in accordance with Orbis service standards, increasing the risk of reputational damage. It was also noted that there is a lack of information recorded within the Complaints Log, with some fields being left blank. Furthermore, some members' feedback, which could reasonably be considered to be complaints, is recorded as comments, thus avoiding the need to include them in the statistics. In addition, we found that some complaints had not been recorded within the KPI figures presented to the Committee or Board, whilst all compliments, including those relating to a fund managed on behalf of another authority were, thus reducing the accuracy with which Members are able to view the administration's performance.	Low	KPI statistics will be checked to ensure that they are complete and only include data relating to the East Sussex Pension Fund. Accompanying narrative on the cause of each failure will be provided together with proposals to rectify any failures.	01/05/2020	30/06/2020	Clare Chambers	Yes	Action undertaken and only complaints for the East Sussex Fund are reported as part of the KPI reporting. A
Pension Fund Administration, People, Processes and Systems, 2019/20	Jan-20	13	During testing, we found evidence of correspondence having been sent to a member threatening to suspend their pension unless they responded to the letter to confirm that they were still alive. In this case, correspondence had previously been returned marked 'Unknown at this address'. However, at the date of testing, which was a month past the specified deadline, the pension was still in payment. We understand that the reason why the pension was still in payment was because the Pension Administration Team had not sought or received approval from the Governance Team to suspend the member's pension benefit.	Medium	A process, including clearly defined roles and responsibilities, between the Pension Fund and the administration will be developed and agreed with the Pension Fund.	31/03/2020	01/10/2020	Michelle King & Clare Chambers	Yes	The Good Governance Working Party proposals for the roles and responsibilities was agreed by ES Pensions Committee on 21 September 2020 but cant be fully implemented until been consulted upon with Employers and we have our own Altair database (Orbis will not permit new different SLA/KPIs for the PAT to be set-up. The decision to move the administration back in-house means there will be a more holistic approach and joined up processes. The ES Head of Pensions Administration has completed a review of "suspended" pensioners during September and the remaining cases are appropriate. He has also taken on responsibility of authorising the suspension of new cases, including a number of pensioners being suspended from September 20, whose payslips between March & May 2020, and appropriate letters and chasers were issued (including via banks) in the intervening period.
Pension Fund Administration, People, Processes and Systems, 2019/20	Jan-20	14	The Pensions Regulator expects pension administrators to maintain complete and accurate records and has published guidance on the minimum data that it expects trustees and scheme managers to hold. Of the eleven common data fields specified by the Regulator, nine are mandatory in Altair. Although we did ask for clarification from management about the other two mandatory fields, no response was forthcoming and it remains unclear why the 'Address' and 'Post Code' Fields are not mandatory.	Low	We will approach the software vendor (Aquila Heywood) to investigate the possibility of making the address fields mandatory, including any potential cost implications.	31/05/2020	30/06/2020	Nick Weaver	Yes	The address and postcode fields are not mandatory on any pension software suppliers. East Sussex does have policies in place to undertake missing address tracing exercises biannually. In addition for individuals approaching retirement where an address is missing address tracing is performed three months beforehand. East Sussex PAT will produce tPR validator common and conditional reports annually for the Pensions Board to track the data quality scores.
Pension Fund Administration, People, Processes and Systems, 2019/20	Jan-20	15	The previous audit (2018/19) identified an employer, which had left the Fund, but could still access the employer portal (Pensions Web). It was agreed that the employer's account would be deleted and all employers with access to Pensions Web would be contacted to confirm their employees who need access to the system on an annual basis. We found that that the employer account referred to above had been deleted. However, there was no record to confirm whether all employers had been contacted to confirm who needed access to Pensions Web.	Low	We will write to all employers with access to Pensions Web to confirm the employees who need access to the system on an annual basis.	31/05/2020	30/06/2020	Clare Chambers	Yes	Systems and Support Team will document a process for maintaining access to PensionsWeb for scheme employers. There is an employer database which holds the employer key contact details - name, address, email, plus authorised signatories etc. These will be updated as part on the annual data return for the ABS process. CLIP will have oversight of the quality of this work.

