



PENSION BOARD

MONDAY, 8 JUNE 2020

10.00 AM CC1 - COUNTY HALL, LEWES

MEMBERSHIP - Ray Martin (Chair)
Councillor Carmen Appich, Councillor Chris Collier, Stephen Osborn,
Diana Pogson, Niki Palermo and Lynda Walker

++ Please note that the decisions will be taken remotely ++

AGENDA

- 1 Minutes (*Pages 3 - 14*)
- 2 Apologies for absence
- 3 Disclosure of interests
- 4 Urgent items
Notification of any items which the Chair considers urgent and proposes to take at the appropriate part of the agenda.
- 5 Pension Board - updates
- 6 Pension Committee Agenda (*Pages 15 - 18*)
- 7 Good Governance Review (*Pages 19 - 86*)
- 8 Pension Administration updates (*Pages 87 - 122*)
- 9 Data Improvement Programme and Annual Benefit Statement (ABS) Working Group update (*Pages 123 - 136*)
- 10 Training Strategy (*Pages 137 - 166*)
- 11 East Sussex Pension Fund: 2020/21 Budget, Business Plan & Work Programme and Annual Training Plan (*Pages 167 - 192*)
- 12 Draft East Sussex Pension Fund Internal Audit Strategy (*Pages 193 - 200*)
- 13 External Audit Plan for the East Sussex Pension Fund 2019/20 and PSAA Fee Scales 2020/21 (*Pages 201 - 222*)
- 14 Pension Fund Risk Register (*Pages 223 - 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 Covid 19 Policy on Deferral of Employer Contributions (*Pages 239 - 256*)
- 18 Pension Fund Breaches Log (*Pages 257 - 272*)
- 19 Pension Administration - Systems Procurement (*To Follow*)
- 20 Employer Admissions and Cessations Report (*Pages 273 - 290*)
- 21 Data Improvement Programme and Annual Benefit Statement (ABS) Working Group update - Additional information (exempt) (*Pages 291 - 294*)
- 22 Any other exempt items previously notified under agenda item 4

PHILIP BAKER
Assistant Chief Executive
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29 May 2020

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PENSION BOARD

MINUTES of a meeting of the Pension Board held at County Hall, Lewes on 2 March 2020.

PRESENT Ray Martin (Chair) Councillor Carmen Appich,
Councillor Chris Collier, Stephen Osborn, Diana Pogson,
Niki Palermo and Lynda Walker

ALSO PRESENT Cllr Nick Bennett, Deputy Leader and Lead Member for
Resources
Kevin Foster, Chief Operating Officer
Ian Gutsell, Chief Finance Officer
Michelle King, Interim Head of Pensions
Wendy Neller, Pensions Strategy and Governance Manager
Russell Wood, Principal Pensions Officer
Nigel Chilcott, Audit Manager
Danny Simpson, Principal Auditor
Harvey Winder, Democratic Services Officer
Daniel Kanaris, Public Sector Senior Consultant, Aon
Richard Warden, Fund Actuary, Hymans Robertson

31 MINUTES

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

32 APOLOGIES FOR ABSENCE

32.1 There were no apologies for absence.

33 DISCLOSURE OF INTERESTS

33.1 There were no disclosures of interest.

34 URGENT ITEMS

34.1 There were no urgent items.

35 PENSION BOARD - VERBAL UPDATE

35.1. The Board considered a verbal update on Pension Board activities.

35.2. The Chair welcomed Councillor Chris Collier as the new member of the Pension Board.

35.3. The Board thanked Michelle King and Wendy Neller for their service and wished them both good luck in their new roles.

35.4. Michelle King (MK) explained that the in-house training plan for the Pension Board and Committee for 2020 included an initial session on governance arrangements followed by a structured training programme of one day training sessions based on the Chartered Institute of Public Finance and Accounting (CIPFA) knowledge and skill framework. In addition, invitations to one-off training events put on by other organisations would be forwarded to Members seeking their interest in attendance. Board members could also sign up and complete modules of the CIPFA knowledge and skills framework training online. MK said officers would produce a formalised training plan for the Board and Committee members as part of the Good Governance review.

35.5. Harvey Winder (HW) confirmed that the Full Council had agreed to amend the quorum of the Pension Board to bring it into line with other committees of the Council. The quorum was now three of the voting members of the Pension Board including at least one member and one employer representative.

35.6. The Board RESOLVED to request that a list of websites where pension training is offered be circulated by email.

36 PENSION COMMITTEE AGENDA

36.1. The Board considered the draft agenda of the Pension Committee.

36.2. The Board RESOLVED to note the report.

37 PENSION ADMINISTRATION UPDATES

37.1. The Board considered a report on matters relating to Pension Administration activities.

37.2. Nick Weaver (NW) provided an overview of the priority plan for the Pensions Administration Team (PAT) for 2020. He explained that a major aim was to standardise, in line with CIPFA standards, the pension administration service provided by Orbis to the six administering authorities it provides services to. This included developing standardised Key Performance Indicators (KPIs) in the short term and eventually Service Level Agreements (SLAs) across the six authorities, although that would take time. He emphasised the importance of ensuring staff had the correct training and that sufficient in-house technical knowledge and expertise was available.

37.3. NW said that improving a pensions administration service and the data it holds takes time but is achievable. Daniel Kanaris (DK) added that the volume and complexity of work of PATs had increased considerably since the introduction of the career average earning pension and was an issue all 89 Local Government Pension Schemes (LGPS) are facing.

37.4. The Chair asked how data quality would be improved across the six funds Orbis supports.

37.5. NW explained that a data quality team was being established that would aim to improve data quality. The projects initiated by his predecessors were also helping, including the Data Improvement Programme, the work on Guaranteed Minimum Pension (GMP) Reconciliation, and engagement with employers. The need to re-procure a pension administration system was also approaching and Altair, provided by Aquila Heywood, had increasing competition from other providers.

37.6. The Chair asked what the PAT could do in future to improve employer engagement and the quality of data they provide, for example, publishing a rating and rankings table of employers to 'name and shame' those performing poorly.

37.7. NW agreed that this would be a good idea. In other authorities he had worked for, he had introduced initiatives such as offering training to employers that was free for those who turned up, but those who did not turn up were charged for it; and writing to school governors if there were concerns about a school's provision of employer data.

37.8. The Chair said KPIs did not show whether activities were completed in good time or rushed at the last minute to hit the KPI target. He asked whether the PAT could demonstrate whether this was occurring in its reporting to the Board.

37.9. NW explained that he planned to implement different internal and external KPIs, for example, an internal KPI of 15 days and an external KPI for 20. This way if the internal KPI is missed it can be escalated internally to ensure it is resolved in time for the external KPI deadline. The external deadline is then met, and the customer is satisfied that they received their service in a timely manner.

37.10. The Chair noted that the number of undecided leavers under "status 2" on Altair was listed as approximately 800 in the report but had been higher in the Internal Audit report of the PAT. He understood this was because the PAT had been contacting employers who had members in status 2 to confirm their status, and in some case contacting the members directly.

37.11. NW agreed this represented progress but did not want to become complacent as many of those removed would have been easy wins, and 800 still remained in that status. Ultimately, the PAT would need to encourage a change in culture from employers so that they report data to the PAT in a more timely manner.

37.12. Councillor Gerard Fox (GF) asked how standards of the PAT could be maintained.

37.13. NW said that the SLA would help ensure standards are maintained across all six administering authorities.

37.14. The Board RESOLVED to note the report.

38 ANNUAL BENEFIT STATEMENT (ABS) WORKING GROUP & DATA IMPROVEMENT PROGRAMME UPDATE

38.1. The Board considered an update on the Annual Benefit Statement (ABS) Working Group and Data Improvement Programme.

38.2. MK confirmed that the Data Improvement Programme would be extended for three months and that further work to engage unresponsive employers was underway to ensure there was no ABS breach in 2020 due to lack of adequate employer data. MK added that a baseline of data quality from employers was being developed so that the extent to which employers comply with requests and improve their data can be measured. This will enable the Fund to potentially rate and name and shame employers.

38.3. Diana Pogson (DP) noted that March would be a critical month for the Programme as many of its milestones are meant to be achieved during that time.

The Board RESOLVED to note the report

39 TRIENNIAL VALUATION 2019, FUNDING STRATEGY STATEMENT AND INVESTMENT STRATEGY STATEMENT

39.1. The Board considered a report providing an update on the Fund's revised strategy statements and draft 2019 valuation report.

39.2. Richard Warden (RW) advised the Board that changes to the regulations around exit credits meant that the Funding Strategy Statement (FSS) would need to be revised again after 1 April to reflect the changes.

39.3. MK added that five exit credit payments had been made that had been risk assessed by the actuary and were seen to have no material effect on the Fund.

39.4. The Chair asked whether the fall in the stock markets due to Coronavirus had affected the funding level of the East Sussex Pension Fund (ESPF).

39.5. RW explained that the modelling for the triennial valuation had taken account of increases and decreases in the markets over the next three years, so the impact would depend on the ultimate extent and duration of the fall. The coronavirus could also have an effect on the liabilities of the fund if there was a significant increase in death rates amongst the elderly population.

39.6. MK added that there were also uncertainties in financial markets due to the US elections and potential of a no deal Brexit. Climate change and the Green Revolution also potentially effect both assets and liabilities, for example, companies benefitting from responding positively to market demands for greener services, and people living potentially living longer due to reduced pollution.

39.7. The Chair asked, in light of around 50% of assets being in equities, how much the 15% fall in the stock market had affected the Fund's valuation.

39.8. RW said there had been a 5-10% fall in the funding level and the actuary was tracking it. The Board RESOLVED to note the report.

40 2019/20 BUDGET MONITORING

40.1. The Board considered a report on the 2019/20 forecast outturn for the Pension Fund against its budget.

40.2. The Board RESOLVED to note the report.

41 2020/21 PENSION FUND BUSINESS PLAN AND BUDGET

41.1. The Board considered a report on the 2020/21 business plan and budget for the East Sussex Pension Fund.

41.2. DP asked why there was a smaller budget for 2020/21 compared to 2019/20.

41.3. Russell Wood (RW) explained it was in part due to assets transferring to the custody of ACCESS and manager fees therefore being paid out by the ACCESS operator, Link. This meant that there was no direct invoice to the ESPF, although the fees were still paid. In addition, the cost of the Good Governance review and planned changes to the PAT team had not yet been modelled so were not included.

41.4. Lynda Walker (LW) asked when the cost of the Good Governance review would be known.

41.5. MK confirmed that it would be in time for the June Pension Committee meeting, along with the proposed cost of the PAT.

41.6. LW asked whether managers fees being paid by the Link meant there would no longer be transparency.

41.7. MK explained that Link would publish details of the fees paid and they can be circulated once available.

41.8. The Board RESOLVED to:

1) note the report; and

2) request that a comparison of the 19/20 and updated 20/21 budget is circulated to the Board when available.

42 PENSION FUND RISK REGISTER

42.1. The Board considered the Pension Fund Risk Register.

42.2. DP asked why the data cleansing risk score was the same pre and post mitigation.

42.3. MK said that this was because she did not want to pre-empt the data cleanse results from the data improvement project before reducing the risk relating to data cleansing.

42.4. Councillor Carmen Appich (CA) asked whether it would be possible to withdraw from ACCESS if there were major concerns about LINK's performance.

42.5. MK said that ACCESS is a statutory pooled fund that all LGPS are required to be part of. To withdraw altogether would likely require the Secretary of State's permission. Alternatively, the Section 151 officer's role in ensuring the financial sustainability of the Fund under the Local Government Act 2003 could allow the ESPF to transfer to an alternative pooled fund.

42.6. CA asked to what extent other ACCESS members were involved in improving their Environmental, Social and Governance (ESG) investments.

42.7. Ian Gutsell (IG) explained that ACCESS was not signed up to the principle of responsible investment, unlike the ESPF. The ESPF is the ACCESS lead authority on ESG issues and work towards codifying ESG matters in ACCESS investment principles. GF added that individual funds could not choose their investment manager for assets pooled with ACCESS, this meant it requires collective agreement that investment managers with strong ESG credentials are chosen by the ACCESS operator for custody of the individual funds' assets. To date, the interest from the other Funds in ESG matters varied. LW said she would raise the matter via Unison.

42.8. The Board RESOLVED to note the report.

43 EXCLUSION OF THE PUBLIC AND PRESS

43.1 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).

44 INTERNAL AUDIT REPORTS

44.1 The Board considered a report providing the outcome of Internal Audit reports of the ESPF.

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

44.3 The Board RESOLVED to note the report and make recommendations which are set out in an exempt minute.

45 PENSION FUND BREACHES LOG

45.1 The Board considered a report providing an update on the breaches log.

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

45.3 The Board RESOLVED to note the report and make recommendations which are set out in an exempt minute.

46 GOOD GOVERNANCE SCHEME ADVISORY BOARD REPORT

46.1 The Board considered a report providing an update on the Good Governance review.

46.2 The Board RESOLVED to agree the recommendations as set out in the report.

47 EMPLOYER ADMISSIONS AND CESSATIONS REPORT

47.1 The Board considered a report on the admission and cessation of employers to the East Sussex Pension Fund.

47.2 The Board RESOLVED to note the report.

The meeting ended at 1.15 pm.

Ray Martin (Chair)

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Agenda Item 6

Report to: Pension Board

Date of meeting: 8 June 2020

By: Chief Finance Officer

Title: Pension Committee Agenda

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

RECOMMENDATION

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

1. Background

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

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

2. Conclusion and recommendation

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

IAN GUTSELL
Chief Finance Officer

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PENSION COMMITTEE

MONDAY 22 JUNE 2020

10.00 AM COUNCIL CHAMBER, COUNTY HALL, LEWES

MEMBERSHIP - Councillor Gerard Fox (Chair)
Councillors David Tutt, Simon Elford, Nigel Enever, Trevor Webb

A G E N D A

1. Minutes
2. Apologies for absence
3. Disclosure of Interests
Disclosures by all Members present of personal interests in matters on the agenda, the nature of any interest and whether the Members regard the interest as prejudicial under the terms of the Code of Conduct.
4. Urgent items
Notification of items which the Chair considers to be urgent and proposes to take at the appropriate part of the agenda.
5. Pension Board minutes
6. Investment Report
7. East Sussex Pension Fund Strategic Asset Allocation Refresh and Carbon Measurement Report
8. Report on the Full Council Notice of Motion on Environmental, Social, Governance
9. Good Governance Review
- 10 Covid 19 Special Report
- 11 Pensions Administration Update
- 12 East Sussex Pension Fund Discretionary Policies
- 13 Internal Audit Strategy for Pensions 2020/21
- 14 East Sussex Pension Fund Training Strategy
- 15 East Sussex Pension Fund: 2020/21 Budget, Business Plan
- 16 Pension Fund External Audit Plan 2019/20
- 17 Pension Fund Risk Register
- 18 Any other non-exempt items previously notified under agenda item 4

- 19 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).
- 20 Pension Fund Breach Log
- 21 Pension Administration – Systems Procurement
- 22 Employers Admission and Cessation
- 23 Any other exempt items previously notified under agenda item 4

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12 June 2020

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Report to: Pension Board

Date of meeting: 8 June 2020

By: Chief Operating Officer

Title: Good Governance Review

Purpose: To provide an update on the Good Governance review

RECOMMENDATIONS

The Board is recommended to:

- 1) Note the progress as set out in paragraph 2.1; and**
 - 2) Note the timetable as set out in paragraph 3.1.**
-

1 Background

1.1 At the meeting of the Pension Committee on 25 November 2019, the Committee considered an urgent item providing an update on the Breaches Log and future actions to review the Breaches Policy and Process.

1.2 As part of this item the Committee approved the undertaking of a governance review of the East Sussex Pension Fund (ESPF) involving the Chief Operating Officer, Chair of the Pension Committee, Independent Advisor and Aon. The review report is attached as **appendix 1**.

1.3 The Pension Fund Team had previously commissioned a review from Aon in January 2019 which considered the evolution of the scheme and the interaction with the Fund's management. This review had been used to inform how the Pension Fund Team oversaw the fund and worked with the Pension Board and Committee.

2. Progress

2.1 The Governance review working group met with Karen McWilliam from Aon on a number of occasions since Pension Committee to consider initial drafts and changes to these in respect of the following documents, which were further discussed and reviewed with Philip Baker, the East Sussex County Council Assistant Chief Executive. These documents include:

- Pension Committee Terms of Reference (**appendix 2**)
- Pension Board Terms of Reference (**appendix 3**)
- Revised Council Scheme of Delegations to incorporate Pension Fund management (**appendix 4**)
- Communication Strategy (**appendix 5**)
- Breaches Policy and log (**appendix 6**)

2.2 The working group had a follow up meeting on 19th May to consider the final draft review findings and to confirm the products of the Good Governance Review that could not be agreed at this stage and which require further consultation and reworking for presentation to the Pension Committee in September 2020, these include:

- Pension Fund Team structure and resourcing proposal
- Pension Administration Strategy
- Conflicts of interest policy and log
- Pension administration service standard agreement
- Responsibilities and relationship map for Pension Fund; Pension Administration and Employers

2.3 The review is identifying areas for development in order to be compliant with anticipated recommendations of the Scheme Advisory Board Good Governance Project, Chartered Institute of Public Finance and Accountancy (CIPFA) and areas where principles need to be established and clarified in order to ensure all areas of the Pension Fund are managed. It is also identifying areas of best practice which will enable the Pension Fund to build on work and ways of working that are already established.

3. Next Steps

3.1 The working group agreed that the recommendations from this phase of the Governance Review need to be considered as a complete bundle of recommendations which can be taken forward to Pension Committee on the 22 June 2020, Governance Committee on 23 June 2020 and Full Council on 7 July 2020 to confirm these amendments to East Sussex County Council constitution and governance structures.

3.2 The Governance working group will continue to meet to oversee the delivery of deliverables in Para. 2.2 from June to September 2020.

3.3 The final timetable that is proposed is:

- | | |
|---------------------|---------------------------------|
| • Pension Board | 7 th September 2020 |
| • Pension Committee | 21 nd September 2020 |

3.4 The Board is recommended to note the progress, deliverables and timetable of the Good Governance review.

KEVIN FOSTER
Chief Operating Officer

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East Sussex Pension Fund

Date: 21 May 2020

Prepared for: Governance Review Oversight Group:

- Councillor Gerard Fox, Chair of Pension Committee
- Michelle King, East Sussex Interim Head of Pensions
- Kevin Foster, East Sussex COO
- William Bourne, Pension Committee Independent Adviser

Prepared by: Karen McWilliam

Partner / Head of Public Sector Governance & Benefits Consultancy

Governance Review of East Sussex Pension Fund

1. Introduction and purpose

We have been asked by East Sussex County Council ("ESCC"), in its role as the administering authority to East Sussex Pension Fund ("the Fund"), to carry out a follow up review of the East Sussex Pension Fund governance and resourcing arrangements. This is the second review we have undertaken, following our report of January 2019 which considered the evolution of the scheme and the interaction with the Fund's management.

This review has been commissioned by the East Sussex Pension Committee ("PC") and is being overseen by a working group consisting of:

- Councillor Gerard Fox, Chair of Pension Committee
- Michelle King, East Sussex Interim Head of Pensions
- Kevin Foster, East Sussex Chief Operating Officer
- William Bourne, Pension Committee Independent Adviser

The focus of this review is on looking forward, and its primary purpose is 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. As such, we have included a number of recommendations aimed at improving the Fund's organisational and governance structure. These are not purely focussed on the SAB project, but also incorporate other areas of best practice, including requirements within other guidance such as from The Pensions Regulator, MHCLG (the legislators for the LGPS) and CIPFA (relating to professional standards) as described in the next section of this report.

Although this report includes some legal elements, these are presented by us in our capacity as pension consultants and not as legal experts, and as such, nothing in this report should be considered as legal advice. In addition, it is worth highlighting that this report does not include:

- consideration of the detailed management and delivery of Fund matters, such as the appropriateness or accuracy of the current administration arrangements
- consideration of investment matters, other than in relation to where the high-level responsibilities should belong within the Council's Constitution
- full consideration of all matters that we believe feed into good governance (for example, risk management, business planning and representation of scheme members and employers).

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Aon has a good governance framework and we would be happy to carry out a wider review of all aspects of the Fund's governance at a later date.

- any particular focus on the role or work of the Pension Board, which in our view has an oversight role. We have considered the appropriateness of the Board's terms of reference, but have not considered in any detail the specific work of the Board. We would be happy to consider this further at a later stage.

National Guidance and Requirements on Governance

In this section we summarise some of the key elements of good governance that are included in national guidance or best practice and which we have relied on in formulating our observations and recommendations.

2. Summary of guidance

The guidance and requirements we refer to within this paper are as follows:

- SAB Good Governance Project¹ – phase 2 report ("SAB Good Governance Project Outcomes ")
- MHCLG Statutory Guidance on Governance Compliance Statements² ("MHCLG Statutory Governance Guidance")
- The Pensions Regulator's Code 14: Governance and administration of public service pension schemes³ ("TPR Code of Practice")
- CIPFA's Administration in the LGPS: a guide for pensions authorities⁴ ("CIPFA Administration Guide")

3. Scheme Advisory Board's Good Governance Project

As the principles of SAB's Good Governance project are integral to this governance review, we show below the latest proposals, which are from phase 2 of the project, and which are likely to be incorporated into statutory guidance:

- The need for new statutory governance guidance from the Ministry for Housing Communities and Local Government (MHCLG) to effectively implement the proposals from this project. The current guidance in this area was published in 2008.
- Each administering authority to:
 - have a **single named officer responsible for the delivery of all LGPS related activity** for that fund (i.e. an LGPS senior officer)
 - **publish an annual governance compliance statement that sets out how they comply** with the governance requirements set out in MHCLG's new guidance. This would need to be co-signed by the LGPS senior officer and, where different, the S151 officer

¹ https://www.lgpsboard.org/images/PDF/HymansRobertson_GoodgovernanceintheLGPS_Phase-II_November2019.pdf

² http://lgpsregs.org/timelineregs/Statutory%20Guidance%20and%20circulars/Governance_Statutory_Guidance.doc

³ <https://www.thepensionsregulator.gov.uk/en/document-library/codes-of-practice/code-14-public-service-pension-code-of-practice>

⁴ <https://www.cipfa.org/policy-and-guidance/reports/administration-in-the-lgps>

- publish a [conflicts of interest policy](#) which includes details of how actual, potential and perceived conflicts are addressed
- refer to SAB guidance on [statutory and fiduciary duty](#)
- publish a policy on the [representation of scheme members and non-administering authority employers](#) on its committees, explaining its approach to representation and to voting rights for each party.
- In the areas of [knowledge and skills](#):
 - a requirement for key individuals within the LGPS, including [LGPS officers and pensions committee members, to have the appropriate level of knowledge and understanding](#) to carry out their duties effectively (in effect this tries to bring requirements in line with those already in place for Local Pension Boards)
 - a requirement for [s151 officers to carry out LGPS relevant training](#) as part of CPD requirements to ensure good levels of knowledge and understanding
 - a requirement to have a [policy setting out how training is delivered, assessed and recorded](#)
 - CIPFA and other professional bodies be asked to produce guidance and training modules (particularly for S151 officers).
- In terms of the service delivery of the LGPS, each Administering Authority must:
 - [document key roles and responsibilities](#) relating to the fund and publish a roles and responsibilities matrix setting out [how key decisions are reached](#)
 - [publish an Administration Strategy](#) and [report the Fund's performance](#) against agreed indicators
 - ensure their [committee is included in the business planning and budget setting](#) processes
 - give [proper consideration to pay and recruitment policies in order to meet the needs of the pension fund](#); not simply applying general council staffing policies such as recruitment freezes.
- From a compliance and improvement perspective the proposal is that each Administering Authority must undergo a biennial independent governance review and produce an improvement plan to address any issues identified, with those reviews and reports to be assessed by a SAB panel of experts. The Local Government Association (LGA) will also consider establishing a peer review process for LGPS funds.

4. MHCLG Statutory Governance Guidance

MHCLG statutory guidance includes the principle that "The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council."

It also states:

- [Policy decisions on administration matters] are key decisions which should be subject to the rigorous supervision and oversight of the main committee.

- LGPS committees and panels need to receive regular reports on their scheme administration to ensure that best practice standards are targeted and met and furthermore, to satisfy themselves and to justify to their stakeholders that the fund is being run on an effective basis.

5. TPR's Code of Practice

TPR's Code refers to the outsourcing of services in paragraphs 119 and 120, focussing on the provision of administration services. It refers to:

- Providers of outsourced services should be required to demonstrate that they have adequate internal controls, which should be incorporated within the terms of engagement between the scheme and service provider. The scheme manager (which we have taken to be the PC) should be satisfied that internal controls associated with those services are adequate and effective.
- Information from providers should be sufficiently detailed and comprehensive and service level agreements should cover all services that are outsourced.
- Where the management of scheme data has been outsourced, it is vital that schemes understand and are satisfied that the controls in place will ensure the integrity of scheme member data.

6. CIPFA Administration Guide

This CIPFA guidance (which under the principles of full disclosure we should note was co-authored by Aon) includes the following:

- What if administration is outsourced or delivered through a shared-service arrangement?
 - Whether your administration service is delivered internally (within the administering authority), outsourced to a private sector contractor or provided through a shared-service arrangement, the responsibility for the proper governance of the Fund, including administration and communications matters, still lies with the administering authority. Accordingly you would expect all the points highlighted above* to equally be included in reporting from any external provider or shared service partner of your administration services. A close working relationship is fundamental to ensuring that your administration provider can continually meet legal and other requirements, particularly given you will have no or little direct control over the resources available to deliver your administration services.
 - [*Note that this refers to areas set out within the CIPFA guide, including reporting against areas such as legal deadlines, internal targets, overall turnaround times, breaches and errors, numbers of tasks/cases, satisfaction surveys, data issues and employer performance.]
 - It will be extremely important to ensure that the information to be included in reporting, and the level of detail expected, is clearly set out when carrying out any tender or appointment process. This should ensure full details of all Fund specific service standards or other targets (albeit noting that these may move during the period of the contract). This should also set out expectations in relation to rectification where an administration provider is failing to meet requirements.

Observations

This section includes a summary of our understanding of and observations in relation to the current structure and delegation of responsibilities relating to the Fund, and how key areas of Fund business are carried out.

7. Observations relating to where responsibilities currently lie and why

Our understanding is the existing Pension Fund functions are carried out and delegated as follows:

Pension responsibilities within the ESCC Constitution

The pension related responsibilities in the ESCC Constitution are summarised below and detailed in Annex A:

- Governance Committee – To make recommendations to the County Council on the members to be appointed to the Pension Committee, and also responsibility for appointing and removing Pension Board members, and agreeing the level of remuneration for Pension Board members.
- Pension Committee – overall responsibility to exercise functions and responsibilities for dealing with the Fund. The current Terms of Reference then lists several more specific responsibilities including making arrangements for the investment, administration and management of the Fund, agreeing policy statements, and ensuring that the Fund administration is conducted in accordance with relevant legislation.
- Pension Board – as required by the Public Service Pensions Act 2013, responsibility for "assisting the Scheme Manager" in securing compliance with all relevant pensions law, regulations and directions, as well as the relevant Pension Regulator's codes of practice, and providing assurance in and governance of the scheme administration. The Constitution provides detail around the terms, membership and arrangements for the Pension Board (which we expect is because other areas of the Constitution would not apply due to the different overriding enactment).
- Chief Operating Officer – paying statutory benefits to members of the LGPS and applying the discretionary provisions of the LGPS; we have assumed the latter relates to employing authority discretionary provisions. They also authorise payment of awards under the Local Government (Discretionary Payments) Regulations, but these are largely non-pension and again we have assumed these relate to employing authority responsibilities.
- Assistant Chief Executive (i.e. the Monitoring Officer) – making decisions under Stage 2 of the internal dispute resolution procedure for the LGPS.
- Chief Finance Officer – responsibility for implementing the policy decided by the PC, and to act in special or emergency situations relating to investments. Also responsible for various matters relating to the participation of external employers in the fund (e.g. approving the terms of an admission agreement).

Pension responsibilities relating to the shared services arrangement with SCC

The outcomes of a Cabinet meeting has resulted in:

- the creation of a shared service arrangement between ESCC and Surrey County Council ("SCC")
- delegating the ESCC functions of providing exchequer, payroll and pensions services to SCC
- to transfer staff to SCC from Serco (the incumbent contractor) as the host authority
- to enter into an Administration Collaboration Agreement, which was still in draft.

We were provided with a copy of the current Inter Authority Agreement (IAA) which was signed in June 2019 (albeit it refers to an interim IAA which was entered in July 2017). It lists in Schedule 2 the services covered by the agreement which include:

- Within Finance – "Pension Fund"
- Within Business Operations – "Pension Administration"

The IAA refers to the establishment of the Orbis Partnership on 13 April 2016.

We have not been provided with any further information relating to decisions made in relation to the pension services provided by Orbis.

We have been advised that the relationship and working practices in relation to the pension services have evolved. The Assistant Chief Executive has provided us with the following information:

"An Inter-Authority Agreement was entered into in 2016 between SCC and ESCC which enabled staff employed by one authority to be placed at the disposal of another authority in accordance with s113 LGA 1972. Any such officer shall be treated for the purposes of any enactment relating to the discharge of a local authorities' functions as an officer of that other local authority. The partnership was further extended to Brighton and Hove City Council in 2017 with an Interim IAA being entered into in 2017, and a substantive IAA signed in 2019

A Joint Committee was established with its terms of reference being to monitor performance of the partnership and to recommend to each of the Councils an annual budget. Responsibility for exercising non-executive functions remain the responsibility of the individual Councils in accordance with existing schemes of delegation to Officers and the Pension Committee.

8. Observations

- If you were to solely consider the PC terms of reference, it would appear that the PC has overall responsibility for East Sussex Pension Fund matters.
- The decisions relating to creation of the shared services were taken by Cabinet. This included delegating the pensions administration function (as well as other functions) to SCC (and ultimately Orbis).
- Under the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 statutory decisions taken under schemes made under sections 7, 12 or 24 of the Superannuation Act 1972, are not the responsibility of the executive arrangements (i.e. Cabinet) introduced by the Local Government Act 2000. We do not believe there are any legal issues in relation to the decisions taken. However, the Inter Authority Agreement and the Cabinet meeting papers do not draw out the fact that there are

differences in the relationship on pension fund matters (compared with other council functions), such as the fact that all costs are recharged back to the Pension Fund and that the PC has responsibility for the management of the Fund. We are not aware of the delegation of responsibilities to Orbis having been approved or endorsed by the Pension Committee.

- The responsibilities of Orbis versus those of the PC appear to have some overlap, and in our view there is a lack of clarity relating to accountability. This could lead to conflicts of interest, particularly where the objectives of Orbis are not aligned to the objectives of the Fund (as approved by the PC).
- Equally responsibility at an officer level could be clearer such as for the Chief Operating Officer. There is no mention of a Head of Pensions. Some of the officers that are mentioned also have Orbis responsibilities, which again could result in conflicts of interest existing or arising due to multiple responsibilities where objectives may not be aligned.
- There also appears to be some overlap between the Chief Finance Officer responsibilities and the Pension Committee responsibilities in relation to the management and approvals for employers joining or leaving the fund. Perhaps the intention is that the details of the terms of the agreement fall to the Chief Finance officer but the overriding approval as to whether it is permitted or not sits with the Committee, although this is not completely clear from the current documentation.
- There does not appear to be a detailed service level agreement between Orbis and the Fund, and therefore there is a lack of clarity over service standards and detailed responsibilities.

9. Consideration of Committee agendas and business

In carrying out this review we have considered whether the Committee are carrying out their responsibilities as would be expected, both in terms of the existing terms of reference and in relation to best practice and national guidance.

We have been given sight of all Committee papers relating to the last year (2019). We recognise that recently there are several projects or areas of work that have resulted in additional reporting. Therefore we have also considered some of the papers relating to prior to that period, which are available on the ESCC website. As part of this review, we have also considered the key policies and strategies that we would expect to be in place.

10. Observations

- There is currently no Pension Fund specific Conflicts of Interest Policy in place. Declarations are invited as standard at the start of each PC meeting, but this relates to declarations as defined by the ECC Code of Conduct for Members; hence potentially not

covering situations of possible conflict relating to wider responsibilities for Fund matters, and also not covering officers and advisers.

- The key policies that govern the Fund that are in place tend not to have clear objectives or details on how success will be measured against those objectives.
- The recurring items outlined in the February 2019 business plan/forward plan include key areas such as investment performance monitoring, business operations and a general update. From PC agendas we can easily evidence regularly monitoring information in relation to investment matters. However, there does not appear to be consistent monitoring information provided in relation to administration, communications and governance matters. We have not commented on funding matters given the focus on the actuarial valuation during 2019, which we recognise often means a move away from regular monitoring practices. Gaps we identified include consistent monitoring of administration KPIs or other administration measures, breaches, training and attendance.
- The format of the business plan generally focusses on agenda items for PC and PB meetings. It does not include explanation around new projects or areas of work that are being proposed, nor does it include the Fund's proposed budget for the year. Accordingly monitoring of key projects could be missing.
- Given the gaps in monitoring of ongoing objectives, and lack of clarity around business plan priorities, we are not able to make any detailed comment on the appropriateness of the current budget and resources. However from an initial review of information available, there does appear to be a number of problems that would indicate the need for a review of resource levels as well as the structure of the Pension Fund Management Team.

Recommendations and Next Steps

This section includes our recommendations and suggested next steps to improve the governance of East Sussex Pension Fund. It is supplemented by our notes in the Annex B that provide reasons for many of our proposed changes.

11. Recommendations

We have made a number of observations based on our high-level review of the current governance structure and how pension fund matters are currently being managed. We believe the biggest risks we have identified are:

- around the ambiguity over accountability and ownership of pension fund matters. Therefore our recommendations are focussed on removing that ambiguity and putting in place a structure and practices that are in accordance with best practice and national guidance, and particularly the SAB Good Governance project.
- lack of clarity over the performance of the Fund, particularly in relation to administration, due to lack of focussed ongoing monitoring of key measures.

12. Immediate priorities

- Review the terms of reference within the Constitution relating to the Pension Committee to enhance and clarify the responsibilities that the Pension Committee has. The opportunity should also be taken to clarify that overall responsibility for all Fund matters sits with the Pension Committee unless delegated to senior officers. Our suggested updated terms of reference and delegations of responsibilities are included in Annex B, which includes notes explaining our proposed changes. Note we have specifically not commented on whether the representation of scheme members and employers on the Committee and Board is appropriate as we do not consider this an immediate priority given the size and current representation on the Pension Board. We recommend this is considered as part of a wider governance review at a later date.
- Review the staffing structure for ESPF management team. A suggested high-level structure is included in Annex C which includes how this would fit within our recommended overall governance structure for the Fund. The full costs of this team would be recharged to the Pension Fund. The next step should be to identify all key responsibilities for the individuals in that team (which links to one of the proposals from the SAB Good Governance project) and develop job profiles, as well as discussing the appropriate number of team members. We are not able at this time to make clear recommendations but would be happy to continue to develop this in partnership with the Fund ESPF management team and other interested parties. The SAB Good Governance project highlights the importance of the recruitment and retention practices that apply to the pensions functions enabling the delivery of an effective pensions service, which may mean, for example, the use of market supplements. It specifies "Given that the pension fund budget is set and managed separately from the expenditure

of the host authority, the impact of general council staffing policies such as recruitment freezes should not be applied to the pension fund by default."

- As part of this ensure that a Head of Pensions is put in place, in line with the proposals in the SAB Good Governance Project. This should be:
 - a person with an excellent degree of knowledge and experience relating to the management of LGPS Funds
 - a person who would be dedicating all, or at least most of their time to that role (we would recommend at least 80% of their time)
 - the role which the Pension Committee would hold accountable for the day to day delivery of the Fund, in accordance with their agreed strategies, policies and business plan
 - a person who will have some individual responsibilities delegated to them, as illustrated in Annex B. This then removes the need for some of the existing responsibilities from other senior officers in ESCC, other than statutory responsibilities.

Given these criteria, we expect that this would not be the S151 Officer, and we recommend that this should be a newly created role with full-time responsibility for the Fund. It is also important to consider the reporting lines for this new role, ensuring that they do not report to any person who may then have a potential conflict (for example, in relation to Orbis). It is becoming more common for the role of Head of Pensions to report directly to the Chief Executive, albeit we recognise there may be reasons why this is not practical..

- Develop and have agreed at Pension Committee a Pension Fund-specific Conflicts of Interest Policy, which clearly focusses on the different responsibilities that can arise and the potential conflicts that need to be managed. It should apply to all Pension Committee and Pension Board members, senior Fund officers and advisers, including those responsible for delivering any pension fund services within Orbis. Ensure the requirements relating to the policy are then implemented and monitored.
- Put in place a clear service level agreement (or other equivalent legal document) with Orbis in relation to all Pension Fund services provided under the umbrella of the organisation, as a supplier to the Fund. This document should be purely in relation to Pension Fund services (so separate from any wider Council Inter Authority Agreement). It should include a full list of all responsibilities that are to be carried out by Orbis (and those retained by the EPF Pension Fund Management Team) as well as service standards that should be met in relation to those responsibilities, which should be focussed on meeting the Fund's strategies. This should also clarify the expected ongoing reporting requirements.
- In tandem with this, review the Fund's Administration and Communications Strategies, to ensure clarity over the vision of the Fund in these areas; which in turn will assist Orbis in delivery of services.
- Develop the format of standard reports to the Committee, Board and Pension Fund Management Team officers, initially focussing on those relating to administration and breaches information. For the avoidance of doubt, such update reports should

amalgamate information provided by Orbis, for example, there should be one breaches log, which shows all breaches relating to the Fund. As part of this, review the Fund's breaches policy to ensure it works as intended given the nature of the proposed changes.

Medium term priorities (later in 2020/21)

- Review the adequacy of all pension fund monitoring against all the Fund's objectives (as included within its policies and strategies) and ensure all areas are appropriately included in update and monitoring reports to the Committee (and Board where relevant).
- Ensure that business planning is reviewed to focus on developing a business plan, in consultation with key advisers and suppliers, proposing recommendations to the Committee on where resources should be focussed, and including the proposed budget for the year, all of which will need to be approved by the Committee (aligning with the SAB Good Governance proposals). Budgets should include all Pension Fund costs, including expected supplier costs (which Orbis should be expected to provide in relation to their systems, staffing and other charges to the Fund) and also the staffing costs relating to the Pension Fund team.
- Ensure that the improved monitoring drives appropriate discussion around areas such as improving systems and resourcing levels, which in turn may lead to changes in the proposed budget which should be agreed by the Committee.

Longer term priorities (in approximately 18 months' time)

- Carry out a review of the effectiveness of pension fund governance. This should be a wider focus, on all elements of good governance, perhaps using the Aon good governance framework. We would expect this to include a review of areas such as risk management and representation of stakeholders, as well as considering the success of implementing the recommendations outlined above. We believe it will also be important to gather feedback on the effectiveness of the new arrangements from those involved (Committee members, Board members, Pension Fund Management Team, key advisers and suppliers) once they have had time to bed in.