Pension Fund Administration, People, Processes and Systems, 2019/20	Jan-20	16	The previous audit (2018/19) found that five out of 32 users who had access to Altair had left the Council. It was agreed that the users' accounts would be deleted and that a review of user access to Altair would be undertaken, at least on an annual basis. We found that the five users' accounts identified during the last audit had been deleted. However, the review of user accounts had not been completed.	Low	A review of user access to Altair will be undertaken annually and evidence of the review will be maintained.	31/05/2020	01/12/2020	Tom Lewis	Yes	Systems and Support Team to document a process for maintaining system access and levels in Altair for both internal and external access users. (a) create three lists of users - PAT, other internal users (Fund / Authority) and External (advisers) (b) review users list against current staff and ensure named individuals in Fund, Authority & external advisers are still employed and access is deemed appropriate (c) despite (b) if users have not used the system for 3 months their access should automatically be disabled and at six months be deleted (d) all new access or reaccess requests must be pre-approved by a Manager East Sussex Head of Pensions Administration has offered to perform the review of users and approve/challenge their access rights - the first review in due in Q4, 2020. The primary responsibility for informing IT and systems of joiners and leavers resides with HR. So check referred to above should simply be a safety net.
Pension Fund Administration, People, Processes and Systems, 2019/20	Jan-20	17	The previous audit (2018/19) found that the Pensions Regulator requires each scheme to have developed a set of scheme specific data items that should be present for each member. No scheme specific data set has been defined.	Medium	The Pension Administration Team will develop a set of scheme-specific data, including considering guidance from outside bodies, as necessary. This will be presented to the Board for approval.	31/03/2020	31/03/2020	Mike Lea	Yes	Will be captured by East Sussex PAT
Pension Fund Administration, People, Processes and Systems, 2019/20	Jan-20	18	The previous audit (2018/19) found that Surrey County Council (as the pension administration service provider within Orbis) 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 was not developed, despite requests from the Council. It was agreed that an annual schedule of key pension activities would be presented to the Council for approval by the start of each calendar year. Whilst a schedule has been produced for 2019, it has not been shared with, and approved by, the Pension Fund.	Medium	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.	31/03/2020	31/03/2020	Clare Chambers	Yes	The 2020 Annual Schedule has been drafted and being submitted to the 8 June Local Pension Board.
Pension Fund - Compliance with Regulatory Requirements 2019/20	Jan-20	18	All breaches or potential breaches should be recorded in a log which should be used to inform the Pension Board and Pension Committee on a regular basis. Our testing found two versions of the breaches log, neither of which appeared to be complete. The log does not always record: • whether the breach was reported to the Pension Board; • whether the breach was reported to the Pension Committee; • whether the breach is open or closed; or • the breach's RAG status. Moreover, the log has no provision to capture: • whether the breach has been reported to the Pension Regulator; • who decided to report the breach; or • who made the decision to close the breach.	Medium	Aon and Eversheds Sutherland have been commissioned to determine a breaches policy, breaches log and breaches procedure which complies with Regulation. This will be agreed at the Pension Board on 2nd March and Pension Committee on 16th March.	16/03/2020	16/03/2020	Michelle King	Yes	Agreed by the Pension Committee on the 22 June 2020.
Pension Fund - Compliance with Regulatory Requirements 2019/20	Jan-20	2	The Reporting Breaches Policy states that breaches or likely breaches should be reported to the Pension Committee, Pension Board and, where necessary, the Pension Regulator. Despite the incomplete nature of the breaches log (see ref 1, above), the entries that had been made indicated that few breaches had been reported to the Pension Committee or Pension Board. As previously mentioned, the log does not record whether breaches have been reported to the Pension Regulator.	High	All officers will be reminded to comply with the Breaches Policy and Procedures to be agreed at Pensions Committee on 16 March 2020. This policy will ensure that the reporting of breaches complies in full with the provision of the Regulator's Code of Practice.	01/04/2020	01/04/2020	Michelle King	Yes	Agreed by the Pension Committee on the 22 June 2020.
Pension Fund - Compliance with Regulatory Requirements 2019/20	Jan-20	3	There is currently no Service Level Agreement in place between the East Sussex Pension Fund and Business Operations, which provides its Pension Administration Service. The only document that sets out the service to be provided, is a Statement of Requirements, which is dated 2013, and does not cover more formal responsibilities in the event that service provision falls below the expected standard.	High	Aon, Eversheds Sutherland and Hymans Robertson to produce three Service Level Agreements which sit under the umbrella of the current Inter-Authority Agreement (IAA). Eversheds are updating the IAA to ensure compliance with GDPR provisions and to determine the roles and responsibilities of the Data Owner, Data Controller and Data Administrator. The following Service Level Agreements (SLAs) are sub sections of the IAA agreement. Aon are preparing a SLA between the Fund and the Administrator which will be performance managed through the Performance Management Group which is a newly formed governance vehicle to conduct oversight of the operational requirement. A separate SLA for actuarial services to determine performance between Orbis and the actuary is commissioned to ensure that information is provided to the actuary in a timely, accurate and complete manner. All SLAs will form appendices to the IAA and will be ratified by the Pension Committee on 16th March 2020. The IAA will be further, retrospectively, ratified by the Pension Committee on 16th March 2020.	16/03/2020	01/07/2020	Michelle King	Yes	Dependant on production of SLA through Good Governance Review. The Good Governance Working Party resolved on 19-05-20 that the roles and responsibilities is due to be agreed by Committee in September 2020. There has been a delay by Orbis in agreeing these documents therefore additional time has been agreed by the Working Party. Philip Baker has advised that no changes will be made to the IAA. The SLA will sit outside of the IAA.
Pension Fund - Compliance with Regulatory Requirements 2019/20	Jan-20	4	In accordance with regulations, there is an Internal Dispute Resolution Procedure Guide available which provides a formal process to handle and escalate complaints. However, there is no policy or procedure in place for the resolution of customer complaints at a basic level, prior to this escalation.	Low	The implementation of a Service Level Agreement, as agreed in reference three, will set out the Fund's requirements of the administration in relation to complaints handling; this will be discussed at Pension Committee on 16th March 2020.	16/03/2020	16/03/2020	Michelle King	Yes	Dependant on production of SLA through Good Governance Review. The Good Governance Working Party resolved on 19-05-20 that the SLA is due to be agreed by Committee in September 2020. There has been a delay by Orbis in agreeing these documents therefore additional time has been agreed by the Working Party. In relation to complaint handling by the Pension Fund at a basic level the Pension Fund follows the ESCC Complaints processes. The Orbis Pension Administrator as a supplier to the Pension Fund will need to provide the method statement agreed by CIPFA within the National Framework Procurement detailing the provisions for complaint handling in the tender.

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Report to:	**Pension Committee**
Date of meeting:	**1 March 2021**
By:	**Chief Internal Auditor**
Title:	**Internal Audit Report: Pension Fund: Compliance with Regulatory Requirements 2020/21**
Purpose:	**This report provides the Committee with the outcome of the above audit**

RECOMMENDATIONS

The Committee is recommended to note the Pension Fund Compliance with Regulatory Requirements 2020/21 audit report

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1. Background

1.1 The review of Pension Fund: Compliance with Regulatory Requirements 2020/21 (Appendix 1) was completed as part of the Internal Audit Strategy for Pensions 2020/21. The audit aimed to provide assurance on the overall effectiveness of the system's controls and to identify areas of concern or weakness where improvements could be made.

1.2 As a result of our work, we were able to provide an opinion of substantial assurance over the controls in place. This reflects the improvements made since the previous audit, in which we gave an opinion of partial assurance. Where areas of improvement were identified, management actions have been agreed, together with timescales for their implementation.

2. Conclusions and Reasons for Recommendation

2.1 The Pension Committee is recommended to note the Internal Audit report.

RUSSELL BANKS
Orbis Chief Internal Auditor

Contact Officer: Nigel Chilcott, Audit Manager
Tel No.: 07557 541803

BACKGROUND DOCUMENTS:
None

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Internal Audit Report

Pension Fund - Compliance with Regulatory Requirements 2020/21

Final

Assignment Lead: Jodie Lulham, Senior Auditor
Assignment Manager: Danny Simpson, Principal Auditor
Prepared for: East Sussex County Council
Date: January 2021

Report Distribution List

Draft Report Circulation:
Sian Kunert – Head of Pensions
Dave Kellond – Compliance and Local Improvement Partner

Final Report Circulation:

As per draft report, with the inclusion of:
Ian Gutsell – Chief Finance Officer
Paul Punter – Head of Pensions Administration
Russell Wood – Pensions Investment Manager
Pension Board
Pension Committee

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

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1. Introduction

1.1. The Council (East Sussex County Council) is the designated statutory administering authority of the East Sussex Pension Fund. The Council has 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. The governance of the Fund is the responsibility of the East Sussex Pension Committee supported by the Pension Board, the ESCC Chief Finance Officer and the Pension Fund officer team. The day to day administration of the Fund is provided by East Sussex County Council.

1.3. This review is part of the agreed Internal Audit Plan for 2020/21.

1.4. 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:

- Scheme governance arrangements meet regulatory requirements;
- Investment management arrangements meet regulatory requirements; and
- Pension administration arrangements meet regulatory requirements.

3. Audit Opinion

3.1. **<u>Substantial Assurance</u> is provided in respect of Pension Fund - Compliance with Regulatory Requirements 2020/21**. This opinion means that controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives. *Appendix A provides a summary of the opinions and what they mean and sets out management responsibilities.*

4. Basis of Opinion

4.1. We have been able to provide substantial assurance over the controls in place because:

4.2. Investments are well controlled, with appropriate advice taken where required in order to ensure regulatory compliance. There is an Investment Strategy Statement which outlines the investment types and target allocations for each investment type that the Fund wishes to pursue; this is reviewed regularly, as per the Investment Regulations (2016). The Fund also engages Investment Managers and maintains appropriate records of these.

4.3. A Business Plan has been developed, outlining the key objectives and activities of the Fund for the 2020/21 financial year.

4.4. There is a new Breaches Policy in place which has been approved by the Pension Board and Committee, outlining the requirements in relation to reporting breaches, as required by the Pensions Regulator.

4.5. A Compliance and Local Improvement Partner has been appointed to aid compliance with regulatory requirements, and a number of projects are underway to improve controls in this area.

4.6. There were, however, a small number of areas where improvement could be made. These are as follows:

4.7. Not all officers working within the Pension Fund have completed a declaration in the register of interests, thus reducing transparency and increasing the risk of a conflict materialising that remains unmanaged, which may be to the detriment of the Fund.

4.8. A number of policies and strategy documents are outdated, meaning that they do not always align with current practice.

5. Action Summary

5.1. The table below summarises the actions that have been agreed together with the risk:

Risk	Definition	No	Ref
High	This is a major control weakness requiring attention.		
Medium	Existing procedures have a negative impact on internal control or the efficient use of resources.	2	1,2
Low	This represents good practice; implementation is not fundamental to internal control.	1	3
	Total number of agreed actions	**3**	

5.2. Full details of the audit findings and agreed actions are contained in the detailed findings section below.

5.3. As part of our quarterly progress reports to Audit Committee we track and report progress made in implementing all high priority actions agreed. Medium and low priority actions will be monitored and re-assessed by Internal Audit at the next audit review or through random sample checks.

6. Acknowledgement

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

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
1	**Policies and Strategies** Policies and strategies should be regularly reviewed and updated in order to ensure they contain current and relevant information and that staff comply with them and that the policy and practice are aligned. A number of policies have been found to be overdue for review, including: • Administration Strategy; • Maintaining Contributions; • Exercise of Discretionary Functions; • Communication Strategy; • Governance Policy Statement; • GDPR Memorandum of Understanding and • Dispute Procedure Guide.	Failure to ensure that policies and strategies are reviewed and updated regularly, may lead to a lack of clarity, increasing the risk of error and non-compliance with statutory requirements.	Medium	A policy tracker has been implemented in December 2020 to ensure officers are fully aware of dates policies require review. The website has been updated in December and January for policies updated but not yet published. The Administration strategy was updated and approved in September 2020 with employer consultation ending November. The new policy is effective from Jan 2021 – this policy will be published in Jan 2021. The communication policy was revised and approved June 2020 – this was never published so will be published Jan 2021. All policies out of date will be added to the Pension Committee and Pensions Board work programme to ensure sufficient scrutiny and approval levels; with policies scheduled for rolling review on the future work programme to avoid polices becoming out of date in the future.
Responsible Officer:		Sian Kunert	**Target Implementation Date:**	30 June 2021

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
2	**Declarations of Interest** All officers should have up to date declarations in the register of interests, whether, or not, they have a potential conflict to declare. The purpose of these declarations is to ensure transparency and reduce the risk of a conflict materialising that puts the performance of the Pension Fund, or reliability of decision, making at risk. Testing identifying three officers who had not completed declarations in the register.	Without all officers completing declarations in the register of interests, there is an increased likelihood that conflicts materialise that are not managed, increasing the risk of decisions being made, or are perceived to be made, that are not in the best interests of the Fund.	Medium	All pension fund officers have been advised (07/01/2021) to complete the declarations in line with the new policy which was approved in November 2020 including the pensions admin team who would have been out of scope until December 2020 when they were TUPE-ed to ESCC. A follow up will be completed in 2 weeks to capture any outstanding. The three sample cases without declarations have now been completed (12/01/2021) The conflicts declaration will be added to induction guidelines for the team to ensure new starters complete.
Responsible Officer:		Sian Kunert	**Target Implementation Date:**	Complete

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
3	**Complaints Log** It is important to maintain a record of all complaints and negative comments that the Fund receives in order to improve the quality of service provided. A complaints log should have a responsible officer who regularly reviews complaints and escalates them as appropriate. During testing we were unable to obtain a copy of the log, ascertain where it was kept, or which officer(s) had overall responsibility for maintaining it.	Failure to maintain an accurate and up to date record of all complaints and negative comments reduces the opportunity for the Fund to improve service. Lack of responsible officer for the complaints log may result in the log not being regularly reviewed and reduces oversight, meaning that any negative trends may not be identified and resolved.	Low	The pensions administration team will own the complaints log in the first instance and escalate to the relevant part of pensions to resolve. Currently there is a complaints log, however this sits within Orbis and there is no transparency to ESPF officers. Due to the timing of the disaggregation of the administration function, the complaints procedure will be reviewed and a new log put in place from 1 April 2021 when the administration function is fully managed in ESCC. Actions will include training to staff on complaints, a revision to the existing policy and a new log to sit within the ESCC network for the Head of Pensions, Head of Pensions Admin and Pensions Manager for Governance and Compliance to review quarterly.

Responsible Officer:	Sian Kunert	**Target Implementation Date:**	30 April 2021

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.

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Report to:	**Pension Committee**
Date of meeting:	**1 March 2021**
By:	**Chief Finance Officer**
Title:	**Pension Fund Risk Register**
Purpose:	**To consider the Pension Fund Risk Register**

RECOMMENDATIONS:

The Pension Committee is recommended to review and note the Pension Fund Risk Register

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1. Background

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

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

2. Supporting information

2.1. The Risk Register is included as **Appendix 1**.

2.2. As requested at Pension Committee on 30 November 2020, the Risk Register has been rewritten to ensure that risks are reported to show mitigations are in place and bring risks down to an appropriate level of risk. If the risk level remains red after mitigation the risk register should show that further actions will be put in place or a risk is accepted by the Committee as tolerated if the risk remains high and no further action is possible.