We look forward to having the opportunity to discuss our observations and recommendations with the Working Group and the Pension Committee. If there are any questions, please contact Karen McWilliam on 07711016707 or karen.mcwilliam@aon.com.

Annex A – ESCC Constitution Extracts

The following are extracted from the ESCC Constitution dated 6 January 2020
(date published April 2019)

Decision Making Arrangements

Size of the Cabinet and Committees

Pensions Committee – 5 Members (Quorum 3)

Part 3 – Responsibility for Functions:

1. Governance Committee Terms of Reference

20. To appoint to, and remove from, the Pension Board

21. To agree the level of remuneration for Pension Board Members

9. Pension Committee

Terms of Reference

(i) In accordance with the Local Government Pension Scheme Regulations and associated legislation, to exercise functions and responsibilities for dealing with the Pension Fund in conjunction with other bodies who contribute to the Fund.

(ii) To exercise the powers and duties of the County Council in respect of:

the pensions of all employees of the Council (except teachers), including the approval of pension fund admission agreements; and

management of the investment of the pension fund, receiving advice as appropriate from the Pension Board.

(iii) To make arrangements for the investment, administration and management of the Pension Fund.

(iv) To arrange for the appointment of investment managers and advisors.

(v) To agree Policy Statements as required under the Local Government Pension Scheme regulations.

(vi) To agree the Investment Strategy having regard to the advice of the Fund's Managers and the Pension Board.

(vii) To set the Investment Policy and review the performance of the Pension Fund's external investment managers.

(viii) To determine the fund management arrangements and to appoint fund managers and fund advisers.

- (ix) To decide on the admission and cessation of bodies to the Pension Fund.
- (x) To consider and agree actuarial variations.
- (xi) To ensure that the Pension Fund administration is conducted in accordance with relevant legislation.
- (xii) To appoint Additional Voluntary Contribution providers and to monitor their performance.

Membership

Five members appointed in accordance with political balance provisions.

10. Pension Board

Introduction

(i) The Public Service Pensions Act 2013 requires the establishment of a Pension Board with the responsibility for “assisting the Scheme Manager” in securing compliance with all relevant pensions law, regulations and directions – as well as the relevant Pension Regulator’s codes of practice. This role is one of providing assurance in and governance of the scheme administration.

(ii) The *scheme manager (East Sussex County Council – ESCC) will provide the necessary input into the Pension Board to support the Board to deliver on its assurance responsibilities. This may require their attendance at meetings at the request of the Board.

(iii) The terms of reference, membership of the Pension Board and any variations thereof are determined by the Scheme Manager, i.e. ESCC.

Objectives of the Pension Board

(iv) To help to ensure that the East Sussex Pension Fund (ESPF) is managed and administered effectively and efficiently and complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

(v) To provide assistance to East Sussex County Council as the LGPS Scheme Manager in securing compliance with:

LGPS Regulations and any other legislation relating to the governance and administration of the LGPS

requirements imposed in relation to the LGPS by the Pensions

Regulator

the agreed investment strategy

any other matters as the LGPS regulations may specify.

(vi) To assist with securing effective and efficient governance and administration of the LGPS for the East Sussex Pension Fund by:

Seeking assurance that due process is followed with regard to Pension Committee, and any identified issues raised by Board members.

Retaining an overview of LGPS policy and strategy and business plan timetable.

Making representations and recommendations to the Pension

Committee as appropriate.

Considering and, as required, responding to any Government / Responsible Authority performance data concerning the local fund.

(vii) The role of the Board will be oversight of these matters and not decision making.

Management and operation of the Pension Board

(viii) The Pension Board shall:

meet at least 4 times per year

have the power to establish sub committees or panels as required

agree a programme of training and development for its members.

provide the Scheme Manager (ESCC) with such information as it requires to ensure that any member of the Pension Board or person to be appointed to the Pension Board does not have a conflict of interest.

ensure it effectively and efficiently complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

consider any issue raised by any Board Member in connection with the Board's work.

produce an annual report outlining the work of the Board throughout the scheme year, which will help to -

o inform all interested parties about the work undertaken by the Panel

o assist the panel in reviewing its effectiveness and identifying improvements in its future operations.

help to ensure that decisions made by ESCC are fully legally compliant, including consideration of cases that have been referred to the Pension Regulator and/or the Pension Ombudsman;

recommending changes to processes, training and/or guidance where necessary;

monitor administrative processes and supporting continuous improvements;

ensure the scheme administrator supports employers to communicate the benefits of the LGPS Pension Scheme to scheme members and potential new members.

Membership - composition of the Pension Board

(ix) The Pension Board shall consist of:

a) 3 employer representatives - employer representatives that can offer the breadth of employer representation for the ESPF. (Regulation 107 of the Pension Act permits elected members to sit on a local pension board. However, under Regulation 107(3), elected members or officers of ESCC (as the Scheme Manager), who are responsible for the discharge of any function under the Principal 2013 Regulations, may not sit on the Pension Board.)

b) 3 scheme member representatives - member representatives nominated to ensure a broad representation of scheme membership (active, deferred, and pensioners).

c) 1 Independent Chair

(x) The Pension Board shall be chaired by an Independent Chair.

Appointment of members of the Pension Board

(xi) The appointment process has been approved by the Governance committee

(xii) All appointments to the Board shall be by the Governance Committee under delegated authority from the County Council, including the Independent Chair and Vice Chair.

Term of office

(xiii) The term of office for Board members shall be 4 years or such time as resolved by the Governance Committee. The Governance Committee may agree an extension to terms of office up to a further 2 years after which there shall be a further appointment process. Reappointment of existing members is permitted.

(xiv) A Board member who wishes to resign shall submit their resignation in writing to the Pension Board Chair. A suitable notice period must be given, of at least 1 month, to enable a replacement member to be found.

(xv) The role of the Pension Board members requires the highest standards of conduct and the Code of Conduct of the East Sussex County Council will apply to the Board's members. The County Council's Standards Committee will monitor and act in relation to the application of the Code.

(xvi) Poor performance will result in corrective action being taken, and in exceptional circumstances the removal of the Board member, which will be in accordance with the Code of Conduct of the East Sussex County Council.

Independent Chair

(xvii) The Independent Chair will be the independent member appointed for a term of 4 years by Governance Committee or such time as resolved by the Governance Committee. A job description approved by the Committee will be used to identify the candidate best suited to the role.

(xviii) It will be the role of the Chair to -

Settle with officers the agenda for a meeting of the Board

Manage the meetings to ensure that the business of the meeting is completed

Ensure that all members of the Board show due respect for process and that all views are fully heard and considered

Strive as far as possible to achieve a consensus as an outcome

Ensure that the actions and rationale for decisions taken are clear and properly recorded.

(xix) Removal of the independent chair will be in accordance with the Code of Conduct of the East Sussex County Council and the County Council's Standards Committee decision.

Support arrangements

(xx) ESCC will provide secretariat, administrative and professional support to the Pension Board and as such will ensure that:

meetings are timetabled for at least four times per year

adequate facilities are available to hold meetings

an annual schedule of meetings is produced

suitable arrangements are in place to hold additional meetings if required

papers are distributed 5 clear working days before each meeting except in exceptional circumstances

minutes of each meeting are normally circulated 7 working days following each meeting.

Expert advice and information

(xxi) The Board will have access to professional advice and support provided by officers of East Sussex Pension Fund and, via them and where appropriate, advisers to the East Sussex Pension Fund.

(xxii) Insofar as it relates to its role, the Pension Board may also:

request information and reports from the Pension Committee or any other body or officer responsible for the management of the Fund

examine decisions made or actions taken by the Pension Committee or any other body or officer responsible for the management of the

Fund.

access independent professional advice from actuaries, other independent advisers, and investment managers as required, where there are major decisions, i.e., investment strategy, triennial valuation, etc.,

access to professional advice regarding non major decisions will require the approval of the Pension Committee for additional resources.

Knowledge and Skills

(xxiii) Board members will be required to have the 'capacity' to carry out their duties and to demonstrate a high level of knowledge and of their role and understanding of:

the scheme rules

the schemes administration policies

the Public Service Pensions Act (ie. being conversant with pension matters relating to their role).

(xxiv) A programme of updates and training events will be organised. Board members will be encouraged to undertake a personal training needs analysis or other means of identifying any gaps in skills, competencies and knowledge relating to Pension Board matters.

Minutes

(xxv) The minutes and any consideration of the Pension Board shall be submitted to the Pension Committee.

Standards of Conduct

(xxvi) The main elements of East Sussex County Council's Code of Conduct shall apply to Board members.

Access to the Public and Publication of Pension Board information

(xxvii) Members of the public may attend the Board meeting and receive papers, which will be made public in accordance with the Access to

Information Rules in East Sussex County Council's Constitution.

(xxviii) Up-to-date information will be posted on the East Sussex Pension Fund website showing:

- Names and information of the Pension Board members
- How the scheme members and employers are represented on the Pension Board
- Responsibilities of the Pension Board as a whole
- Full terms of reference and policies of the Pension Board and how it operates.

Expense reimbursement, remuneration and allowances

(xxix) All Pension Board members will be entitled to claim travel and subsistence allowances for attending meetings relating to Pension Board business (including attending training) at rates contained in the Members' Allowances Scheme in the East Sussex Council's Constitution. The Chair's remuneration will be agreed on appointment. All costs will be recharged to the Pension Fund.

Accountability

(xxx) The Pension Board collectively and members individually are accountable to the Scheme Manager (ESCC), the Pensions Regulator, and the National Scheme Advisory Board. The National Scheme Advisory Board will advise the Responsible Authority (in the case of the LGPS the DCLG) and the Scheme Manager (in this case East Sussex County Council). The Pensions Regulator will report to the Responsible Authority (again, DCLG) but will also be a point of escalation for whistle blowing or similar issues.

(xxxi) In addition the Pension Board will continue to provide regular updates to the Pension Committee governance process. ESPF officers will be responsible for the contractual arrangements.

Decision Making Process

(xxxii) Employer representatives and scheme member representatives have voting rights albeit the Board is expected to operate on a consensus basis.

(xxxiii) In the event of an equal number of votes being cast for or against a proposal there shall be no casting vote but the proposal shall be considered to have been rejected. The scheme manager shall be alerted when a decision is reached in this manner.

Attendance and quorum

(xxxiv) Four of the voting members of the Pension Board shall represent the quorum for Board meetings to discharge business. The Chair or Vice Chair must be present for any meeting to proceed.

(xxxv) Advisors and co-opted persons do not count towards the quorum.

Conflicts of Interest

(xxxvi) The Public Service Pensions Act 2013 requires that members of the Pension Board do not have conflicts of interests. As such all members of the Pension Board will be required to declare any interests and any potential conflicts of interest in line with legal requirements in the Public Service Pensions Act 2013 and the Pension Regulator's code. These declarations are

required as part of the appointment process, as well as at regular intervals throughout a member's tenure.

B. Chief Operating Officer

Finance

2. To pay statutory benefits under the Local Government Pension Scheme.

Corporate Personnel and Training Function

19. To authorise payment of awards under the Local Government (Discretionary Payments) Regulations.

20. To apply the discretionary provisions within the Local Government Pension Scheme Regulations.

F Assistant Chief Executive (i.e. Monitoring Officer)

(ii) The Assistant Chief Executive has been authorised to make decisions at Stage 2 of the internal dispute resolution procedure under the Local Government Pension Scheme (Administration) Regulations 2008 (Note: the Pension Compliance Manager has been authorised to deal with Stage 1 disputes).

G. Chief Finance Officer

3. To be responsible for implementing the policy decided by the Pension Committee and to act on its behalf in special or emergency situations where delay in the purchase or sale of investments might be detrimental to the interests of the East Sussex Pension Fund.

4. To authorise the approval of the terms of an admission agreement and any related bond or indemnity, with a body to which staff are being transferred under a Best Value arrangement, to participate in the East Sussex Pension Scheme.

5. To approve any requests, and undertake any necessary actions in connection with designating any employees, or class of employees, of the governing body of a foundation school as being eligible for membership of the East Sussex Pension Fund

6. To undertake any necessary actions in connection with admission of any academies to the East Sussex Pension Fund as scheme employers

7. To approve the terms of an Admission Agreement, together with any related bond or indemnity, under which a community association body may participate in the East Sussex Pension Scheme

Part 4 – Rules of Procedure

Standing Orders Part 1 – Council Meetings

9. at the annual meeting:

(a) to appoint the Scrutiny Committees, Audit Committee, Regulatory Committee, Planning Committee, Governance Committee, Pension Committee and Standards Committee.

(b) to appoint a Chair of the Regulatory Committee, and the Planning Committee (from among the members of the Regulatory Committee), and the Chairs of the Audit Committee, Scrutiny Committees, Pension Committee and Governance Committee (and Vice-Chair where the County Council considers it appropriate).

(7) Financial Procedure Rules

A.1.2 The Chief Finance Officer has statutory duties in relation to the financial administration and stewardship of the Council. The statutory duties arise from:

- Section 151 of the Local Government Act 1972;
- The Local Government Finance Act 1988;
- The Local Government and Housing Act 1989;
- The Local Government Act 2003;
- The Accounts and Audit Regulations 2015
- Local Government Pension Scheme Regulations 2013

[Note – the financial procedure rules include more procedures relating to the management of pension fund monies but these are not included in this Annex].

[Annex B and C are separate documents for now]

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Annex B – Part 1 - Proposed Pension Committee Terms of Reference

9. Pension Committee
<i>Composition</i>
<i>(a) Membership</i>
(i) The East Sussex Pension Committee will be composed of five members of East Sussex County Council, determined by the Council at the Council's Annual Meeting. (N.B. When making nominations Members should have regard to the need to ensure a balance of experience and continuity).
(ii) Named substitutes are permitted for East Sussex County Council members.
<i>Terms of Reference</i>
The Pension Committee's will exercise on behalf of East Sussex County Council all of the powers and duties in relation to its functions as the Scheme Manager and Administering Authority for the East Sussex Pension Fund except where they have been specifically delegated to another Committee. The Pensions Committee will exercise its functions in accordance with the fiduciary duties of the Council as the administering authority of the East Sussex Pension Fund.
The Pension Committee will have the following specific roles and functions, taking account of advice from officers and the Fund's professional advisers.
(i) Ensuring the Fund is administered, managed and pension payments are made in compliance with the regulations and having regard to statutory guidance that govern the operation of the Local Government Pension Scheme from time to time, and other legislation.
(ii) Determining the Fund's aims and objectives, strategies, statutory compliance statements, policies and procedures for the overall management of the Fund, including but not limited to funding, investment, administration, communication and governance.

(iii) Determining how the various administering authority discretions are operated for the Fund
(iv) Monitoring the implementation of all Fund policies and strategies on an ongoing basis.
(v) In relation to the LGPS ACCESS Pension Fund Pool;
a) considering pooling matters including recommendations made by the ACCESS Joint Committee;
b) determining the transition of the assets held by East Sussex Pension Fund in relation to the Pool and the funds or sub-funds operated by the Operator;
c) recommending to the Governance Committee a member of the East Sussex County Council Pension Committee to the Joint Committee as and when required, having regard to the advice of the Head of Pensions;
d) appointing an East Sussex County Council officer to working groups such as the Officer Working Group and Onboarding Sub-Group as and when required;
e) advising the representative on the Joint Committee and Officer Working Group on such matters as may be required;
f) monitoring the performance of the LGPS ACCESS Pool and its Operator and recommending actions to the ACCESS Joint Committee, Officer Working Group or ACCESS Support Unit, as appropriate;
g) receiving and considering reports from the LGPS ACCESS Joint Committee, Officer Working Group and the Operator;
h) undertaking any other decisions or matters relating to the operation or management of the LGPS ACCESS Pool as may be required, including but not limited to appointment, termination or replacement of the Operator and approval of the strategic business plan.
(vi) Making arrangements for actuarial valuations, ongoing monitoring of liabilities and undertaking any asset/liability and other relevant studies.
(vii) Making decisions relating to employers joining and leaving the Fund. This includes approving which employers are entitled to join the Fund, and any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund.
(viii) Agreeing the policy for exit credits and terms on which employers may leave the Fund. Approving decisions on cessations, post cessation arrangements, guarantees and bonds.
(ix) Agreeing the terms and payment of bulk transfers into and out of the Fund.
(x) Ensuring robust risk management arrangements are in place, considering and making recommendations in relation to the internal audit strategy and internal audit report pertaining to the management of the fund and reviewing its findings.

(xi) Agreeing the Fund's annual business plan and annual and medium term budgets, and monitoring progress against them.
(xii) Selection, appointment and dismissal of the Fund's advisers and suppliers, including actuary, benefit consultants, investment consultants, global custodian, fund managers, lawyers, pension fund administrator, Additional Voluntary Contribution providers and independent professional advisors. This includes determining the services to be provided and monitoring those services, including where this relates to shared services arrangements.
(xiii) Agreeing the Fund's Knowledge and Skills Policy and monitoring compliance with the policy.
(xiv) Agreeing the Administering Authority responses to consultations on LGPS matters and other matters where they may impact on the Fund or its stakeholders.
(xv) Considering views expressed by employing organisations and staff representatives in relation to the operation of the East Sussex Pension Fund.
(xvi) Considering the Fund's financial statements and approving an Annual Report on the activities of the Fund in line with legislation and guidance.
(xvii) Considering the Breaches Register at every quarterly Pension Fund meeting and reviewing recommendations from the Pensions Board.
Notes: 1. No matters relating to East Sussex County Council's responsibilities as an employer participating within the East Sussex Pension Fund are delegated to the Pension Committee.
Notes: 2 As a Non-Executive Committee, no matters relating to the Pension Fund's non-executive responsibilities as Scheme Manager are delegated to an Executive of East Sussex County Council.
Notes: 3 The Committee's primary contacts will be the Head of Pensions, Chief Finance Officer and its retained advisors
Training
The East Sussex Pension Fund has a dedicated Knowledge and Skills Policy which applies to all members of the Committee and which includes the expectation to attend regular training sessions in order they may maintain an appropriate level of knowledge and skills to perform their role effectively.