2.3. As a result of the changes made to the risk register all risks are now reworked and effectively new for the purposes of this Pension Committee meeting.

Assessment of Risk

2.4. Risks are assessed in terms of the potential impact or damage of the risk event should it occur, and in terms of the likelihood of it occurring. These are then combined to produce an overall risk score.

2.5. 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.

2.6. There are currently 16 risks being reported within the register. Whilst there are many more risks which could be identified within the Fund, the risks identified in the register are the most significant and actively managed risks the Fund faces.

2.7. Each risk has been identified with potential triggers for the risks with possible consequences from those events. The risk is then measured by the interaction of the likelihood of occurrence and the potential impact or damage that could be borne by the Fund before the mitigating actions that are in place and then again post mitigation. After mitigating actions there are currently no risks rated as Red.

2.8. COVID-19 risk is no longer shown as a separate risk but as an increasing risk factor on several of the key risks within the fund as the pandemic increases the likelihood of some failures occurring due to resources or employer liquidity positions.

3. Conclusion and reasons for recommendations

3.1 The Pension Committee is recommended to review and discuss the revised risk register in light of the changes since the last meeting.

IAN GUTSELL
Chief Finance Officer

Contact Officer:	Sian Kunert, Head of Pensions
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Pension Fund Risk Register Q4 2020/21												
				Pre Mitigation				Post Mitigation				
Reference	**Risk**	**Potential Triggers of risk**	**Consequences of risk**	**Likelihood**	**Impact**	**Risk Score**	**Risk Control / Response**	**Impact**	**Likelihood**	**Risk Score**	**Risk Owner**	**Timescales**
Employer Risk												
E1	**Contributions Funding Risk** Failure to collect contributions from employers in line with Funding strategy requirements and Rates and Adjustment Certificate	Failure to collect contributions on time Failure to collect contributions in line with Rates and Adjustments certificate Failure to monitor and reconcile contributions Liquidity failures with employers due to business risk or Covid 19 implications Incorrect coding of contributions Employer unable to pay increased contributions on a trigger event New outsourced arrangements made without thought to Pensions implications and contribution costs Poor employer covenant	Inaccurate financial statements Cashflow risk to pay out pensions Funding deficits Failure to track employer cashflows leading to inaccurate FRS17/IAS19 report and Valuation reports Future reduction in funding level Future Increase in employer contributions Employer forced into liquidation Increase in investment risk taken to access higher returns Forced to sell investments to meet cashflow requirements	3	3	9	Monthly Employer contribution monitoring Monitoring of late payments with new Employer engagement team to address breaches for late payment Contributions recorded in Finance system by employer to track all employer cashflows in line wit actuarial requirements for Valuation and FRS17/IAS19 reporting requirements. Also enables ability to see trends in contributions collected. New administration strategy in place from January 2021 clearly outlining ability to fine employers for late payment and late receipt of remittance advice or poor quality of data Implementation of I-Connect which is being to be rolled out in 2021 is expected to improve the quality of contribution data received to better aid reconciliation of payments and drill in the accuracy of employers contribution payments New report to be delivered at Pensions Board meetings to highlight any late payment of contributions and Employer engagement actions from February 2021 Covenant review to begin in 2021 - PWC appointed to carry out the work, high risk employers identified and legal advice obtained Triennial valuation process aims to stabilise contribution rates where possible and senior management involved in detailed discussions on funding assumptions Guide to Employers on implications to Pensions on Outsourcing presented at employer forum in November 2020 and document issued to all employers Contribution deferral policy approved by Committee in June 2020. Regular communication with Employers through new Employer engagement team	2	2	4	Head of Pensions	On-going
E2	**Employer Risk** Employers fail to provide accurate and timely data to the PAT team	Failure to provide Starter and Leavers information Failure to provide EOY returns on time and to a an acceptable data standard Covid 19 has reducing the ability of employers to participate in the data cleansing Inability for Employers to respond to additional data requests for changes in regulations	Risk of financial loss and damage to reputation. Incorrect employer's contribution calculations Delays to triennial actuarial valuations process. Fines and enforcement action by The Pension Regulator Inability to produce ABS in time or accurately to comply with legislation	4	3	12	New Administration Strategy approved in September 2020 and out for consultation with Employers October to November; The new strategy was the focus of the Employer Forum in November 2020 Employing authorities are contacted for outstanding/accurate information; User Guide and Training provided to Employers for outsourcing implications with LGPS November 2020 Regular communication and meeting with administration services regarding service updates and additional data, when required. New employer engagement team established from January 2021 to support employer and provide training where required Issuance of a quarterly employer newsletter to support employers in their understanding of current pensions issues and activity for the Pension Fund A data cleansing plan was completed in June 2020 lead by Hymans. The PAT have been finalising outstanding areas handed over. New Data Improvement plan process to start in 2021 by the PAT BAU team and supported by the DIP working Group Data Improvement (DIP) working group set up to discuss data issues resulting from employers Meetings held between senior pensions Management team and employers where there are current or historic data concerns	3	3	9	Head of Pensions	On-going

Appendix 1

Pension Fund Risk Register Q4 2020/21												
				Pre Mitigation				Post Mitigation				
Reference	**Risk**	**Potential Triggers of risk**	**Consequences of risk**	**Likelihood**	**Impact**	**Risk Score**	**Risk Control / Response**	**Impact**	**Likelihood**	**Risk Score**	**Risk Owner**	**Timescales**
Administration												
A1	**Pensions service Delivery Risk** Inadequate delivery of Pensions Administration	The Scheme is not administered correctly resulting in the wrong benefits being paid or benefits not being paid, including as a result of poor data Paying pension benefits incorrectly	Members of the pension scheme not serviced to an adequate standards Damaged reputation Financial hardship to members Employers dissatisfied with service being provided resulting in formal complaint Complaints which progress to the Pensions Ombudsman Financial loss Statutory deadlines not met	3	3	9	The PAT team is currently undergoing a dissolution project to Insource pensions administration from Orbis Surrey to an inhouse provision. Annual internal audit report om the administration of pensions including regular reporting and monitoring of recommendations to ensure the service is acting in line with best practice Quarterly Reports to Pension Board and Committee New service level KPI and expectations approved at Pensions Committee in September 2020 for the PAT service within the Administration strategy for when the team is fully in house Awareness of the Pension Regulator Guidance by all team members Programme management by Head of Pensions admin in liaison with Orbis partners to ensure all tasks completed as planned and to a high standard Polices and procedures in place and all activity for members recorded on member records for other teams members to see Constant monitoring / checking by team managers and senior officers for more junior staff members In house risk logs, including for projects SAP / Altair reconciliation monthly to ensure financial records complete and correct Task management systems built into Altair to ensure activity is competed and monitored	2	3	6	Head of Pensions Administration	On-going
	Risk resulting from Regulatory Change Risk that new benefit structures can not be set up correctly or in time	GMP reconciliation GMP rectification GMP equalisation McCloud	Members of pensions scheme exposed to financial loss Inaccurate record keeping Damaged reputation Delays due to conflicting deadlines on heavy workloads	3	3	9	Projects and/or working groups in place to deal with current regulatorily benefit changes Attendance at networks and officer groups to stay on top of up coming changes in regulation Reports to Pension Board and Committee to ensure knowledge is shared to decision makers Oversight via Data Improvement Working Group	2	3	6	Head of Pensions Administration	On-going
A3	**Production of Statutory member returns**	Inability to produce all ABS by the statutory deadline Inability to produce Annual Allowance statements by the statutory deadlines Provision of incorrect statements to members Failure to complete event reports in time for HMRC	Reputational risk and complaints Fines and enforcement action by The Pension Regulator Interest charges or fines from HMRC for inaccurate AA statements Breaches occurred	4	3	12	Regular contact with employers to get data. Clear project plan with early communications and planning with milestones to ensure Statements created in time to allow time for distribution to staff. Roll out of I-Connect for employer roll out as monthly interfaces system, to ease year end requirements and correct errors through out the year. Currently many leavers are not being notified until year-end. Restructure of Pensions team to include an Employer Engagement team will support Pensions Administration with end of year returns liaising and supporting employers through the process Breaches policy in place and Breach reporting to Committee and Board quarterly to raise and consider breach reporting levels	3	2	6	Head of Pensions Administration	On-going
A4	**Risk on Dissolution of Administration from Orbis to ESCC**	Risk that infrastructure will not be in place on time Recruitment risk to support areas in addition to BAU Risk to data transfer and software mapping	Reputational damage Inability to provide pensions administration services one separated Risk to communications with employers and members due to structural changes	4	4	16	Project plan in place, with regulator meetings and project groups for various aspects of the dissolution Specific risk register is in place for this project and all risks currently Green or Amber, project is on track Head of Pensions Administration in place to lead on the dissolution with project updates to S151, COO and Head of Pensions Contracts in place and PID's for various aspects of the workstreams to implement Ongoing support until end of June and handover opportunities with communications and Projects teams where new resourcing is required TUPE of staff is complete and several adverts not out BAU team will be dropping Westminster work which will help in manging the teams workload	2	3	6	Head of Pensions Administration	Ongoing

Pension Fund Risk Register Q4 2020/21

Reference	Risk	Potential Triggers of risk	Consequences of risk	Pre Mitigation: Likelihood	Pre Mitigation: Impact	Pre Mitigation: Risk Score	Risk Control / Response	Post Mitigation: Impact	Post Mitigation: Likelihood	Post Mitigation: Risk Score	Risk Owner	Timescales
Governance												
G1	**Key Person risk** Risk of loss of key / senior staff resulting in lost knowledge and skills with in the Pensions Team	Poor management of staff Failure to provide progression within the team structure Poor absence management Higher risk of sickness absence and reduced working hours as a result of Covid-19 Failure to provide an supportive working environment Failure to communicate with staff members in relation to potential service changes Concentration of knowledge in a small number of officers and risk of departure of key and senior staff.	Damaged reputation Inability to deliver and failure to provide efficient pensions administration service, support to employers, accurate accounts or effective management of investments Disruption and inability to provide a high quality pension service to members. The risk of losing key staff could lead to a breakdown in internal processes and service delivery, causing financial loss and potential risk to reputation.	4	4	16	Diversified staff / team Attendance at pension officers user groups to network and exchange information Procedural notes which includes new systems, section meetings / appraisals Succession planning within team structure, building from within the team Robust business continuity processes in place around key business processes, including a disaster recovery plan. Knowledge of all tasks shared by at least two team members within PAT and in addition can be covered by senior staff in all areas. Training requirements are set out in training strategy, job descriptions and reviewed annually with team members through the appraisal process. New training officer post within team structure to be recruited early 2021 Training strategy in place and regularly reviewed with training log where required	2	2	4	Head of Pensions / Head of Pensions Administration	On-going
G2	**Cyber Security** Risk of Loss of data or systems breaches through cyber attacks	Cyber attack on ESCC systems and firewalls Cyber Security of member data - personal employment and financial data Attempt to infiltrate emails systems and data exchanges Cyber attach on third party systems where ESPF data is stored Cyber attach on third party systems that ESPF require to carry out service requirements and investment functions Covid-19 Cybercrime Spike	ESCC may incur financial penalties for data breaches Damaged reputation Legal issues Members of the pension scheme exposed to financial loss / identity theft Members of the pension scheme data lost or compromised Financial loss resulting from data manipulation Inability to trade Impact on funding levels Inability to access key systems, or substantial rebuilding of alternative systems	4	4	16	ICT defence - in-depth approach Utilising firewalls, passwords and ICT control procedures including system access and account deletion protocols Email and content scanners Using anti-malware. ICT performs penetration and security tests on regular basis Encryption used on all data transfers Service level agreement with termination clause Regular reports SAS 70/AAF0106 Industry leaders providing services to the fund with data protection and cyber defence systems Risk assessment completed with all new contracts with data transfer and new associated systems including penetration testing at outset	2	4	8	Head of Pensions	On-going
G3	**Inadequate governance arrangements to discharge powers & duties**	Pensions Board & Committee members do not have the knowledge & experience to carry out their duties properly In sufficient internal audit review of the fund Lack of advisory services Insufficiently qualified officers Poor level of testing and challenge from external auditors	Poor decision making Breaches occurred Areas of work not completed Unreliable accounting or budgetary information	2	3	6	Training strategy in place which covers Pension Committee, Pensions Board and officers 100 days of internal audit commissioned for each calendar year with regular reporting from IA to committee and board External auditor provides audit plan at planning stage for each financial year and this is discussed by Audit committee as well as Pension Committee and Board Investment regulations require proper advice, procurement processes in place to ensure quality within replacement advisers	1	3	3	Head of Pensions	On-going