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Annex B – Part 2 - Proposed Pension Board Terms of Reference

10. Pension Board
<i>Introduction</i>
(i) The Pension Board is established by East Sussex County Council (ESCC) under the powers of Section 5 of the Public Services Pensions Act 2013 and regulation 106 of the Local Government Pension Scheme (LGPS) Regulations 2013 ("the LGPS regulations" which includes such regulations as govern the Local Government Pension Scheme from time to time). ESCC is the scheme manager (and administering authority) to the East Sussex Pension Fund (ESPF).
(ii) The East Sussex Pension Fund Board was appointed by East Sussex County Council (the Scheme Manager and Administering Authority to East Sussex Pension Fund) as its Local Pensions Board in accordance with section 5 of the Public Service Pensions Act 2013 and Part 3 of the Local Government Pension Scheme Regulations 2013. As such, Parts 4 Rules of Procedure (Council's procedural Standing Orders) sub-parts 1, 2, 3, 4, 5 and 6 of the Constitution of East Sussex County Council do not apply to this Pension Fund Board unless expressly referred to within and permitted by these Terms of Reference and Rules of Procedure. The Board will exercise all its powers and duties in accordance with legislation and these Terms of Reference and Rules of Procedure. The Board shall have the power to do anything which is considered to facilitate, or is conducive or incidental to, the discharge of its functions.
<i>Powers of the Pension Board</i>
(iii) The Pension Board will exercise all its powers and duties in accordance with the law and this Terms of Reference.
(iv) ESCC considers this to mean that the Pension Board is providing oversight of these matters and, accordingly, the Pension Board is not a decision-making body in relation to the management of the Fund but instead can make recommendations to assist in such management. The Fund's management powers and responsibilities which have been, and may be, delegated by ESCC to committees, sub-committees and officers of ESCC, remain solely the powers and responsibilities of those committees, sub-committees and officers including but not limited to the setting and delivery of the Fund's strategies, the allocation of the Fund's assets and the appointment of contractors, advisors and fund managers. The Pension Board operates independently of the ESPF

Pension Committee.
(v) The Pension Board will ensure that in performing their role it:
<ul style="list-style-type: none"> ▪ is done effectively and efficiently and ▪ complies with relevant legislation and ▪ is done by having due regard and in the spirit of The Pensions Regulator's Code of Practice and any other relevant statutory or non-statutory guidance.
<i>Objectives and role of the Pension Board</i>
(vi) The role of the Pension Board is defined by the LGPS Regulations as being to assist the Scheme Manager (ESCC as Administering Authority) to:
<ul style="list-style-type: none"> • secure compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the LGPS and requirements imposed in relation to the LGPS by the Pensions Regulator • ensure the effective and efficient governance and administration of the LGPS. This should be interpreted as covering all aspects of governance and administration of the LGPS including funding and investments.
(vii) In doing this the Pension Board:
<ul style="list-style-type: none"> • shall assist the Scheme Manager with such matters as the LGPS Regulations and guidance may specify • shall seek assurance that due process is followed with regard to the Pension Committee and may review any decisions made by or on behalf of the Scheme Manager or action taken by the Scheme Manager • shall seek assurance that any identified issues raised by Pension Board members are considered. • shall comment on and assist in identifying and managing breaches of the law in relation to ESPF matters. • shall make representations and recommendations to the Pension Committee as appropriate and shall consider and, as required, respond to any Government / Responsible Authority or Scheme Advisory Board requests for information or data concerning the Fund. • may also undertake other tasks, including (but not limited to): <ul style="list-style-type: none"> ○ assisting the Pension Committee by reviewing aspects of the performance of the ESPF – for example by reviewing the risk management arrangements within ESPF (although the Pension Committee will remain accountable for risk management); ○ reviewing administration standards or performance or review efficacy of ESPF member and employer communications;

<ul style="list-style-type: none"> ○ reviewing published policies to ensure they remain fit for purpose and are complete;
<ul style="list-style-type: none"> ○ reviewing ESPF annual reports;
<ul style="list-style-type: none"> ○ being part of any consultation process with the purpose of adding value to that process based on, for example, their representation of employers and ESPF members;
<ul style="list-style-type: none"> ○ discussing strategic matters such as communications where requested by the Pension Committee.
<ul style="list-style-type: none"> ● will produce an annual report which is shared with the Scheme Manager. It will outline the work of the Pension Board throughout the scheme year, which will help to –
<ul style="list-style-type: none"> <ul style="list-style-type: none"> ○ inform all interested parties about the work undertaken by the Pension Board
<ul style="list-style-type: none"> <ul style="list-style-type: none"> ○ assist the Pension Board in reviewing its effectiveness and identifying improvements in its future operations.
<ul style="list-style-type: none"> ● shall carry out an annual self-assessment of the effectiveness of the Pension Board, and produce a report on this which will be shared with the Pension Committee.
<ul style="list-style-type: none"> ● must provide a record of each meeting to the following Pension Committee meeting and may make reports and recommendations to the Pension Committee insofar as they relate to the role of the Pension Board
<ul style="list-style-type: none"> ● shall assist in considering whether the East Sussex Pension Fund is being managed in accordance with the LGPS and other relevant legislation, including consideration of cases that have been referred to the Pension Regulator and/or the Pension Ombudsman; recommending changes to processes, training and/or guidance where necessary.
<ul style="list-style-type: none"> ● shall monitor administrative processes and support continuous improvements.
<ul style="list-style-type: none"> ● will ensure the scheme administrator supports employers to communicate the benefits of the LGPS to scheme members and potential new members.
<p>Membership</p>
<p>(viii) The Pension Board shall consist of:</p>
<p>a) 3 employer representatives - employer representatives that can offer the breadth of employer representation for the ESPF.</p>
<p>b) 3 scheme member representatives – member representatives nominated to ensure a broad representation of scheme membership (active, deferred, and pensioners) to include:</p>
<p>a. two will be nominated by the trade unions, and</p>

b. the rest will be drawn from the total ESPF active, deferred and pensioner membership.
c) 1 Independent Chair.
(ix) The Pension Board shall be chaired by an Independent Chair.
(x) Substitutes for Board members are not permitted.
(xi) The Quorum of the Board will be 3 Members, excluding the Independent Chair. To be quorate the meeting must include at least one employer representative and one scheme member representative.
(xii) The Board has the power to set up working groups
<i>Appointment of members of the Pension Board</i>
(xiii) The appointment process has been approved by the Governance Committee
(xiv) All appointments to the Pension Board shall be by the Governance Committee under delegated authority from the County Council, including the Independent Chair. The Vice Chair will alternate between scheme member representatives and employer representatives at each meeting. The Vice Chairs will be nominated from the existing Board members whenever one of the existing Vice Chairs is replaced.
(xv) Appointments to the Pension Board shall be managed, wherever possible, so that appointment and termination dates are staggered such that there remains continuity for one meeting to the next.
<i>Term of office</i>
(xvi) Employer representative appointments will expire after a 4 year period from their date of appointment by the Governance Committee or such time as resolved by the Governance Committee. The Governance Committee may agree an extension to this period by up to a further 2 years after which there shall be a further appointment process. Reappointment of existing members is permitted. Appointment will automatically cease if the individual is no longer in the employment of that employer, no longer holds office in relation to that employer or is no longer an elected member of that employer, as appropriate.
(xvii) Scheme member representative appointments will expire after a 4-year period from their date of appointment by the Governance Committee or such time as resolved by the Governance Committee. The Governance Committee may agree an extension to terms of office up to a further 2 years after which there shall be a further appointment process. Reappointment of existing members is permitted. Appointment will automatically cease if the individual is no longer a trade union representative or representative of ESPF members (in accordance with the criteria set by the Governance Committee).
(xviii) The Independent Chair appointment will expire after a period of 4 years from their date of appointment by the Governance Committee. The Governance Committee may agree an extension to terms of office by up to a further 2 years after which there shall be a further appointment process. Reappointment of the Independent Chair is permitted.
(xix) Term dates may not be exact due to the period of the appointment process. The term of office may therefore be extended for

<p>this purpose or other exceptional circumstances by up to three months with the agreement of the Governance Committee.</p>
<p>(xx) A Pension Board member who wishes to resign shall submit their resignation in writing to the Independent Chair. A suitable notice period must be given, of at least 1 month, to enable a replacement member to be found.</p>
<p>(xxi) The role of the Pension Board members requires the highest standards of conduct and the ESCC Code of Conduct for Members will apply to the Pension Board's members. ESCC Standards Committee will monitor and act in relation to the application of the Code.</p>
<p>(xxii) Poor performance will result in corrective action being taken, and in exceptional circumstances the removal of the Pension Board member by the Governance Committee.</p>
<p>(xxiii) Removal of the Independent Chair will be by the Governance Committee.</p>
<p>Chairing</p>
<p>(xxiv) It will be the role of the Chair to -</p>
<ul style="list-style-type: none"> • Settle with officers the agenda for a meeting of the Pension Board
<ul style="list-style-type: none"> • Manage the meetings to ensure that the business of the meeting is completed
<ul style="list-style-type: none"> • Ensure that all members of the Pension Board show due respect for process and that all views are fully heard and considered
<ul style="list-style-type: none"> • Strive as far as possible to achieve a consensus as an outcome
<ul style="list-style-type: none"> • Ensure that the actions and rationale for decisions taken are clear and properly recorded
<ul style="list-style-type: none"> • Uphold and promote the purpose of the Pension Board, and to ensure that meetings are properly conducted and professional advice is followed
<ul style="list-style-type: none"> • To use their expertise and experience and liaise with the Head of Pensions to arrange such advice as required subject to agreement by the Head of Pensions on such conditions as that officer determines
<ul style="list-style-type: none"> • Sign the minutes of each Pension Board meeting following approval by the Board
<ul style="list-style-type: none"> • Prepare with the Head of Pensions an appropriate budget for the Pension Board's consideration before being formally considered by the Scheme Manager along with the ESPF Annual Budget
<ul style="list-style-type: none"> •
<ul style="list-style-type: none"> • Liaise with officers and advisors on the requirements of the Pension Board, including advanced notice for Scheme

Manager officers to attend and arranging dates and times of Board meetings
<ul style="list-style-type: none"> • Provide guidance on all points of procedure and order at meetings having regard to advice from officers • Other tasks which may be deemed appropriate by the Scheme Manager for the Independent Chair of the Pension Board • • Liaise with the Chair of the Pension Committee as deemed appropriate • Other tasks that may be requested by the Board, within the remit of these Terms of Reference and subject to agreement with the Head of Pensions • Annually review and report on the activities of the Pension Board. • Commission a triennial review of LGPS & public pension fund non-statutory best practice guidance (referencing the SAB & other relevant bodies deemed relevant by the Board) which then brings recommendations to the Committee (when appropriate) for amendments to the operation of the Fund.
<i>Support arrangements and administration</i>
(xxv) ESCC officers will provide governance, administrative and professional support to the Pension Board, and ESCC Member Services will provide secretariat support to the Pension Board, and as such will ensure that:
<ul style="list-style-type: none"> • meetings are timetabled for at least four times per year • adequate facilities are available to hold meetings • an annual schedule of meetings is produced • suitable arrangements are in place to hold additional meetings if required • papers are distributed 5 clear working days before each meeting except in exceptional circumstances • draft minutes of each meeting are normally circulated 7 working days following each meeting including all actions, decisions and matters where the Pension Board was unable to reach a decision will be recorded. • Final reports, minutes and agendas relating to the Pension Committee are shared appropriately with the Board.
(xxvi) The records of the meetings may, at the discretion of the Board, be edited to exclude items on the grounds that they would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A (2) of that Act.
(xxvii) The minutes and any consideration of the Pension Board shall be submitted to the Pension Committee.
(xxviii) The Pension Board must comply with the General Data Protection Regulation and the Scheme Manager's data protection policy. It must also adhere to the Scheme Manager's requirements, controls and policies for Freedom of Information Act compliance.

<i>Expert advice and access to information, including the Pension Committee</i>
(xxix) The Pension Board will have access to professional advice and support provided by officers of ESCC and, via them and where appropriate, advisers to the ESPF. In addition, Pension Board members will receive the final reports, minutes and agendas relating to the Pension Committee, save where the Committee expressly decides otherwise such as where an item is exempt, although this is anticipated to be in exceptional cases.
(xxx) Insofar as it relates to its role, the Pension Board may also:
<ul style="list-style-type: none"> • request information and reports from the Pension Committee or any other body or officer responsible for the management of the Fund
<ul style="list-style-type: none"> • examine decisions made or actions taken by the Pension Committee or any other body or officer responsible for the management of the Fund.
<ul style="list-style-type: none"> • access independent professional advice from actuaries, other independent advisers, and investment managers as required, where there are major matters being considered, i.e. investment strategy, triennial valuation, etc.,
<ul style="list-style-type: none"> • access to professional advice regarding non-major decisions will require the approval of the Pension Committee for additional resources
<ul style="list-style-type: none"> • attend all or any part of a Pensions Committee meeting unless they are asked to leave by the Committee or as a result of a conflict of interest.
(xxxi) ESCC officers will provide such information as is requested that is available without incurring unreasonable work or costs.
<i>Knowledge and Skills</i>
(xxxii) Pension Board members will be required to have the ‘capacity’ to carry out their duties and to demonstrate a high level of knowledge and of their role and understanding of:
<ul style="list-style-type: none"> • the scheme rules (i.e. regulations)
<ul style="list-style-type: none"> • the schemes administration policies
<ul style="list-style-type: none"> • the Public Service Pensions Act (i.e. being conversant with pension matters relating to their role) and the law relating to pensions.
(xxxiii) A programme of updates and training events will be organised by ESPF officers.
(xxxiv) It is for individual Pension Board members to be satisfied that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the Pension Board.
(xxxv) In line with this requirement, Pension Board members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date. Pension Board members are therefore required to
<ul style="list-style-type: none"> ▪ participate in training events (a written record of relevant training and development will be maintained)

- undertake a personal training needs analysis or other means of identifying any gaps in skills, competencies and knowledge relating to Pension Board matters.
- comply with the Fund's Knowledge and Skills Policy insofar as it relates to Pension Board members.

Standards and Conflicts of Interest

(xxxvi) A conflict of interest is defined in the Public Service Pensions Act 2013 as:

“in relation to a person, means a financial or other interest which is likely to prejudice the person’s exercise of functions as a member of the Pension Board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme).”

(xxxvii) The Public Service Pensions Act 2013 requires that members of the Pension Board do not have conflicts of interests. As such all members of the Pension Board will be required to declare any interests and any potential conflicts of interest in line with legal requirements in the Public Service Pensions Act 2013 and the Pension Regulator’s code. These declarations are required as part of the appointment process, as well as at regular intervals throughout a member’s tenure.

(xxxviii) The Pension Board shall adopt a policy for identifying and managing potential conflicts of interest.

(xxxix) Members of the Pension Board must provide, as and when requested by the Scheme Manager, such information as the Scheme Manager requires to identify all potential conflicts of interest and ensure that any member of the Pension Board or person to be appointed to the Pension Board does not have a conflict of interest at appointment or whilst a member of the Pension Board.

(xl) Part 5(1) of ESCC Code of Conduct shall apply in relation to the standards of conduct of Pension Board members, insofar as they can be reasonably considered to apply to the role of members of the Board, including the non-disclosure of confidential information.

(xli) Members of the Pension Board must adhere to the requirements of the ESPF Procedure for Monitoring and Reporting Breaches of the Law and should be mindful of the individual legal requirements in Section 70 of the Pensions Act 2004 relation to reporting breaches of the law in relation to ESPF matters.

Access to the Public and Publication of Pension Board information

(xlii) Members of the public may attend the Pension Board meeting and receive papers, which will be made public in accordance with the Access to Information Rules in ESCC's Constitution.

(xliii) In accordance with the Public Service Pensions Act 2013, ESCC is required to publish information about the Pension Board and up-to-date information will be posted on the ESPF website showing:

- Names of and information regarding the Pension Board members

<ul style="list-style-type: none"> • How the scheme members and employers are represented on the Pension Board
<ul style="list-style-type: none"> • Responsibilities of the Pension Board as a whole
<ul style="list-style-type: none"> • Full terms of reference and policies of the Pension Board and how it operates.
(xlv) In accordance with good practice, ESPF may publish other information relating to the Pension Board as considered appropriate from time to time and which may include:
<ul style="list-style-type: none"> • the agendas and meeting records
<ul style="list-style-type: none"> • training and attendance logs
<ul style="list-style-type: none"> • an annual report on the work of the Pension Board.
(xlv) All or some of this information may be published using the following means or other means as considered appropriate from time to time:
<ul style="list-style-type: none"> • on the ESPF website – https://www.eastsussex.gov.uk/yourcouncil/pensions/members/
<ul style="list-style-type: none"> • on the ESCC website – http://www.eastsussex.gov.uk,
<ul style="list-style-type: none"> • within the ESPF Annual Report and Accounts,
<ul style="list-style-type: none"> • within the ESPF’s Governance Policy and Compliance Statement.
(xlvi) Information may be excluded on the grounds that it would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act.
<i>Expense reimbursement, remuneration and allowances</i>
(xlvii) All Pension Board members will be entitled to claim travel and subsistence allowances for attending meetings relating to Pension Board business (including attending training) at rates contained in the Members' Allowances Scheme in the ESCC's Constitution. In addition, scheme member representatives may be paid an allowance equivalent to the co-optees' allowance in the ESCC Scheme of Members' Allowances in relation to time spent at meetings and training events relating to their role as a ESPF Pension Board member, unless they are attending they are attending during their normal working day without a reduction in pay or leave (in which case no allowance will be paid for that time).
(xlviii) The Independent Chair’s remuneration will be approved by the Governance Committee following consultation with the Chair of the Pension Committee.
(ii) All costs will be recharged to the Fund.
<i>Accountability</i>
(i) The Pension Board collectively and members individually are accountable to the Scheme Manager (ESCC), the Pensions

Regulator, and the Local Government Pension Scheme Advisory Board. The Local Government Pension Scheme Advisory Board will advise the Responsible Authority (in the case of the LGPS the MHCLG) and the Scheme Manager. The Pensions Regulator will also be a point of escalation for whistle blowing or similar issues.

Decision Making Process

(li) Employer representatives and scheme member representatives have voting rights, albeit the Pension Board is expected to operate on a consensus basis. The Independent Chair does not have voting rights.

(lii) In the event of an equal number of votes being cast for or against a proposal there shall be no casting vote but the proposal shall be considered to have been rejected. The Scheme Manager shall be alerted when a decision is reached in this manner.

Reporting and escalation

(liii) The Pension Board must provide minutes of each meeting to the following Pension Committee meetings and may make reports and recommendations to the Pension Committee insofar as they relate to the role of the Pension Board. Any such reports or recommendations must be provided in advance of the next Pension Committee meeting to the S151 Officer.

(liv) An annual report of the Pension Board must be provided to the S151 Officer, the Monitoring Officer, the Pension Committee, and the Audit Committee and be published in the Fund's Annual Report and Accounts.

(lv) Where the Pension Board considers that a matter brought to the attention of the Pension Committee has not been acted upon or resolved to their satisfaction, the Pension Board will provide a report to the Monitoring Officer.

(lvi) The Breaches Register will be presented at each meeting and considered by the Pension Board who may make recommendations to the Pension Committee.

Review, Interpretation and Publication of Terms of Reference and Rules of Procedure

(lvii) These Terms of Reference have been agreed by ESCC. The Council will monitor and evaluate the operation of the Pension Board and may review these Terms of Reference and Rules of Procedure from time to time.

(lviii) These Terms of Reference are incorporated into the Council's Constitution and published on the Council's website and may be amended by the same means as permitted for the Constitution. It will also form part of the ESPF's Governance Policy and Compliance Statement which will be made available in accordance with the requirements of the LGPS Regulations.

Senior Officers Delegations:**Chief Operating Officer:**

20. To apply the [East Sussex County Council Employer] discretionary provisions within the LGPS

Delegation to Chief Finance Officer	Chief Finance Officer Internal Authorisation To:
1. To carry out the statutory duties referred to in Section 151 of the Local Government Act 1972 in relation to the Pension Fund and to provide advice to the County Council, Pension Committee and Pension Board in carrying out their responsibilities.	
2. To implement strategies and policies approved by the Administering Authority (including those delegated to the Pension Committee).	Head of Pensions
3. To manage, in accordance with the policies and strategies approved by the Administering Authority (including the Pension Committee), and in accordance with legislative requirements, the East Sussex Pension Fund including ensuring arrangement for investment of assets and administration of contributions and benefits.	Head of Pensions
4. To implement policies decided by the Administering Authority (including the Pension Committee).	Head of Pensions
5. To take action or decide any other Pension Fund related matter on behalf of the Administering Authority in special or emergency situations, in consultation with the Chair of the Pension Committee, including but not limited to where delay in the purchase or sale of investments might be detrimental to the interests of the East Sussex Pension Fund.	Head of Pensions
6. To approve the terms of an admission or cessation agreement and, where appropriate, any related bond or indemnity, with a body wishing to participate in or leave the East Sussex Pension Scheme/Fund.	Head of Pensions
7. To undertake any necessary actions relating to employers joining	Head of

and leaving the fund, or monitoring of such employers, based on decisions made by the Pension Committee.	Pensions
8. To agree Administering Authority responses to consultations on LGPS matters and other matters where they have minimal impact on the Fund or its stakeholders including relating to minor technical operational matters impacting the Administering Authority only.	Head of Pensions
9. To implement the Fund's agreed strategic allocation including use of both rebalancing and conditional ranges in accordance with the Investment Strategy.	Head of Pensions

Assistant Chief Executive

(ii) The Assistant Chief Executive has been authorised to make decisions at Stage 2 of the internal dispute resolution procedure under the Local Government Pension Scheme Regulations [2013] (Note: the Pension Compliance Manager has been authorised to deal with Stage 1 disputes).