Pension Fund Risk Register Q4 2020/21

Reference	Risk	Potential Triggers of risk	Consequences of risk	Pre Mitigation			Risk Control / Response	Post Mitigation			Risk Owner	Timescales
				Likelihood	Impact	Risk Score		Impact	Likelihood	Risk Score		
G4	**Failure to comply with General Data Protection Regulations**	Data breaches through failure to encrypt data Poor security on systems Unpublished privacy notice, policy and guidance Lack of knowledge on GDPR rules by staff DPO not identified	Reputational damage Fines and enforcement Breaches by contractors and employers Failure to report breaches within timescales and through correct reporting methods	3	3	9	Contracts with external parties where there is a data role have clear terms and conditions as part of the data processing agreements Data Impact assessment is carried out on all new tenders where data is involved DPO is in place via ESCC Privacy notice is on the website Memorandum of Understanding in place with employers within the fund All staff are required to complete an information governance course on joining the Council and this is refreshed annually Information governance Internal audit currently underway (Q4 2020/21) New Pensions Manager for Governance and Compliance to carry out a detailed review on GDPR in next quarter	2	2	4	Head of Pensions	On-going
Investment												
I1	**Funding risk due to poor investment returns** Risk that investment strategy fails to result in performance required to meet the needs of the Funding strategy discount rate	Poor strategic asset allocation resulting in insufficient protection against inflation risk of liabilities Performance consistently under benchmark Inability to rebalance portfolio Failure to take proper advice Unrealistic discount rates in valuation assumptions	Funding Gap Damaged reputation Increase in employer contribution Inability to Pay Pensions Forced to sell investments to meet cashflow requirements	3	3	9	Strategy is supported by expert Investment consultants. Challenge to Consultants through Independent Adviser. Triennial valuation ensures funding position is known and contribution rates are stabilised Quarterly Performance monitoring, investment manager monitoring from consultants and Link for ACCESS sub funds Annual Investment Strategy Review, with interim rebalancing Quarterly Reporting to Pensions Committee, with decisions approved by committee Training strategy in place t ensure officers and committee members have sufficient knowledge and skills to implement and change the investment strategy Investment decisions are made in compliance with the ISS/FSS Revision of the Asset Liability Model to support a viable Strategic Asset Allocation for the new valuation.	2	2	4	Head of Pensions	On-going
I2	**Brexit Risk** The decision to leave the European Union without a trade deal causing significant economic instability and slowdown, and as a consequence lower investment returns	Inability to access certain investment vehicles Changes to Banking legislation and MIFID II and Basel requirements outside of EU directives Falls /instability in markets Currency fluctuations Increased taxation on transition of assets between investment vehicles depending on tax region	Financial loss, and/or failure to meet return expectations. Future Increase to employer contribution costs resulting from lower funding positions Changes to the regulatory and legislative framework within which the Fund operates. Changes in employer funding positions causing liquidity risk to employers	4	2	8	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. The Govt. 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 ensure any regulatory changes are implemented Currency Hedging requirements will be considered within the investment strategy	3	2	6	Head of Pensions	On-going
I3	**Regulatory risk** Failure to comply with regulations, legislation and guidance from an accounting and investment perspective	Failure to comply with CIPFA code of practice for accounting for the pension fund Failure to provide employers with accurate reporting for their financial statements Failure to comply with the LGPS investment regs	Risk of the accounts being qualified by the auditors. Risk to employers of qualified accounts causing reputational damage and potential costs Intervention by the secretary of state in investment strategy Breaches occurred	3	3	9	Pensions Officers are kept up to date with changes to legislative requirements via network meetings, professional press, training and internal communication procedures. Pension Fund financial management and administration processes are maintained in accordance with the CIPFA Code of Practice, International Financial Reporting Standards (IFRS), and the ESSC Financial Regulations. Regular reconciliations are carried out between in-house records and those maintained by the custodian and investment managers. Internal Audits - carried out in line with the Pension Audit strategy. External Audit review the Pension Fund's accounts annually Breaches policy in place to ensure breaches mapped and reported	1	2	2	Head of Pensions	On-going

Pension Fund Risk Register Q4 2020/21

Reference	Risk	Potential Triggers of risk	Consequences of risk	Pre Mitigation			Risk Control / Response	Post Mitigation			Risk Owner	Timescales
				Likelihood	Impact	Risk Score		Impact	Likelihood	Risk Score		
I4	**Investment pooling risk**	Asset classes not available in line with the funds investment strategy Excessive asset transition costs Poor governance of the ACCESS pool Investment beliefs on ESG issues not shared within the pool Inability to report performance to the fund Inability to manage the investment managers and structure to deal with poor performance Insufficient Capacity in sub funds There is a risk that an investment may not transition to the ACS if Link cannot resolve on-going issues relating to the operating model for the planned Feeder fund structure. ACCESS pool unable to generate cost efficiencies	Increase in investment risk taken to access higher returns Increased costs Poor governance and reputational damage There is a risk that an investment may not transition to the ACS if Link cannot resolve on-going issues relating to the operating model for the planned Feeder fund structure. Asset transition costs are greater than forecast. Failure to control operational risks and transaction costs during the transition process Insufficient risk and return parameters to comply with guidance on pooling and the investment strategy Intervention of the secretary of state in failing to invest in line with the statutory guidance on pooling An increase in the set-up costs for implementing new asset classes and managers	3	3	9	ACCESS Support Unit team provide support to the pool Operator contract provided by Link for assets held within the ACS The ACCESS Contracts Manager will monitor Link's progress closely. If Link cannot resolve issues in a reasonable timeframe then alternative options may be considered, e.g. Funds may continue to hold the sub fund outside the ACS KPI's introduced within revised operator agreements Consultants involved in analysing the creation of sub-funds and transitioning of our current assets into the pool, under a variety of scenarios. Opportunities to transfer securities in 'specie'. Reducing cost on transition Transition manager in place to preserving asset values, managing risk and project managing the transition process to ensure that costs are monitored and controlled. Due Diligence completed by legal advisers to ensure no hidden costs or governance issues not known at time of decision to invest. S151, chair of pension committee and monitoring officer representation on respective committees and working groups to ensure ESPF involved in all decisions and concerns and questions can be raised early in processes Regular meetings between officers and ACCESS pool with officers on a number of working groups to ensure involvement in decision making	2	3	6	Head of Pensions	On-going
I5	**Funding risk due to higher inflation** leading to increased liabilities and a funding gap	Inflation rises faster than the actuarial assumption as a result of Govt. response to COVID-19 Bond yields return to much higher levels	Liabilities are higher than expected. Bond-equity correlations rise, and equities also fall in price Fund's solvency level falls	2	2	4	Investment strategy include weighting to index linked gilts, infrastructure and real estate which are all inflation correlated to mitigate increases in liabilities from inflation. Potential to further increase infrastructure weightings Fund monitor portfolio sensitivity to inflation via expert investment consultants Triennial Valuation assumptions include local knowledge of the Administering authority on anticipated pay inflation. Quarterly monitoring of funding position helps identify risk early	1	2	2	Head of Pensions	On-going

Pension Fund Risk Register Q4 2020/21

Reference	Risk	Potential Triggers of risk	Consequences of risk	Pre Mitigation			Risk Control / Response	Post Mitigation			Risk Owner	Timescales
				Likelihood	Impact	Risk Score		Impact	Likelihood	Risk Score		
I6	**Climate Change and Environmental, Social and Governance risks** within Investment strategy and implementations on investment decisions	Incorrect assumptions on current exposure , risk profiles and scenarios analysis leading to poor decision making Risk to income yields by restricting the market due to ESG concerns without considering the bigger picture of the investment strategy to compensate investment environment changes radically, and Fund is slow to respond uncertainty in energy transition impacts and timing Risk of stranded assets where invested in fossil fuel companies Risk to wider social and economic risks by focusing on a single issue Poor transparency on underlying investment manager investments decisions on behalf of the fund Failure of fund managers to explain or comply against voting guidelines Lack of reliable ESG Metrix and carbon measurement	Volatile investment returns Loss of market value Reputation issues around how the Fund is progressing the move to a decarbonised global economy. unconscious exposure to high carbon emitters or companies in violation of UN policies Reputational risk where EGS beliefs and strategy are not aligned with expectation of members Increased workload responding to questions and challenges over ESG risks taking officer time away from manging the fund effectively Increase in investment risk taken due to unassessed ESG issues Weaker control leading to poorer governance	4	2	8	Statement of Responsible Investment Principles outline investment beliefs within ESG, implementation of decisions and monitoring of EGS factors. Investment Working Group and ESG working group consolidated into a single group to ensure ESG is in the heart of all investment decisions Restructuring of the equity portfolio to avoid high risk companies and exploit opportunities, including decision to invest in impact fund in September 2020 Trim unconscious exposure to companies with poor ESG rating or fossil fuel companies, through reduction in index funds Tracking of the portfolio as underweight in fossil fuel exposure to benchmarks Production of annual reports on the carbon footprint of the Fund and review of managers from EGS perspective including transition pathway of underlying companies Signatory to PRI and Stewardship code with commitment to comply with the new 2020 code Challenging managers on their holdings with regard ESG issues Member of Institutional Investors group on climate change Engaging via managers and investor groups including LAPFF with companies and driving them forward to comply with key ESG concerns using the greater voice by combined investment power	2	2	4	Head of Pensions	On-going

Risk Register Risk Scores

The risk scores are calculated using the risk matrix below:

90-100%	This week	Very High	LIKELIHOOD	5	5	10	15	20
60-90%	This Month	High		4	4	8	12	16
40-60%	This year	Medium		3	3	6	9	12
10-40%	Next 5 years	Low		2	2	4	6	8
0-10%	Next 10 years	Very Low		1	1	2	3	4
					1	2	3	4
					IMPACT			

	Negligable No noticeable impact	Minor Minor impact, Some degradation of service	Major Significant impact, disruption to core services	Critical Disastrous impact, Catastrophic failure
SERVICE DELIVERY	Handled within normal day-today routines.	Management action required to overcome short-term difficulties.	Key targets missed. Some services compromised.	Prolonged interruption to core service. Failure of key Strategic Project
FINANCAL	Little loss anticipated.	Some costs incurred. Handled within management responsibilities.	Significant costs incurred. Service level budgets exceeded.	Severe costs incurred. Statutory intervention triggered.
REPUTATION	Little or no publicity. Little staff comments.	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

Agenda Item 14

Report to:	**Pension Committee**
Date of meeting:	**1 March 2021**
By:	**Chief Finance Officer**
Title:	**Work Programme**
Purpose:	**To agree the Committee's work programme**

RECOMMENDATION

The Pension Committee is recommended to agree its work programme.

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1 Background & Supporting information

1.1 The work programme contains the proposed agenda items for future Pension Board and Pension Committee meetings over the next year and beyond. It is included on the agenda for each Pension Committee meeting.

1.2 The work programme also provides an update on other work going on outside the Pension Board and Committee's main meetings, including working groups, upcoming training and a list of any information requested by the Board or Committee that is circulated via email.

1.3 The inclusion of the Pension Board's work programme allows the Committee to see what work the Board will be undertaking in its role of assisting the Committee.

1.4 This item also provides an opportunity for Committee Members to reflect on any training they have attended since the last meeting.

2 Conclusion and reasons for recommendations

2.1 The work programme sets out the Pension Committee's work both during formal meetings and outside of them. The Committee is recommended to consider and agree the updated work programme.

IAN GUTSELL
Chief Finance Officer

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Pension Board and Committee – Work Programme

Future Pension Board Agenda		
Item	**Description**	**Author**
Standing items (items that appear on each agenda)		
Pension Board Updates	Verbal updates on training events or conferences attended by Members of the Board	N/A
Pension Committee Agenda	A consideration of the draft agenda of the Pension Committee.	Head of Pensions
Governance and Employer Engagement Report	A report on governance issues effecting the fund, developments in the LGPS and Employer Engagement items of note	Head of Pensions
Pensions Administration report	An update on the performance of the Pensions Administration Team.	Head of Pensions Administration
Internal Audit reports	All internal audit reports on the ESPF are reported to the Board	Head of Internal Audit

East Sussex Pension Fund (ESPF) Quarterly budget report	An update on the ESPF's budget.	Head of Pensions
East Sussex Pension Fund (ESPF) Risk Register	A report on the ESPF's Risk Register	Head of Pensions
Work programme	A report on the Board and Committee's work programme	Head of Pensions
East Sussex Pension Fund (ESPF) Breaches Log	A report on the ESPF breaches log	Head of Pensions
Employer Admissions and Cessations	A report on the admission and cessation of employers to the ESPF.	Head of Pensions
1 June 2021		
Covenant Review Report	Report from PWC on the covenant review project	Head of Pensions
Administration KPI best practice	Report on how the ESPF KPIs for pension administration compare with those of other local government pension schemes.	Head of Pensions Administration
Internal Audit Strategy and Plan	Draft internal audit Pension Fund Strategy and Audit Plan 2021/22	Internal Audit
14 September 2021		