Pooling

ACCESS Joint Governance Committee terms of reference to be added into Constitution for completeness.

East Sussex Pension Fund

Communications Strategy

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Introduction

This is the statement outlining the Pension Communication Strategy for the East Sussex Pension Fund (the Fund) as per Regulation 61 of the Local Government Pension Scheme (LGPS) Regulations 2013. In consultation with the Pension Board employers in the Fund, scheme member representatives and other interested stakeholders this strategy will be reviewed annually and updated as necessary following each review.

The aim of this Communication Strategy is to ensure that scheme members appreciate the benefits of the scheme and all stakeholders are kept informed of developments within the Fund, and effective communications will also help to maintain the efficient running of the Scheme.

East Sussex County Council (the administering authority) is responsible for the local administration of the Fund, which is part of the LGPS. The East Sussex Pension Fund liaises with over 130 scheme employers to provide pensions to over 70,000 members.

The East Sussex Pension Fund recognises that there are several distinct Stakeholders groups each with slightly different needs, including:

- Scheme members (active, deferred, pensioner and dependant members) and their representatives
- Prospective members and opt outs
- Scheme employers and prospective Scheme employers
- Pension Committee and Pension Board members
- Pension Fund Staff (including Orbis)
- Pension Fund advisors
- Other interested organisations including HM Revenue & Customs (HMRC), the Ministry for Housing, Communities and Local Government (MHCLG) and other relevant Government Departments and the Scheme Advisory Board (SAB)
- Council Tax payers.

The main means of communication with these key stakeholders are outlined in this statement, which includes making the best use of technology where appropriate, and noting a disparate and potentially vulnerable membership, to provide quicker and more efficient communications for the Fund's stakeholders.

Regulatory Basis

The LGPS is a statutory scheme, established by an Act of Parliament. Regulation 61 of the Local Government Pension Scheme Regulations 2013, reproduced below, provides the conditions and regulatory guidance surrounding the production and implementation of Communications Strategies:

Statements of policy concerning communications with members and Scheme employers

61. (1) An administering authority must prepare, maintain and publish a written statement setting out its policy concerning communications with —

(a) members;

- (b) representatives of members;
- (c) prospective members; and
- (d) Scheme employers.

- (2) In particular the statement must set out its policy on —
- (a) the provision of information and publicity about the Scheme to members, representatives of members and Scheme employers;
 - (b) the format, frequency and method of distributing such information or publicity; and
 - (c) the promotion of the Scheme to prospective members and their employers.

(3) The statement must be revised and published by the administering authority following a material change in their policy on any of the matters referred to in paragraph (2).

This strategy has been developed to include the information required by those provisions and to describe the Fund’s approach in relation to meeting these requirements in the delivery of communications. Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 and other legislation includes various requirements relating to the provision of information relating to pensions (in addition to the requirements in the LGPS Regulations). The Fund aims to adhere with all such legislation and related statutory or best practice guidance. This includes the Pension Regulator's Code of Practice.

There are other regulatory requirements that the Fund adheres to, including the General Data Protection Regulations and the Freedom of Information Act.

Our Aims and Objectives

To ensure that we are communicating effectively with our audiences and that we continue to enhance the service we offer, we have set the following objectives:

- To help members understand the valuable benefits on offer through membership of the scheme as part of their employer’s remuneration and reward package
- Provide sufficient information so members can make informed decisions about their benefits
- Communicate in plain English and a clear, concise manner which is easy to access
- Ensure the most appropriate means of communication is used, taking into account the different needs of different stakeholders, including providing more accessibility through greater use of technology where appropriate as it may not be appropriate for some groups of members
- Regularly evaluate the effectiveness of communications with members and employers and shape future communications appropriately

Measuring whether we meet our Communication Objectives

The Fund will monitor success against our communication objectives as shown below:

Objectives	Measurement
To help members understand the	- Member satisfaction levels

<p>valuable benefits on offer through membership of the scheme as part of their employer's remuneration and reward package</p>	<p>achieved in biennial surveys of members</p> <ul style="list-style-type: none"> - Responses to any specific questions in biennial survey issued to members in this area - Feedback from the Pension Board and Orbis Helpdesk to the Pension Board on a quarterly basis to evaluate service provided
<p>Provide sufficient information so members can make informed decisions about their benefits</p>	<ul style="list-style-type: none"> - Evaluate surveys and feedback to the committee on interventions needed
<p>Communicate in plain English and a clear, concise manner which are easy to access</p>	<ul style="list-style-type: none"> - Employer and member satisfaction levels achieved in biennial surveys of both groups - Responses to any specific questions in biennial survey issued to scheme employers and scheme members in this area, where appropriate
<p>Ensure the most appropriate means of communication is used, taking into account the different needs of different stakeholders, including providing more accessibility through greater use of technology where appropriate as it may not be appropriate for some groups of members</p>	<ul style="list-style-type: none"> - Increasing use of digital services for both scheme members and scheme employers - Responses to any specific questions in biennial survey issued to scheme employers and scheme members in this area
<p>The Pension Board will regularly evaluate the effectiveness of communications with members and employers and shape future communications appropriately.</p>	<ul style="list-style-type: none"> - Undertaking a satisfaction survey annually - Results from satisfaction survey are thoroughly analysed and investigated, and trends monitored from previous years. - Detailed analysis of survey results is used to identify areas to improve communications in future. - Compliments and complaints are recorded and trends analysed - Pension Board to annually evaluate the effectiveness of communications

An overview of our performance against these objectives will be reported within the Fund's annual report and accounts and also reported on a quarterly basis to the Pension Board and Pension Committee.

If performance is substantially below standard (whether by a large margin for a short period of time or a small margin for a longer period of time) the Fund will formulate an improvement plan. This will be reported to the Pension Committee and Pension Board together with an ongoing update on achievement against the improvement plan.

Delivery of Communications

East Sussex County Council has delegated responsibility for the management of the Fund to the East Sussex Pension Committee, taking into consideration advice from the Pension Board. The Committee will monitor the implementation of this Strategy on a regular basis as outlined later in this statement.

The day to day delivery of member communication and associated administration related communications, employer data and data and information governance is undertaken by the Fund's shared service administrator, Orbis led by their Head of Business Operations. For scheme employer and other stakeholder related communications the Fund are directly responsible for this delivery led by the Head of Pension Fund.

The Fund has at its disposal a wide range of options for communicating with the diverse groups that it needs to serve. The method of communication will vary depending on what needs to be communicated and to whom. The methods used by the Fund to communicate with all interested parties are detailed below.

General Communication

When considering how to communicate with our stakeholders the intended audience is taken into account to ensure that messages are delivered in a useful and easy to follow manner. Communication is tailored to the recipient's needs, making sure that messages are clear, consistent and use plain English. Communications are delivered using the most appropriate method and there will be continued development of digital platforms to encourage greater accessibility to the Fund's services for all stakeholders.

Every communication has a clear purpose and fits into the overall communications plan, to ensure that they are cost effective. The Fund actively seeks feedback from each of its audiences to continually review, enhance and improve communication methods.

The Fund also adheres to other legislative requirements, including the General Data Protection Regulations, Freedom of Information Act, and pension disclosure legislation. The Fund also aims to adhere to good practice standards such as the National Website Standards.

Branding

As the Fund's administration is undertaken by Orbis, all literature and communications will include a combination of the branding of the East Sussex Pension Fund and Orbis.

Accessibility

The Fund is committed to ensuring that all stakeholders are able to access services equally and recognises that some individuals may require information to be provided in specific formats. While demand for alternative formats remains low at present, the Fund is able to issue documents in braille, large print or audio format on request.

Communication with Scheme Members

The Fund uses a variety of methods to communicate with active, deferred, pensioner and dependant members, and differentiates between them when delivering key messages to each specific audience groups. Scheme members can nominate representatives that the Fund will communicate with on their behalf, subject to the provision of an appropriate letter of authority signed by the scheme member. The Pension Board will be asked to comment on any new communication measures being considered and their views taken into consideration before this strategy is updated.

The core communication objective is that all active members are kept up to date with any changes in scheme benefits, can access scheme advice and have an awareness of the overall performance of the Investment Fund.

This is achieved by the following:

- Dedicated webpage on the County Council's and East Sussex Pension Fund website - the website <https://www.eastsussexpensionfund.org/> includes extensive information and guides about the LGPS, and also contains factsheets, forms and up to date news about the Fund's activities and achievements.
- Orbis will issue electronic or paper-based newsletters as required. For other employer bodies, this is dispatched to a lead contact (usually within the HR and Payroll function) with a request that it is shared with all relevant staff - the contents cover current pension topics within the LGPS and wider pensions industry, along with important repeated messages. Additional newsletters may be issued to update members on important matters as they occur.
- Annual benefit statement - Personalised statements are provided to active and deferred scheme members every year. The statements are available online or posted to members who do not use the online facility (where addresses are known). Orbis will provide an annual update to the Pension Board to evidence that this is happening in practice.
- Notification of a dedicated telephone helpline provided for scheme members and maintained by Orbis.
- Maintenance and availability of Scheme Literature - A range of literature is produced by the Fund and is supplied to both employing bodies and to scheme members directly. Copies of all scheme literature are available on the East Sussex County Council website.
- Provision of member information on pension benefits accrued and leaving benefits are available on request.

Communication with Scheme Members and Prospective Members

The Fund works with scheme employers to promote the LGPS and reduce the number of members opting out of the scheme, particularly after automatic enrolment.

The core communication objective is to ensure that all employee joiners, to all scheme employers in the East Sussex Pension Fund, are made aware of the benefits of becoming a member of the LGPS – and are assisted in the subsequent joining arrangements.

This is achieved by the following:

- Prospective members are provided with joining information on the LGPS. The Fund's website (<https://www.eastsussexpensionfund.org/>) has a section aimed at potential new joiners setting out the main benefits provided by the LGPS
- Access to Orbis Helpdesk.

Communication with all Scheme Employers

To assist scheme employers participating in the LGPS, the Fund has a range of communication materials and methods that aims to increase their understanding of pension issues and help them fulfil their responsibilities as scheme employers.

The core policy communication objective is to ensure that all scheme employers are aware of:

- the Fund's Pensions Administration Strategy and Service Level Agreements, the Funding Strategy Statement and Investment Strategy Statement including the performance of the Fund's Investment's (given its impact on employer contribution rates).
- any scheme changes impacting on the employer's HR or workforce planning.
- any key discretions to be exercised by the individual employer;
- advice on the future valuation outlook; and
- advice and agreement on key frequent and annual data and financial transaction flows between the Fund and individual employers.

All this is in addition to the general pensions awareness scheme employers will wish to maintain as a 'good employer'.

This is achieved by the following:

- The Fund's Pensions Administration Strategy provides an overview of how the Fund and scheme employers will work together to achieve a high-quality service. It sets out, in detail, the obligations and responsibilities of both the

Fund and the scheme employer to achieve set performance standards. This is available on the Fund's website.

- Service Level Agreements (SLAs) ensure best practice and also compliance with audit requirements. The SLA sets out, in detail, the obligations and responsibilities of the scheme employer, the administering authority and the administrator, concerning all aspects of LGPS administration. These Agreements are reviewed and updated annually taking into account changes made to the regulations and feedback from the Fund's scheme employers. All the Fund's scheme employers are consulted on the administrative strategy annually to ensure they acknowledge their responsibilities.
- The Fund will request each scheme employer designate a named individual for Employer engagement with the appropriate delegations and who is the payroll contact for the employer. The scheme employer must keep the Fund aware of any changes pertaining to the contact details for that person.
- Specific communications on scheme changes for scheme employers as and when required.
- Annual employer forum meeting to which all scheme employers are invited dealing with administrative activity investment performance, actuarial insights and any scheme changes and current issues impacting the Fund and the LGPS.
- The HR employer guide, both paper based and maintained on the websites.
- Offer employer training on End of Year returns and the responsibilities of a new employer to the Fund and support in preparing policies such as the Discretionary Policy.

Communication with the Pension Committee and the Pension Board

The governance arrangements of the Fund centre on two bodies, the Pension Committee and the Pension Board.

The Fund works closely with the Pension Committee and the Pension Board, and the core communication objective is to ensure that all scheme members are fully informed on pensions matters including investment, funding, audit, governance, administration and risk. They have regular training to ensure they have sufficient knowledge to fulfil their duties and responsibilities.

This is achieved by the following:

- Providing relevant information on current issues at Pension Committee and Pension Board meetings and the majority of reports to the Pension Committee can be found on the Council's website -

<https://democracy.eastsussex.gov.uk/ieListMeetings.aspx?CommitteeId=373>.

The Pension Board papers can be found on the Council's website –

Communication between the Pension Board, Scheme Members and Scheme Employers

The Pension Board was established in April 2015 to assist the Committee in securing compliance with the scheme regulations and the effective and efficient governance and administration of the LGPS. The board is made up of three employer representative and three employee representatives and an independent chair. Minutes of board meetings are shared on the website.

Fund officers provide professional support to the Pension Board, ensuring regular communication with members and scheme employers through:

- Opportunity for members of the public to attend the Board meeting and receive papers, which will be made public in accordance with the Access to Information Rules in East Sussex County Council's Constitution.
- Up to date information is posted on the Fund website with full terms of reference and policies on the Pension Board and how it operates.

Communication with other Key Stakeholders

There are a number of other interested parties with whom we communicate as required, including:

- Ministry of Housing, Communities and Local Government (MHCLG) - The Fund has regular contact with MHCLG as a responsible LGPS Fund, participating and responding to consultations, as required.
- Scheme Advisory Board - The national SAB was established following the Public Services Pensions Act 2013. It provides advice to the Fund and Local Pension Boards in relation to the effective and efficient administration and management of the Scheme and their funds. The Fund therefore liaises with the SAB as appropriate.
- Local Government Association - The LGA liaises with LGPS Funds and MHCLG to ensure that all LGPS regulations are administered correctly as per MHCLG's instructions.
- The Pensions Regulator - The Pensions Regulator's remit has been extended to the Public Sector as a result of the Public Services Pensions Act 2013. The Fund liaises with the Regulator as required to ensure that it is compliant with the Pensions Regulator's Code of Practice.
- AVC Provider(s) - Additional Voluntary Contributions (AVC) are held and invested separately from the LGPS. The Fund's current AVC providers are Prudential Limited.
- Fund Investment Managers, Advisers and Actuary - The Fund officers have regular meetings with
 - the Fund Managers who invest funds on behalf of the Fund
 - Investment Advisors who provide help and advice on the asset allocation and investments of the Fund
 - The Fund Actuary to discuss funding levels, employer contributions and valuation of the assets and liabilities of the Fund.

The Fund Actuary, Independent Adviser and Investment Adviser attend all Pension Committee meetings.

- ACCESS Pool - The Fund is a member of the ACCESS pool established by a group of 11 Funds to invest assets on a pooled basis for the LGPS Funds administered by those Councils. It is important that ACCESS understands the Fund's strategies so that the assets are invested in accordance with those strategies. Communication with ACCESS will be in a number of ways including directly at officer level and Joint Committee. The East Sussex Pension Committee will also receive regular updates on the activities of ACCESS and will also be responsible for deciding the assets to be invested in ACCESS.

Key Risks

The key (potential) risks to the delivery of this Strategy are outlined below. The Head of Pensions along with other officers will work with the Pension Committee and Pension Board in monitoring these and other key risks and considering how to respond to them.

- Lack or reduction of skilled resources due to difficulty retaining and recruiting staff members and also staff absence due to sickness
- Significant increase in the number of employing bodies causes strain on day to day delivery
- Significant external factors, such as national change, impacting on workload
- Issuing incorrect or inaccurate communications
- Failure to maintain scheme employer database leading to information not being sent to correct person
- Lack of clear communication to scheme employers, scheme members and pensioners.

Costs

All additional costs relating to this Strategy are met directly by the Fund unless mentioned otherwise.

Approval, Review and Consultation

This Communications Strategy was approved on **XX June** 2020 by the East Sussex Pension Committee. It will be formally reviewed annually and updated by the Committee at least every three years or sooner if the communications arrangements or other matters included within it merit reconsideration, including if there are any changes to the LGPS or other relevant Regulations or Guidance which need to be taken into account.

Further Information

If you require further information about anything in or related to this Communications Strategy, please contact:

Michelle King
East Sussex Interim Head of Pensions, East Sussex County Council
E-mail - michelle.king@eastsussex.gov.uk

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EAST SUSSEX PENSION FUND

Procedure for Recording and Reporting Breaches of the Law

June 2020

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Policy for Reporting Breaches of the Law

Background and Introduction

This policy sets out the procedure to be followed by certain persons involved with the East Sussex Pension Fund which is managed and administered by East Sussex County Council in relation to identifying, recording and where necessary reporting breaches of the law to the Pensions Regulator.

Breaches can occur in relation to a wide variety of the tasks normally associated with the administrative function of a scheme such as keeping records, internal controls, calculating benefits and making investment or investment-related decisions

This procedure has been developed to assist those individuals who have a legal responsibility to report certain breaches to the Pensions Regulator in determining whether a breach they have identified should be reported. It has also been developed to assist East Sussex County Council, in its role as Administering Authority, in ensuring it is aware of all breaches of the law in relation to the East Sussex Pension Fund and that these are appropriately recorded and then dealt with.

The Head of Pensions has responsibility for the implementation, review and monitoring of these procedures, and can seek such advice as they consider necessary including from the Council's legal team or external advisors.

The following persons, or any other person who has responsibility to report breaches of the law in relation to the East Sussex Pension Fund, are strongly encouraged to follow this procedure should they identify such a breach:

- all members of the Pension Committee and the Pension Board
- all officers involved in the management or administration of the Pension Fund including staff members in the East Sussex County Council Pension Fund Team, the Monitoring Officer and the Chief Finance Officer (Section 151 Officer).
- all officers involved in the delivery of the administration service by the shared service provider Orbis.
- any professional advisers including external auditors, actuaries, legal advisers and fund managers.¹
- officers of employers participating in the Pension Fund who are responsible for pension matters.
- any other person otherwise involved in advising the managers of the Fund, including Head of Pensions, Monitoring Officer and staff members of the Internal Audit function.

¹ However, these advisors should note that the application of this Procedure relates to the reporting of legal breaches relating to the administration of the Pension Fund, rather than any breaches relating to their role and responsibilities that do not affect the administration of the Fund. For example, if a fund manager has breached the investment association guidelines, then this would not be reportable under this East Sussex Pension Fund Procedure for Reporting Breaches (albeit the Administering Authority would still expect this information to be recorded separately and notified to East Sussex County Council).

Throughout this procedure, any person to whom this procedure applies, as a result of them identifying a breach or potential breach, will be referred to as the "individual".

The next section clarifies the full extent of the legal requirements and to whom they apply.

Requirements

Pensions Act 2004

Section 70 of the Pensions Act 2004 (the Act) imposes a requirement on the following persons:

- a trustee or manager of an occupational or personal pension scheme
- a member of the pension board of a public service pension scheme
- a person who is otherwise involved in the administration of an occupational or personal pension scheme
- the employer in relation to an occupational pension scheme
- a professional adviser in relation to such a scheme
- a person who is otherwise involved in advising the trustees or managers of an occupational or personal pension scheme in relation to the scheme,

to report a matter to the Pensions Regulator as soon as is reasonably practicable where that person has reasonable cause to believe that:

- (a) a legal duty relating to the administration of the scheme has not been or is not being complied with; and
- (b) the failure to comply is likely to be of material significance to The Pensions Regulator.

The Act states that a person can be subject to a civil penalty if he or she fails to comply with this requirement without a reasonable excuse.

The duty to report breaches under the Act overrides any other duties the individuals listed above may have. However, the duty to report does not override 'legal privilege'. This means that, generally, communications between a professional legal adviser and their client, or a person representing their client, in connection with legal advice being given to the client, do not have to be disclosed.

The Pension Regulator's Code of Practice

Practical guidance in relation to this legal requirement is provided in the Pension Regulator's Code of Practice including in the following areas:

- implementing adequate procedures to consider and record breaches
- judging whether a breach must be reported
- submitting a report to the Pensions Regulator
- whistleblowing protection and confidentiality.

Application to the East Sussex Pension Fund

East Sussex County Council has developed this procedure in relation to the East Sussex Pension Fund. This document sets out how the Council will strive to achieve

best practice through use of a formal reporting breaches procedure. It reflects the guidance contained in the Pension Regulator's Code of Practice.

Other Administering Authority or Organisational Requirements

In addition to the requirements of this Procedure, there may be other policies and procedures which may be in place relating to areas such as fraud or whistleblowing that apply to the individuals covered by this Procedure for reporting and recording breaches in relation to East Sussex Pension Fund matters. For example, East Sussex County Council has in place the following:

- Anti-fraud and Corruption Policy – setting out the Council's strategy for preventing, deterring, deterring and investigating fraud, corruption and other wrong doing.
- Anti-Money Laundering Policy - procedures that must be followed to enable the County Council to comply with its legal obligation to prevent criminal activity through the use of Money Laundering, as well as providing contact details for the Money Laundering Reporting Officer
- Whistleblowing Policy – setting out how someone working with or within East Sussex County Council can raise an issue in confidence, as well as what sort of concerns should be reported.

This Procedure should be followed in addition to any existing procedures or policies that may be in place, such as those listed above. In particular, individuals are reminded that there is a legal requirement to report breaches of the law in relation to the East Sussex Pension Fund that could be considered significant to the Pensions Regulator. The Head of Pensions (contact details at the end of this procedure document) can assist if an individual is uncertain how to deal with the interaction between this Procedure and any other organisation's policy or procedure that may be in place.

East Sussex Pension Fund Breaches Procedure

Overview

The following procedure details how individuals responsible for reporting and whistleblowing can identify, access, record and report (if appropriate) a breach of the law relating to East Sussex Pension Fund.

It aims to ensure individuals responsible are able to meet their legal obligations and avoid placing any reliance on others to report. The procedure will also assist in providing an early warning of possible malpractice and reduce risk. There are four key steps to this procedure:

1. Understanding the law and what is a breach
2. Determining whether there is reasonable cause to believe a breach has occurred
3. Determining whether the breach is likely to be of material significance and so should be reported to the Pensions Regulator
4. Recording the breach, even if it is not reported

These steps are explained below:

1. Understanding the law and what is a breach

Individuals may need to refer to regulations and guidance when considering whether or not there has been a breach of the law. Some of the key provisions are shown below:

- Section 70(1) and 70(2) of the Pensions Act 2004:
www.legislation.gov.uk/ukpga/2004/35/contents
- Employment Rights Act 1996: www.legislation.gov.uk/ukpga/1996/18/contents
- Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (Disclosure Regulations):
www.legislation.gov.uk/uksi/2013/2734/contents/made
- Public Service Pension Schemes Act 2013:
www.legislation.gov.uk/ukpga/2013/25/contents
- Local Government Pension Scheme Regulations (various):
<http://www.lgpsregs.org/timelineregs/Default.html> (pre 2014 schemes)
<http://www.lgpsregs.org/index.php/regs-legislation> (2014 scheme)
- The Pensions Regulator's Code of Practice:
<http://www.thepensionsregulator.gov.uk/codes/code-governance-administration-public-service-pension-schemes.aspx>
In particular, individuals should refer to the section on 'Reporting breaches of the law', and for information about reporting late payments of employee or employer contributions, the section of the Code on 'Maintaining contributions'.

Further guidance and assistance can be provided by the Head of Pensions, provided that requesting this assistance will not result in alerting those responsible for any serious offence (where the breach is in relation to such an offence). Some examples of potential breaches are also included in Appendix A.

2. Determining whether there is reasonable cause to believe a breach has occurred

Individuals then need to have reasonable cause to believe that a breach of the relevant legal provision has occurred. Having reasonable cause to believe that a breach has occurred means more than merely having a suspicion that cannot be substantiated.

Where a breach is suspected the individual should inform the Head of Pensions as soon as practicable, and no later than 5 days from when they suspect there has been a breach. The Head of Pensions will then carry out further checks, to establish whether or not a breach has in fact occurred, and keep the individual informed. This does not preclude the individual who first raised the issue undertaking further checks themselves should they consider it appropriate to do so.

However, there are some instances where it would not be appropriate to make further checks, for example, if the individual has become aware of theft, suspected fraud or another serious offence and they are also aware that by making further checks there is a risk of either alerting those involved or hampering the actions of the police or a regulatory authority. In these cases the Pensions Regulator should be contacted without delay.

3. *Determining whether the breach is likely to be of material significance*

Should an individual have reasonable cause to believe that breach of the law has occurred, they must decide whether that breach is likely to be of material significance to the Pensions Regulator, and therefore should be reported to the Pensions Regulator. To do this, an individual should consider the following, both separately and collectively:

- cause of the breach (what made it happen)
- effect of the breach (the consequence(s) of the breach)
- reaction to the breach
- wider implications of the breach.

Further details on the above four considerations are provided in Appendix B to this procedure.

The individual should use the traffic light framework described in Appendix C to help assess the material significance of each breach and to formally support and document their decision.

It should be noted that the Pensions Regulator's role is in relation to requirements under the Pensions Act 2004. As such, it is possible that some breaches of the law do not fall within the Regulator's remit. However, given the complex nature of the law, including the wide ranging responsibilities covered by the Pensions Act 2004, East Sussex County Council encourages reporting of any breach that is considered to be materially significant regardless of the specific area of the law that has been breached. The Pensions Regulator can then determine whether it is a matter they have jurisdiction over or not.

The Head of Pensions can assist with determining whether the breach should be reported. In the first instance the Head of Pensions should be given opportunity to report the breach and will keep the individual raising the concern apprised of their decision as to whether or not to report the breach.

However, the individual is ultimately responsible for determining what should be included in the report and for submitting the report to the Pensions Regulator.

The requirement to report applies to all those subject to the reporting duty who become aware of a breach that is likely to be of material significance to the Pensions Regulator; it is not automatically discharged by another party reporting the breach.

This gives rise to the possibility of duplicate reporting by those involved in a scheme. Duplicate reports carry a cost, which will ultimately be borne by the scheme members or the employer. Moreover, duplicate reports do not benefit the Pensions Regulator. Once aware of a particular breach, the Pensions Regulator does not regard that breach as being of material significance for the purpose of making further reports under the requirement to report breaches of the law. An exception is where another reporter has additional or different information about that breach or the circumstances relating to it.

4. *Recording the breach, even if it is not reported*

The record of past breaches may be relevant in deciding whether to report a breach (for example it may reveal a systemic issue). The Head of Pensions will maintain a record of all breaches identified. Therefore, individuals should provide the following information to the Head of Pensions so that all identified breaches can be recorded:

- copies of reports submitted to the Pensions Regulator
- copies of information relating to any other breach the individual has identified.

The information should be provided to the Head of Pensions as soon as reasonably practicable and certainly no later than within 20 working days of the decision made to report or not. The record of all breaches (reported or otherwise) will be included at each Pension Committee meeting, and this will also be shared with the Pension Board.

Supplier and advisor responsibilities

Where a breach has been identified relating to the Fund by a Fund supplier or advisor, or by officers working under the Orbis shared service arrangement, which delivers much of the Fund's administration function, the supplier or adviser must alert the Head of Pensions immediately. They must produce a preliminary report setting out an assessment of the breach. The preliminary assessment must contain;

- the circumstances leading to the breach;
- the impact and scale of the breach, both financial and with regard to the impact of service on members or other affected persons/organisations;
- the steps that have been taken to rectify the breach; and
- a preliminary assessment, based on the Regulator's traffic light flowchart, of the materiality of the breach.

For the avoidance of doubt all breaches of the law (regardless of whether they are deemed material) must be reported to the Head of Pensions in this way.

Assistance for individuals in following this procedure

The following information is provided to assist individuals in following this procedure.

Referral to a level of seniority for assistance

East Sussex County Council has designated an officer (Head of Pensions) to assist any individual with following this procedure. The Head of Pensions is considered to have appropriate experience to help investigate whether there is reasonable cause to believe a breach has occurred, to check the law and facts of the case, to maintain records of all breaches and to assist in any reporting to the Pensions Regulator, where appropriate.

Individuals must bear in mind, however, that the involvement of the Head of Pensions is to help clarify the individual's thought process and to ensure this procedure is followed. The individual remains responsible for the final decision as to whether a matter should be reported to the Pensions Regulator and for completing the reporting procedure.

The matter should **not** be referred to the Head of Pensions if doing so would alert any person responsible for a possible serious offence to the investigation (as highlighted in step 2 above). If that is the case, the individual may instead refer the matter to the Council's Monitoring Officer. Otherwise, the individual should report the matter to the Pensions Regulator setting out the reasons for reporting, including any uncertainty – a telephone call to the Pensions Regulator before the submission may be appropriate, particularly in the case of a more serious breach.

Dealing with complex cases

The Head of Pensions may be able to provide guidance on particularly complex cases. Guidance may also be obtained by reference to previous cases, information on which will be retained by East Sussex County Council, or via discussions with those responsible for maintaining the records. Information may also be available from national resources such as the Scheme Advisory Board or the Local Government Association - <http://www.lgpsregs.org>. If timescales allow, legal advice or other professional advice can be sought and the case can be discussed at the next Pension Committee or Pension Board meeting.

Timescales for reporting

The Pensions Act and the Pension Regulator's Code require that, if an individual decides to report a breach, the report must be made in writing as soon as reasonably practicable. Individuals should not wait for others to report and nor is it necessary for an individual to gather all the evidence which the Pensions Regulator may require before taking action. A delay in reporting may exacerbate or increase the risk of the breach. The time taken to reach the judgements on "reasonable cause to believe" and on "material significance" should be consistent with the speed implied by "as soon as reasonably practicable". In particular, the time taken should reflect the seriousness of the suspected breach.

Early identification of very serious breaches

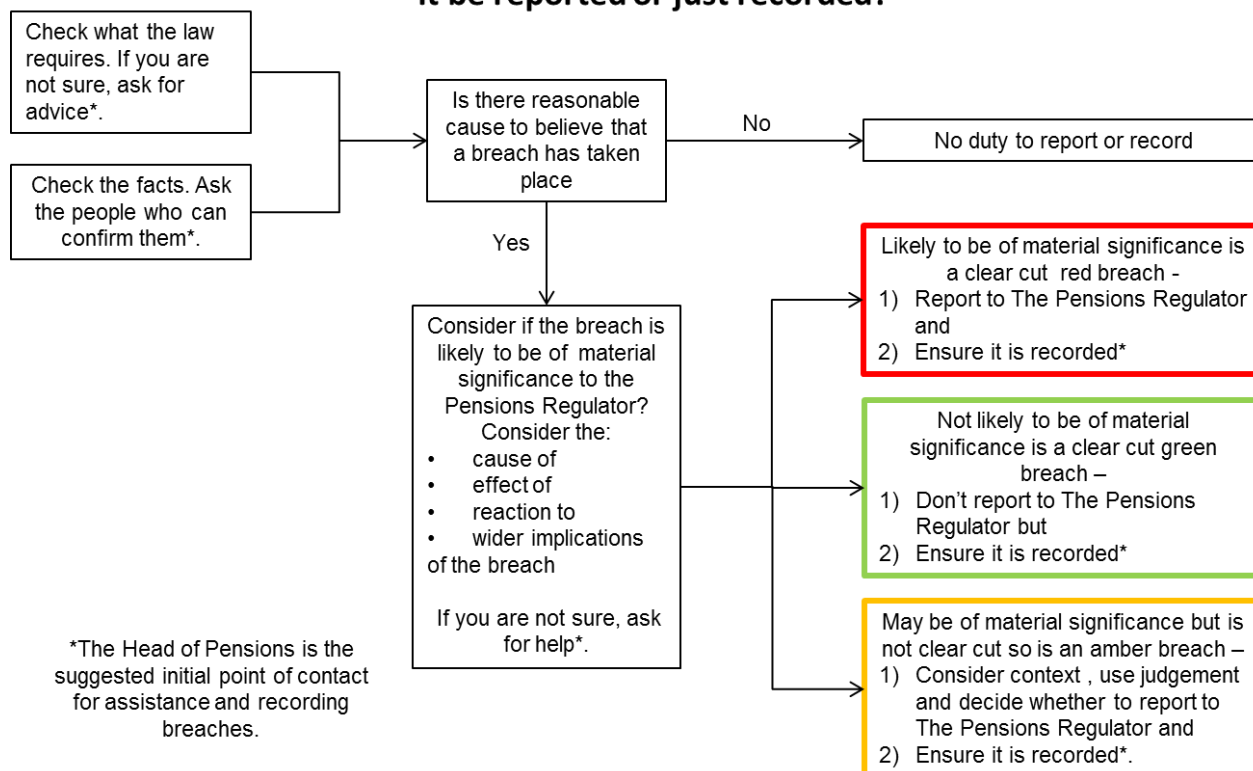
In cases of immediate risk to the scheme, for instance, where there is any indication of dishonesty, the Pensions Regulator does not expect individuals to seek an explanation or to assess the effectiveness of proposed remedies. They should only make such immediate checks as are necessary.

The more serious the potential breach and its consequences, the more urgently individuals should make these necessary checks. In cases of potential dishonesty, the individual should avoid, where possible, checks which might alert those implicated. In serious cases, individuals should use the quickest means possible to alert the Pensions Regulator to the breach.

Decision tree

A decision tree is provided below which summarises the process for deciding whether or not a breach has taken place, whether it is materially significant to the Pensions Regulator and therefore needs to be reported, and then ensuring it is recorded.

Decision-tree: Has a breach occurred and should it be reported or just recorded?



Reporting a breach to the Pensions Regulator

Reports must be submitted in writing via The Pensions Regulator's online system at <https://login.thepensionsregulator.gov.uk/>, or by post, or email and should be marked urgent if appropriate. If necessary, a written report can be preceded by a telephone call.

The individual should ensure they receive an acknowledgement for any report they send to the Pensions Regulator. The Pensions Regulator will acknowledge receipt of all reports within five working days and may contact the individual to request further information. The individual will not usually be informed of any actions taken by the Pensions Regulator due to restrictions on the disclosure of information.

As a minimum, individuals reporting should provide:

- full scheme name (East Sussex Pension Fund)
- description of breach(es)
- any relevant dates
- name, position and contact details
- role in connection to the scheme
- employer name or name of scheme manager (the latter is East Sussex County Council).

If possible, individuals should also indicate:

- the reason why the breach is thought to be of material significance to the Pensions Regulator

- scheme address (provided at the end of this procedures document)
- scheme manager contact details (provided at the end of this procedures document)
- pension scheme registry number (PSR – 10079157)
- whether the breach has been reported before.

The individual should provide further information or reports of further breaches if this may help the Pensions Regulator in the exercise of its functions. The Pensions Regulator may make contact to request further information.

Confidentiality

If requested, The Pensions Regulator will do its best to protect the identity of an individual who has reported a breach and will not disclose information except where it is lawfully required to do so.

An employee may also have protection under the Employment Rights Act 1996 if they make a report in good faith in relation to their employer.

Reporting

The Head of Pensions will be present to the Statutory officer Group, the Pension Board and the Pension Committee on a quarterly basis setting out:

- all breaches, including those reported to The Pensions Regulator and those not reported, with the associated dates.
- in relation to each breach, details of what action was taken and the result of any action (where not confidential)
- any future actions for the prevention of the breach in question being repeated
- new breaches which have arisen since the previous meeting.

This information will also be provided upon request by any other individual or organisation (unless decided otherwise by the Head of Pensions; for example where the information is excluding sensitive/confidential cases or ongoing cases where discussion may influence the proceedings).

An example of the information to be included in the quarterly reports is provided in Appendix D to this procedure.

Training

The Head of Pensions will ensure that all relevant officers and elected members, as well as members of the local pension board receive appropriate training on this policy at the commencement of their employment or appointment to the Pensions Committee or Pension Board as appropriate and on an ongoing basis.

Suppliers and advisers, including Orbis which delivers much of the Fund's administration, must ensure that all staff with responsibilities in relation to the Fund receive appropriate training with regard to this policy and their obligations under it.

They must advise the Head of Pensions if they do not feel they are able to carry out that training, and training will be arranged for them by the Head of Pensions.

Approval, and Review

This Reporting Breaches Procedure was approved on **XX June** 2020 by the East Sussex Pension Committee. It will be formally reviewed and updated by the Committee at least every three years or sooner if breaches arrangements or other matters included within it merit reconsideration, including if there are any changes to the LGPS or other relevant Regulations or Guidance which need to be taken into account.

Further Information

If you require further information about reporting breaches or this procedure or wish to discuss reporting a breach, please contact:

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Appendix A – Example breaches of the law

In this appendix we provide some examples of breaches of the law. This is not an exhaustive list given there are many sets of legislation that must be followed and some of these are extremely lengthy and complex. It should, however, provide a useful indication of the range of potential breaches that may arise.

Funding strategy not having regard to CIPFA guidance

Regulation 58 of the Local Government Pension Scheme Regulations 2013, as amended, requires the administering authority to prepare, maintain and publish a statement setting out its funding strategy and, in doing so, to consult with such persons as it considers appropriate. In doing this, the Administering Authority must also have regard to CIPFA guidance on preparing and maintaining a Funding Strategy Statement which clearly states employers should be consulted. The Funding Strategy impacts on the employers of the Fund and therefore a breach of the law by the Administering Authority is likely to have arisen if a statement was prepared which impacts on employers without first consulting with those employers.

Late notification of benefits

Various regulations dictate timescales for notifying scheme benefits, some of which are summarised below. Most of these requirements are included in more general pensions legislation i.e. not the Local Government Pension Scheme Regulations. A breach would arise every time one of these timescales was not met. All of the breaches would relate to the Administering Authority apart from the last one which would be a breach by an employer in the Fund. However, the first five listed could have been a result of delayed or incorrect information from an employer, which could be a separate and additional breach of the law by that employer.

Process	Legal Requirement
To provide new starters with information about the scheme	2 months from date of joining (provide information about the scheme in this timeframe, or within 1 month of receiving jobholder information where the individual is being automatically enrolled / re-enrolled)
To inform members who leave the scheme of their leaver rights and options	As soon as is practicable, and no more than 2 months from date of initial notification (from employer or scheme member)
To notify the amount of retirement benefits	1 month from date of retirement if on or after Normal Pension Age 2 months from date of retirement if before Normal Pension Age
To notify dependant(s) the amount of death benefits	As soon as possible but in any event no more than 2 months from date of becoming aware of the death, or from date of request
Provide annual benefit statements to active members	31st August in the same calendar year
Receipt of employee contributions from employers	19th of the month following their deduction or 22 nd if paid electronically.