Employer Newsletter	Review and consideration of content and design for annual newsletter to Employers	Head of Pensions
5 November 2021		
Employer Forum Agenda	Discussion on Pension Fund Employer Forum Agenda topics	Head of Pensions
Annual Training Plan	Report on Training completed in the year and training recommendations for the up-coming year	Head of Pensions
10 February 2022		
External Audit Plan for the East Sussex Pension Fund 2021/22	Draft External Audit Plan for 2021/22 Pension Fund Financial Statements	Head of Pensions

Actions requested by the Pensions Board		
Subject Area	**Detail**	**Status**
Internal Audit reports	The Board requested that internal audit consider an audit of the common data sets provided to the Pensions Regulator	TBC
Employer contributions	The Board requested a list of employers that were making late payments	To be considered at 15 February 2021 meeting
Scheme administration	The Board requested a report on potential recommendations from the Scheme Advisory Board (SAB) that the Scheme Manager role is removed from local authority control.	Ongoing discussions

Scheme administration	The Board requested a future report on how the ESPF KPIs for pension administration compare with those of other local government pension schemes.	To be considered at June 2021 meeting
Decision making	To revise the decision-making matrix (including a RACI model) and to circulate it for information.	To be provided by Head of Pensions

Future Pension Committee Agenda		
Item	**Description**	**Author**
Standing items (items that appear on each agenda)		
Investment Report	A Quarterly performance report of the investment managers	Head of Pensions and Investment Consultant
Governance and Employer Engagement Report	A report on governance issues effecting the fund, developments in the LGPS and Employer Engagement items of note	Head of Pensions
Pensions Administration report	An update on the performance of the Pensions Administration Team.	Head of Pensions Administration
Internal Audit reports	All internal audit reports on the ESPF are reported to the Board	Head of Internal Audit
East Sussex Pension Fund (ESPF) Quarterly budget report	An update on the ESPF's budget.	Head of Pensions
East Sussex Pension Fund (ESPF) Risk Register	A report on the ESPF's Risk Register	Head of Pensions
Work programme	A report on the Board and Committee's work programme	Head of Pensions

East Sussex Pension Fund (ESPF) Breaches Log	A report on the ESPF breaches log	Head of Pensions
Employer Admissions and Cessations	A report on the admission and cessation of employers to the ESPF.	Head of Pensions
15 June 2021		
External Audit Plan for the East Sussex Pension Fund 2020/21	Draft External Audit Plan for 2020/21 Pension Fund Financial Statements	Head of Pensions
Covenant Review Report	Report from PWC on the covenant review project	Head of Pensions
Carbon Footprinting and ESG analysis	A report on the carbon footprint of the portfolio of ESPF including whether investments are in line with transition pathways.	Head of Pensions
Internal Audit Strategy and Plan	Draft internal audit Pension Fund Strategy and Audit Plan 2021/22	Internal Audit
12 July 2021		
Independent Auditors Report on the Pension Fund Account and Annual Report and Accounts 2020/21	A report on the External Audit findings of the Pension Fund financial Statements and the complete 2020/21 Annual Report and Accounts for review.	Head of Pensions
28 September 2021		

Investment Strategy Statement review	Report reviewing Investment Strategy Statement	Head of Pensions
Contracts and Tenders	Appointment of Independent Advisor	Head of Pensions
25 November 2021		
Annual Training Plan	Report on Training completed in the year and training recommendations for the up-coming year	Head of Pensions
24 February 2022		
External Audit Plan for the East Sussex Pension Fund 2021/22	Draft External Audit Plan for 2021/22 Pension Fund Financial Statements	Head of Pensions

Actions requested by the Committee		
Subject Area	**Detail**	**Date completed**

Current working groups		
Title of working group	**Detail and meetings since last Pensions Board and Committee meetings**	**Membership**
Investment Implementation Working Group (IIWG)	The Investment Working Group and ESG working group have been amalgamated, as agreed at Pensions Committee 21 September 2020. The IIWG has an advisory role to over oversee the implementation of decisions by the Pension Committee in relation to investment decisions and carry out detailed research and analysis for Pensions Committee. Recent meetings • 11 December • 13 January • 11 February	William Bourne, Russell Wood, Sian Kunert, Representative from Investment Consultant Cllr Fox or substitute committee member is invited to attend

Data Improvement and ABS Working Group	Recent meetings • 26 November • 16 December • 4 February • Scheduled 24 February	Cllr Fox, Ray Martin, Diana Pogson, Stephen Osborne, Paul Punter, Sian Kunert, Ian Gutsell
McCloud Working Group	The McCloud Working Group has been established to oversee the implementation of the McCloud ruling within a prescribed timeframe and addressing any gaps and barriers preventing progress and ultimately delivery of the project. A high-level impact assessment has been completed to identify those members of the scheme that will be affected by this ruling. The Group have acknowledged there are many data requests of employers and this project needs to be managed carefully with other demands on employers time. Recent meetings • 8 December – supported by Hymans	Cllr Fox, Stephen Osborn, Lynda Walker, Paul Punter, Sian Kunert, Dave Kellond

Training and Development - recent and future events			
Title of Training/Briefing	**Detail**	**Date**	**Attended**
Cyber risk in the LGPS	AON Webinar - Cyber risk in the LGPS - for Committee and Board members	19 November 2020	Diana Pogson
LGPS for Committee and Board members	Overview of the Local Government Pension Scheme for Pension Committee & Local Pension Board Members training provided by Barnet Waddingham	26 January 2021	Cllr Chris Collier
Title of Training/Briefing	**Detail**	**Proposed Date**	**Invited**
BW LGPS Refresher training	Training session for those new to Pensions boards or Pensions Committees or those looking to refresh their knowledge provided by Barnet Waddingham.	26th January or 26th April 2021	Pensions Board Members
LGPS Local Pension Board Members' Spring Seminars	Barnett Waddingham, ESPF's new actuary, offer training opportunities for Pension Board members to support in their roles and understand current issues, through their LGPS local pension Board spring seminars	15, 16, 18 or 22 February 2021	Pensions Board Members
PLSA Investment Conference 2021	PLSA is running a three-day investment conference virtually, consisting of keynote speeches, intimate roundtable discussions and educational sessions built around key themes and hot topics covers every investment angle, from geopolitical factors influencing markets, to investment strategy to individual asset classes.	9 – 11 March 2021	Pension Committee Members
PLSA Local Authority Conference	Online two-day programme with a mix of keynote speeches, roundtable discussions and educational sessions. Sessions will cover governance, investment, administration and communications challenges of the LGPS.	18-19 May 2021	All

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Appendix 1

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Agenda Item 18

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Appendix 1

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Agenda Item 19

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Appendix 1

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