Errors in benefit calculations

The Local Government Pension Scheme Regulations 2013, as amended, and previous LGPS legislation relating to historical service or leaves, dictate how benefits should be calculated. This includes elements such as what fraction of pay is used to calculate a pension and what counts as pay for LGPS purposes. A breach of the law by the Administering Authority would arise in the situation that any calculation was carried out that was not in accordance with those provisions.

Errors in deducting contributions

Regulation 20 of the Local Government Pension Scheme Regulations 2013, as amended, states which elements of pay should be treated as pensionable and therefore should have pension contributions deducted from them and should be used for calculating benefits from 1 April 2014. Regulation 4 of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007, as amended, is the equivalent provision for pre 1 April 2014 scheme membership and therefore it details how pensionable pay should be calculated by an employer for benefits accruing prior to 1 April 2014. Under these provisions, non-contractual overtime is pensionable from 1 April 2014 but not classed as pensionable for benefits accruing before 1 April 2014. A breach of the law by an employer would arise if any of the following happened:

- an employer **did not** deduct pension contributions from non-contractual overtime since 1 April 2014

- an employer **did not** include non-contractual overtime in the amount of any pensionable pay notified to the Administering Authority for membership from 1 April 2014
- an employer **did** include non-contractual overtime in the amount of final pay notified to the Administering Authority to be used to calculate benefits accrued prior to 1 April 2014.

Late notifications from year-end information by an employer

Regulation 80 of the Local Government Pension Scheme Regulations 2013 require each employer to provide to the Administering Authority a list of specific information for each scheme member, such as pensionable pay, by 30 June each year. A breach of the law by an employer would arise if they failed to provide this year end list to the administering authority by 30 June or if the information was incomplete or inaccurate.

Inadequate knowledge of a Pension Board member

Section 248A of the Pensions Act 2004 requires every Pension Board member to be conversant with the LGPS rules and Pension Fund policies as well having knowledge and understanding of pension matters at a degree appropriate for the purpose of them exercising their Pension Board functions. Where a Pension Board member has failed to attend training or demonstrate that they already have the required level of knowledge, it is possible that a breach of the law will have occurred by that Pension Board member.

Appendix B – Determining whether a breach is likely to be of material significance

To decide whether a breach is likely to be of material significance individuals should consider the following elements, both separately and collectively:

- cause of the breach (what made it happen)
- effect of the breach (the consequence(s) of the breach)
- reaction to the breach
- wider implications of the breach

The cause of the breach

Examples of causes which are likely to be of concern to the Pensions Regulator are provided below:

- Acting, or failing to act, in deliberate contravention of the law.
- Dishonesty.
- Incomplete or inaccurate advice.
- Poor administration, i.e. failure to implement adequate administration procedures.
- Poor governance.
- Slow or inappropriate decision-making practices.

Individuals may also request the most recent breaches report from the Head of Pensions, as there may be details on other breaches which may provide a useful precedent on the appropriate action to take.

When deciding whether a cause is likely to be of material significance individuals should also consider:

- whether the breach has been caused by an isolated incident such as a power outage, fire, flood or a genuine one-off mistake
- whether there have been any other breaches (reported to the Pensions Regulator or not) which when taken together may become materially significant

The effect of the breach

Examples of the possible effects (with possible causes) of breaches which are considered likely to be of material significance to the Pensions Regulator in the context of the LGPS are given below:

- Committee/Board members not having enough knowledge and understanding, resulting in pension boards not fulfilling their roles, the scheme not being properly governed and administered and/or scheme managers breaching other legal requirements
- Conflicts of interest of Committee or Board members, resulting in them being prejudiced in the way in which they carry out their role and/or the ineffective governance and administration of the scheme and/or scheme managers breaching legal requirements
- Poor internal controls, leading to schemes not being run in accordance with their scheme regulations and other legal requirements, risks not being properly identified and managed and/or the right money not being paid to or by the scheme at the right time

- Inaccurate or incomplete information about benefits and scheme information provided to members, resulting in members not being able to effectively plan or make decisions about their retirement
- Poor member records held, resulting in member benefits being calculated incorrectly and/or not being paid to the right person at the right time
- Misappropriation of assets, resulting in scheme assets not being safeguarded
- Other breaches which result in the scheme being poorly governed, managed or administered

The reaction to the breach

A breach is likely to be of concern and material significance to the Pensions Regulator where a breach has been identified and those involved:

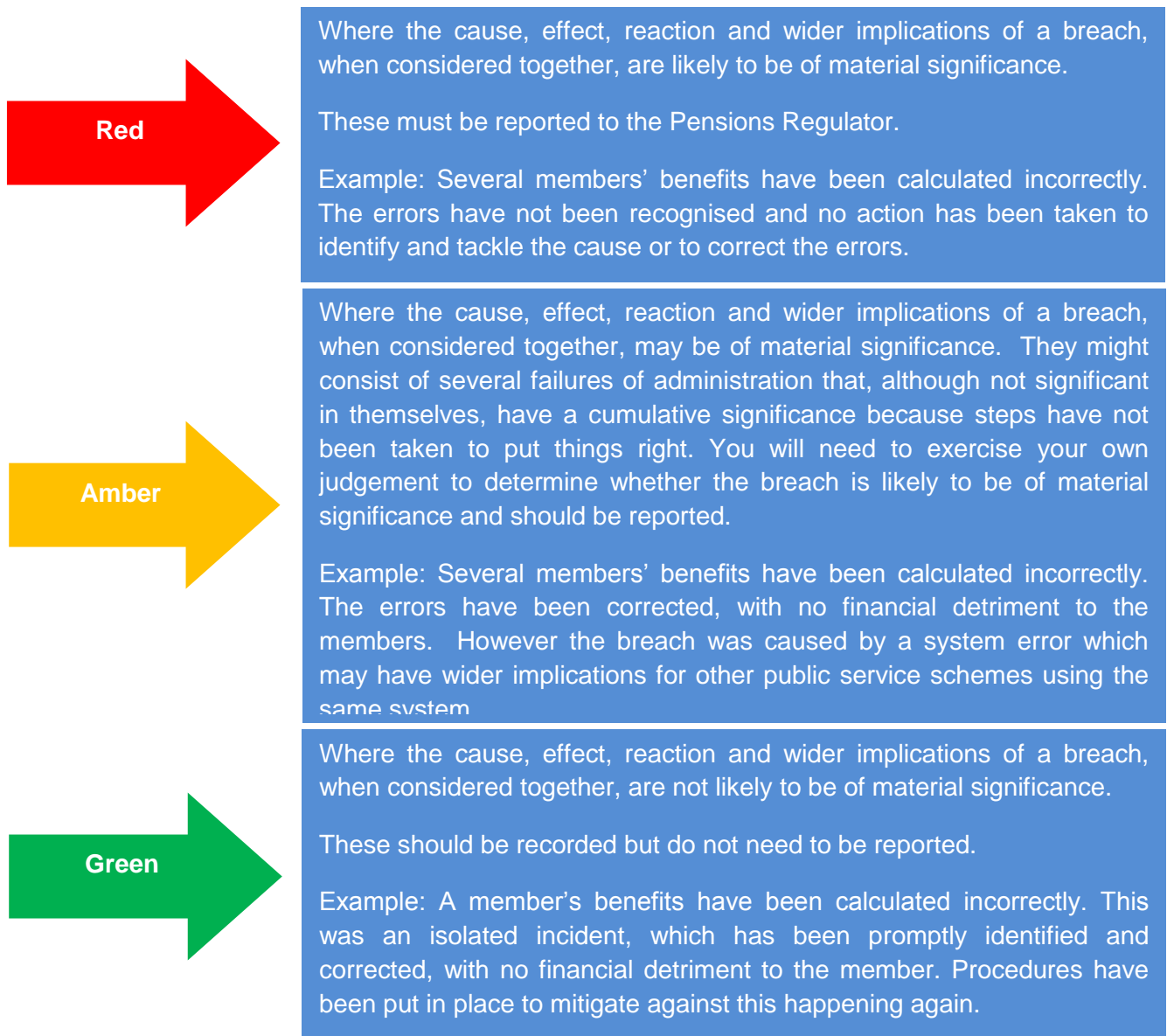
- do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence
- are not pursuing corrective action to a proper conclusion, or
- fail to notify affected scheme members where it would have been appropriate to do so.

The wider implications of the breach

Reporters should also consider the wider implications when deciding whether a breach must be reported. The breach is likely to be of material significance to the Pensions Regulator where the fact that a breach has occurred makes it more likely that further breaches will occur within the Fund or, if due to maladministration by a third party, further breaches will occur in other pension schemes.

Appendix C - Traffic light framework for deciding whether or not to report

East Sussex County Council recommends those responsible for reporting to use the traffic light framework when deciding whether to report to the Pensions Regulator. This is illustrated below:



All breaches should be recorded even if the decision is not to report.

When using the traffic light framework individuals should consider the content of the red, amber and green sections for each of the cause, effect, reaction and wider implications of the breach, before you consider the four together. Some useful examples of this framework is provided by the Pensions Regulator at the following link

[http:// www.thepensionsregulator.gov.uk/codes/code-related-report-breaches.aspx](http://www.thepensionsregulator.gov.uk/codes/code-related-report-breaches.aspx)

Appendix D – Example Record of Breaches for Pension Committee Reporting

Reference	Date entered in Register	Title of Breach	Owner of Breach	Third Party which caused the breach (if any)	Description and cause	Possible effect and wider implications	Category of Members and Number of Members Affected	Initial (re)action	Assessment of breach (red/amber/green) Brief summary of rationale	Reported to TPR Yes / No And outcome of report	If reported Name of reportee	Further actions taken to rectify Breach	Outstanding actions (if any) & date breach closed

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Report to: Pension Board
Date of meeting: 8 June 2020
By: Chief Operating Officer
Title: Pension Administration - updates
Purpose: To provide an update to the Pension Board on matters relating to Pensions Administration activities.

RECOMMENDATION

The Board is Recommended to:

- 1) note the updates;
 - 2) Note the progress of management in implementing the agreed actions arising from the two internal audit reports (appendix 5); and
 - 3) Note the areas for which no actions have progressed (appendix 5).
-

1. Background

1.1 The Pensions Administration Team (PAT) based within Orbis Business Services carries out the operational, day-to-day tasks on behalf of the members and employers of the 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 LGPS.

2. Key Performance Indicators

2.1 The Performance Report, for the period February to April 2020 can be found at **Appendix 1**. Since the start of the lockdown, the Head of Pensions Administration has been providing weekly updates on performance against the Pensions Regulators priority case types (Deaths, Retirement and Refunds). Details of the number of cases received, cases completed, and outstanding cases can be found at **Appendix 2**.

2.2 For the period February to April 2020, 18 cases out of 1,694 were over target during February to April. One complaint was recorded during this period. This complaint was responded to on the same day and was primarily an employer issue.

2.3 February saw performance above target for all areas and given that lockdown started during March, only employer and employee projections were slightly below target in that month, and transfers in and employer estimates were slightly below target in April. These case types are not classed as a priority by the Pensions Regulator during the Covid-19 pandemic, therefore efforts have been focussed on the priority cases. Some slippage on non-priority cases may happen as a result of the effects of remote working.

2.4 Reports are showing a slight increase in membership numbers, from 76,762 at the start of the period (February) to 76,851 at the end of the period (April).

3. Staffing Update

3.1 A temporary member of the team has recently taken up a permanent position. Two members of the team have recently resigned. One is joining the Police and the other is taking a position with East Sussex Employee Services.

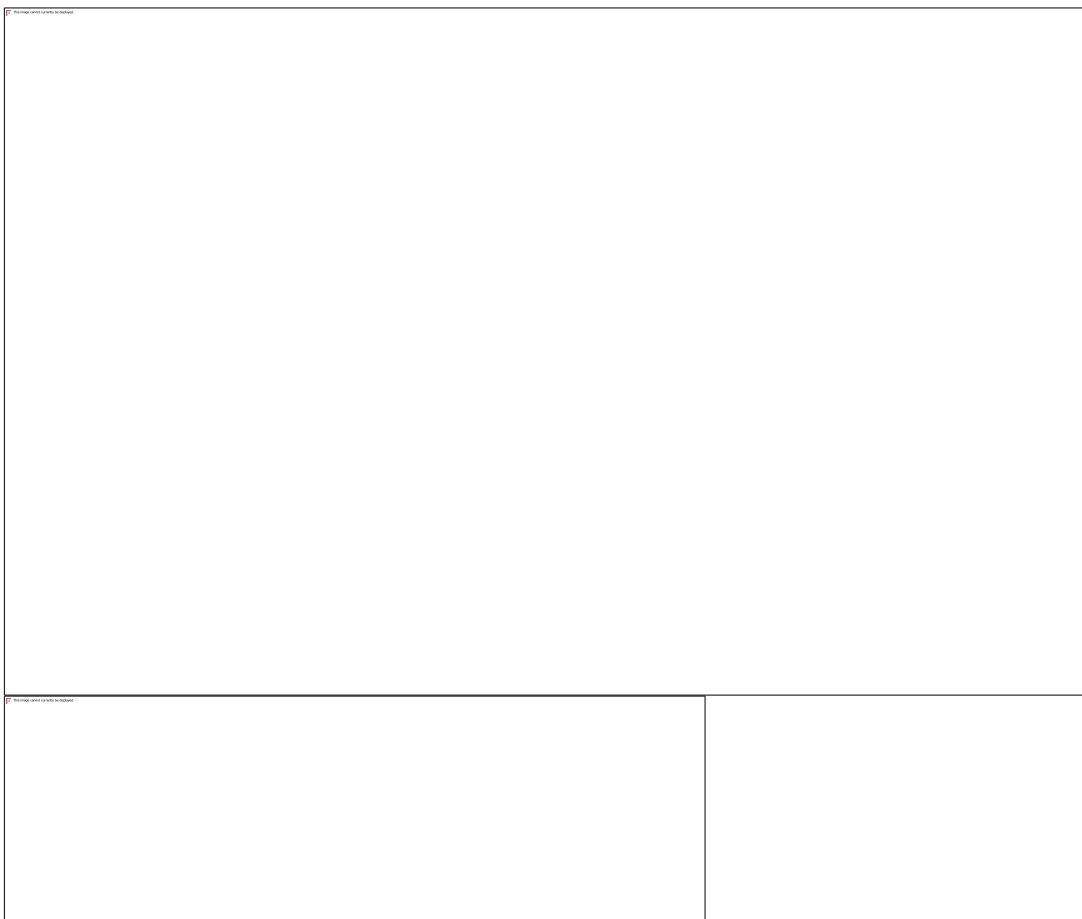
4. Pensions Helpdesk

4.1 The Helpdesk have adapted well to the requirement to work from home. Initially, all enquiries could only be sent to the team via e-mail, however the telephony has been arranged so that agents can take calls from home.

4.2 A reduced telephony service is being offered between the hours of 10:00 to 12:00, and 14:00 to 16:00. 5.5 FTE are taking calls, 1 FTE dealing with e-mails and 3 FTE training/dealing with Member Self Service (MSS) queries.

4.3 A message has been placed on the phonenumber to let callers know that the team are focusing on high priority work (Deaths, Retirements and Refunds), and that response times to other types of work may be delayed during the lockdown. This message is being reviewed on a regular basis.

4.4 The team are still managing to provide an exceptional level of service as evident from the feedback results shown below (from week commencing 11 May):



4.2 The Helpdesk handled 2,037 calls during the period February to April and averaged a first point fix of 77%.

5 McCloud

5.1 The Scheme Advisory Board (SAB) agreed to create two working parties to help implement the outcome of McCloud judgement in the LGPS. They will be a small policy group to consider policy areas not determined by HMT and a larger implementation group consisting of practitioners, actuaries, software providers, employers and member representatives, which will explore the challenges of communicating the changes.

5.2 The Local Government Association (LGA) expects a consultation on proposed LGPS regulation changes in the spring but there may be a delay before they are implemented depending on the extent of the changes required to primary legislation. This, in turn, may lead to uncertainty and legal challenges against employers and SAB will keep employers and scheme members informed with regular communications.

6. End of Year Accounts – Pension Overpayments

6.1 As part of the work on the end of year accounts, the number and value of pension overpayments is recorded.

6.2 For 2018/19 there were 8 overpayments outstanding, at a value of £5,000.

6.3 With the introduction of the Tell Us Once service, combined with regular mortality screening, there were 2 outstanding overpayments at the end of 2020 at a value of £2,000.

7. Engagement and Education

7.1 Since the outbreak of the Coronavirus pandemic, the work items have been amended to allow for the focus on essential information.

- Member presentations and drop in sessions have been cancelled until further notice. Once the pandemic has ended, these will resume and it is envisaged that there will be a substantial demand to compensate for the cancelled meetings.
- All Technical Groups, for example the Communications Working Group, have been cancelled until further notice. They are likely to re-commence in a remote format.
- Detailed Member Self Service figures have been extracted and a report will be issued based upon the demographic of the registered members.
- Creation and monitoring of employer's issues log to help identify areas of education. These have been included in the Employer newsletter.
- Second Employer 2020 newsletter issued to all Employers.
- Pensioner newsletter has been issued to the printers for dispatch.
- Active member newsletter has been reviewed by the fund and is ready to dispatch.
- Deferred newsletter has been issued to the pension fund for review.
- Staff survey results have been analysed. The report will be issued shortly for review.
- LGA bulletin reviews, highlighting important actions and information, issued monthly to funds for onward distribution to employers.
- Member Self Service survey results have been issued to the fund for information.
- Member Self Service videos are being investigated due to the normal production methods being unavailable due to the virus.
- New Starter processes amended to encourage enrolment to Member Self Service portal and is in the process of being fully documented to ensure compliance.
- Full audit of Fund Website documents in progress. All LGA documents will be reviewed and replaced when they have been released by the LGA following the end of year increases.
- Monthly review of MSS sign up figures to review effectiveness of campaigns and inclusion within Monthly Reports.
- New Orbis website has been delayed due to the coronavirus. The Web Development Team should be able to commence development within the next month.

- Creation and maintenance of comprehensive employer contact list.
- End of year update sent to the fund on the 6 May. Next update due 29 May.
- Issue of end of year chaser emails to employers who have missed the cut-off date of 30 April.

7.2 The results from the recent MSS survey have been collated with 822 responses being received, which have provided valuable feedback. The results and proposals for improvement can be found at **Appendix 3**.

7.3 In general, feedback on the portal was positive with members mainly accessing the site to view their Annual Benefit Statement. One question that was vital as part of this survey was to find out what members would like to be able to do that they can't now. The main points were easier login, ability to contact the pensions team direct through the portal, 'how to' guides and the ability to upload documents.

7.4 The Engagement & Education Team continue to send out regular reminders to members to register for MSS ahead of the publication of Annual Benefit Statements.

8. Address Tracing

8.1 The address tracing exercise by ITM is now complete as of 30 April.

8.2 ITM traced 6,525 new addresses, in both the electronic and full trace, out of 11,004 deferred records with no address, or confirmation of correct address.

8.3 All newly identified addresses have been updated on Altair by the Systems & Support Team.

8.4 Early June a summary report will be prepared outlining how successful the address tracing exercise has been, plus our recommendations for an annual tracing exercise and expanding the scope to include those reaching retirement.

9. Guaranteed Minimum Pension (GMP) Reconciliation

9.1 The work with Mercer has been progressing well and is moving closer to begin the reconciliation work and understanding the liability costs.

9.2 Mercer have matched 100% of membership data and have completed the implementation of the decisions made on the stalemate cases.

9.3 HMRC are still to advise or upload the final SRS data cut. However, they have announced that they have reviewed the solution for automatically allocating payments received from pension schemes for individual members of their scheme. They will shortly be publishing details on the process all schemes will need to follow.

10. iConnect

10.1 The implementation plan is underway. There have been changes to the plan due to the current situation regarding Covid-19 so training and testing is having to take place remotely.

10.2 The next step is to build the SAP file so that East Sussex (as the main employer) can test and load the data from payroll to iConnect. This has now been subsumed into another project looking at the collaboration of Pensions and Payroll, including the demands on the SAP team.

10.3 The SAP team are still on track with the agreed timescales, with the file being built by early June. If testing goes well, go live is expected for July.

11. Pensions Increase

11.1 The annual pension increase for April 2020 was completed by Heywood's on 27th April.

11.2 The work was largely successful in processing, however uncovered a number of non-critical errors and warnings which are the result of historical failings and local decisions on what was deemed an error and were therefore not reviewed in previous years pension increase runs. A meeting with Heywood's has been held to fully understand the errors and warnings, which will then allow for the pension service to identify which cases need to be reviewed as a priority. It should be noted that the errors or warnings does not necessarily indicate an error or an issue with the individual's record or the amount of pension or compensation they are being paid. These could just be instances where upon checking the record, it is all correct.

12 Annual Benefit Statements

12.1 The ABS plan for 2020 has been discussed and agreed with funds. This year the project is being managed by Sarah Spence, Project Manager, and supported by Chloe Painter, Project Support.

12.2 Communications have been sent to scheme employers monthly since January, with a deadline for completed returns set as 30 April. Some employers have expressed concerns at meeting the deadline due to the current situation, so an extension to 15 May has been agreed.

12.3 As part of the project regular updates on the number of returns received is being shared with the funds and non-compliance will be discussed to agree next steps.

12.4 To date, 102 of the 129 scheme employers have submitted acceptable end of year data. An additional 4 returns have been received but have not been accepted due to errors with the data or we have been unable to access the attachments. There are returns missing from 23 employers.

12.5 The templates have been reviewed and updated, with the aim of making them easier to understand (taking on board feedback from the Pensions Helpdesk). The templates have been shared with all funds.

13 Annual Schedule of Events

13.1 The annual schedule for 2020 has been drafted and can be found at **Appendix 4**. The schedule covers all statutory events plus any Fund specific items.

13.2 The next steps are for the Fund to review and approve the schedule. In the meantime, the Systems and Support Team have been working to the current document.

14 Employer Functions

14.1 A review is underway of all employer related functions that are currently carried out by the PAT.

14.2 The outcome of the review will be to ensure that all employer related functions sit within the appropriate East Sussex County Council department i.e. HR/Payroll.

14.3 Orbis PAT should only be responsible for carrying out duties on behalf of East Sussex Pension Fund as the Administering Authority.

15. Progress of implementation of agreed actions arising from Internal Audit reports

15.1 Under the Local Government Pension Scheme (LGPS) Regulations, the Council has a statutory responsibility to administer and manage the Fund in accordance with the 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.

15.2 The review of management's progress in implementing the agreed actions arising from internal audit reports by the Pension Committee and Pension Board is an integral part of the oversight process and is critical to improving the internal control environment for the pension fund in line with the revised Internal Audit Strategy for Pensions.

15.3 **Appendix 5** updates the Pension Board on the progress of implementing the Management Actions agreed for the Pension Administration Audit on Compliance with Regulatory Controls.

KEVIN FOSTER
Chief Operating Officer

Contact Officer: Clare Chambers
Email: clare.chambers@surreycc.gov.uk

East Sussex Pensions Administration - Key Performance Indicators 2020/21

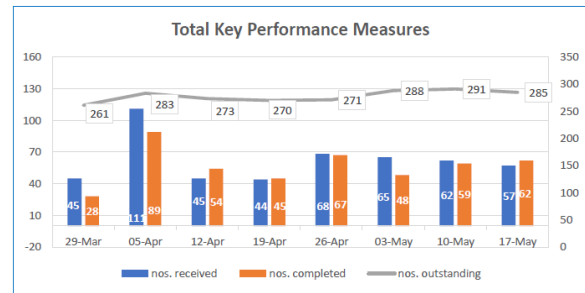
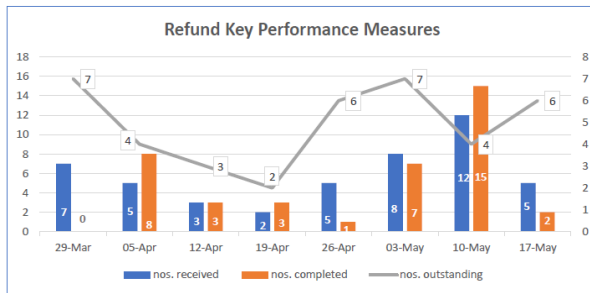
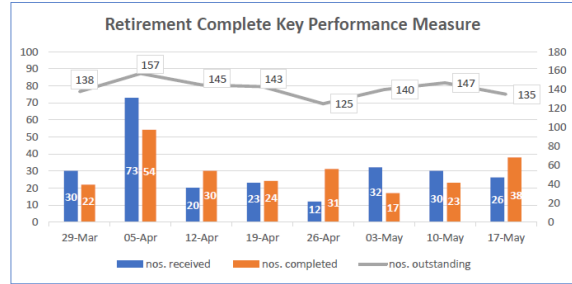
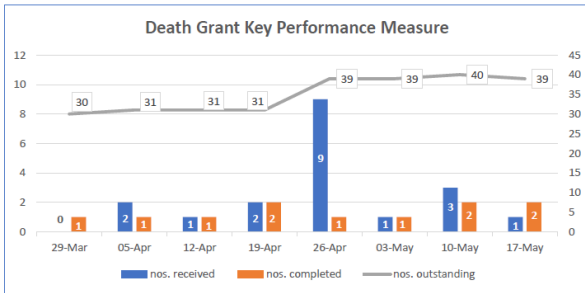
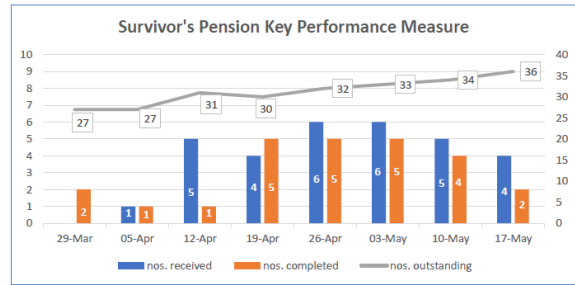
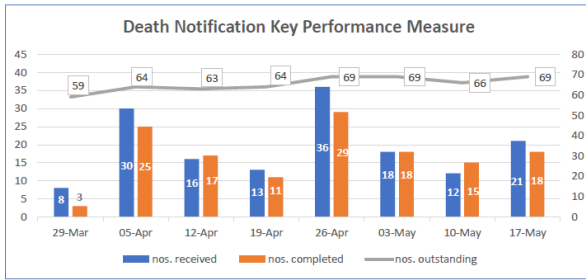
	Activity	Measure	Impact	Target	Apr-20		Mar-20		Feb-20	
	Scheme members	Pensioners, Active & Deferred			76851		76885		76762	
	New starters set up				162		283		413	
					Volume	Score	Volume	Score	Volume	Score
1a	Death notification acknowledged, recorded and documentation sent	within 5 days	M	95%	43	100%	21	100%	26	100%
1b	Award dependent benefits (Death Grants)	within 5 days	H	95%	4	100%	8	100%	7	100%
2a	Retirement notification acknowledged, recorded and documentation sent	within 5 days	M	95%	48	96%	94	99%	70	100%
2b	Payment of lump sum made	within 5 days	H	95%	121	97%	89	100%	75	99%
3	Calculation of spouses benefits	within 5 days	M	90%	16	100%	11	100%	20	100%
4a	Transfers In - Quote (Values)	within 10 days	L	90%	6	84%	21	100%	21	100%
4b	Transfers In - Payments	within 10 days	L	90%	20	95%	28	97%	39	100%
5a	Transfers Out - Quote	within 25 days	L	90%	18	100%	30	100%	33	97%
5b	Transfers Out - Payments	within 25 days	L	90%	11	100%	12	100%	24	96%
6a	Employer estimates provided	within 7 days	M	95%	11	91%	34	92%	24	100%
6b	Employee projections provided	within 10 days	L	95%	5	100%	22	91%	25	100%
7	Refunds	within 10 days	L	95%	12	100%	26	100%	39	100%
8	Deferred benefit notifications	within 25 days	L	95%	139	100%	202	100%	239	100%
	TOTAL TASKS COMPLETED				454		598		642	
9	Complaints received- Admin Complaints received- Regulatory				1			0		0
10	Employer survey satisfaction	Overall satisfaction (V Satisfied/satisfied)		90%						
11	scheme member satisfaction rating (from 1 Click email feedback)									
12	Retiring Member survey satisfaction	Overall satisfaction (Excellent/good)		90%						
13	Compliments received							0	1	

OVERDUE CASES RED-AMBER		APR	MAR	FEB
1b	Award dependent benefits (Death Grants)			
2a	Retirement notification acknowledged, recorded and documentation sent			
2b	Payment of lump sum made			1 CASE OVERDUE 10 DAYS
3	Calculation of spouses benefits			
4a	Transfers In - Quote (Values)	1 case overdue 47 days		
4b	Transfers In - Payments			
5a	Transfers Out - Quote			1 CASE OVERDUE
5b	Transfers Out - Payments			1 CASE OVERDUE
6a	Employer estimates provided		3 TASKS OVERDUE. AVERAGE OF 1 DAY	
6b	Employee projections provided		2 TASKS OVERDUE. AVERAGE OF 2 DAYS	
8	Deferred benefit (DB5YE)			1 CASE OVERDUE

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Appendix 2

Weekly Priority Case Performance



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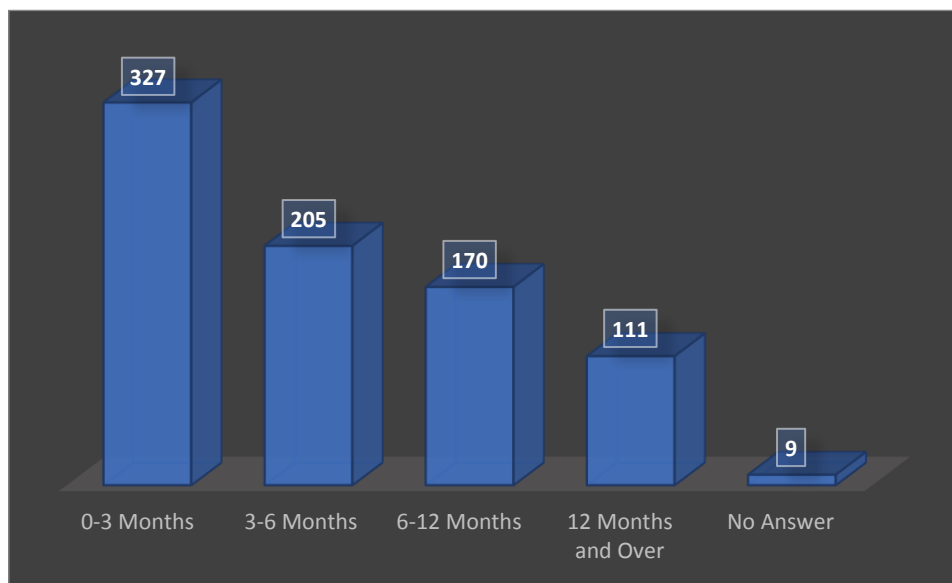
Member Self Service Survey Response

In December 2019, Orbis Pension Services sent out a short survey consisting of 10 questions to approximately 6000 random members across all tranches of membership and all six funds.

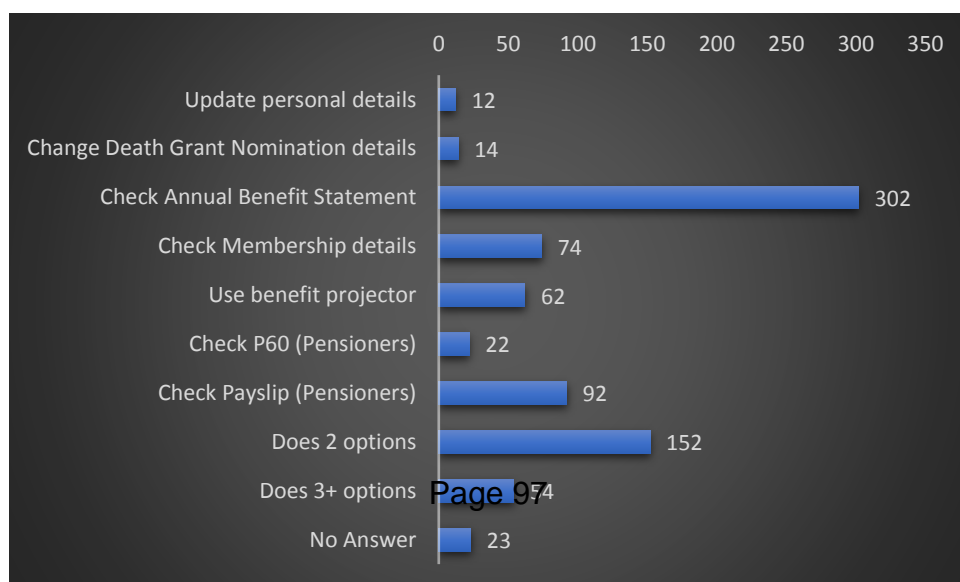
A reminder of the survey was sent again in January 2020 to let them know that the survey was still open and that they still had the opportunity to provide us with their thoughts regarding the member self service portal.

Below you will find the response from 822 members who kindly completed the survey and provided us with valuable feedback.

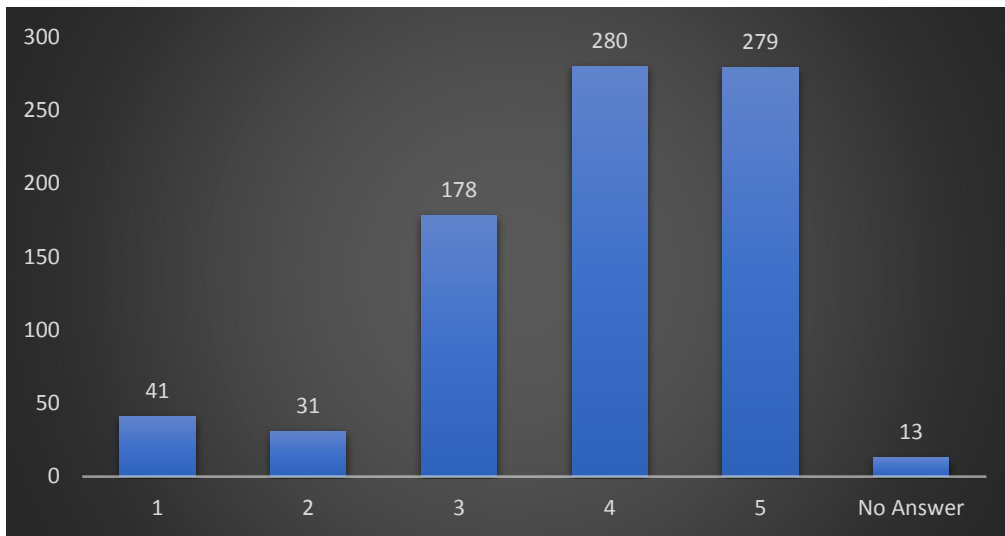
1) When did you last log into the member self-service portal?



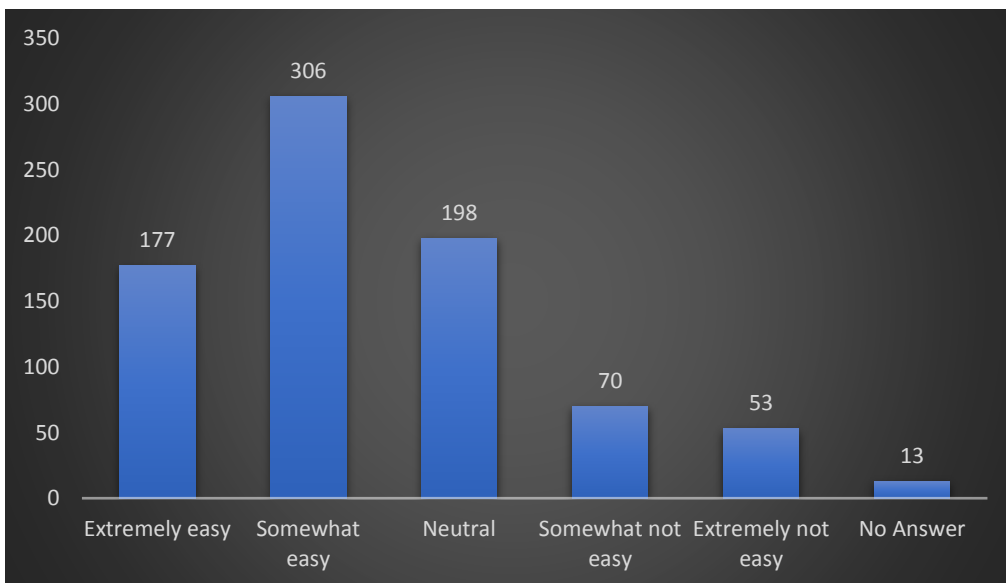
2) What is the main purpose you log into the self-service for?



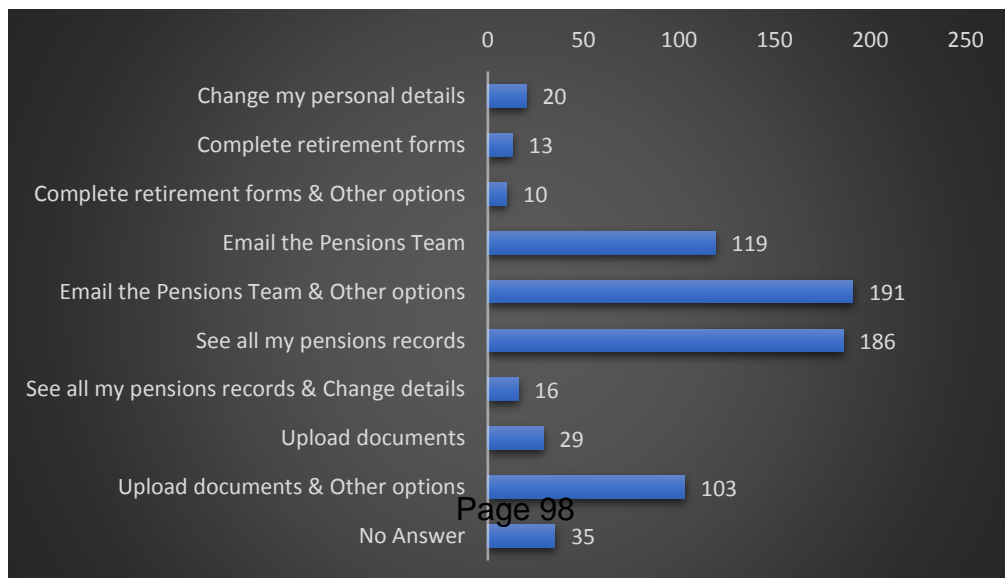
3) How satisfied are you with the security for logging into the self-service? (1 being very dissatisfied & 5 being very satisfied)



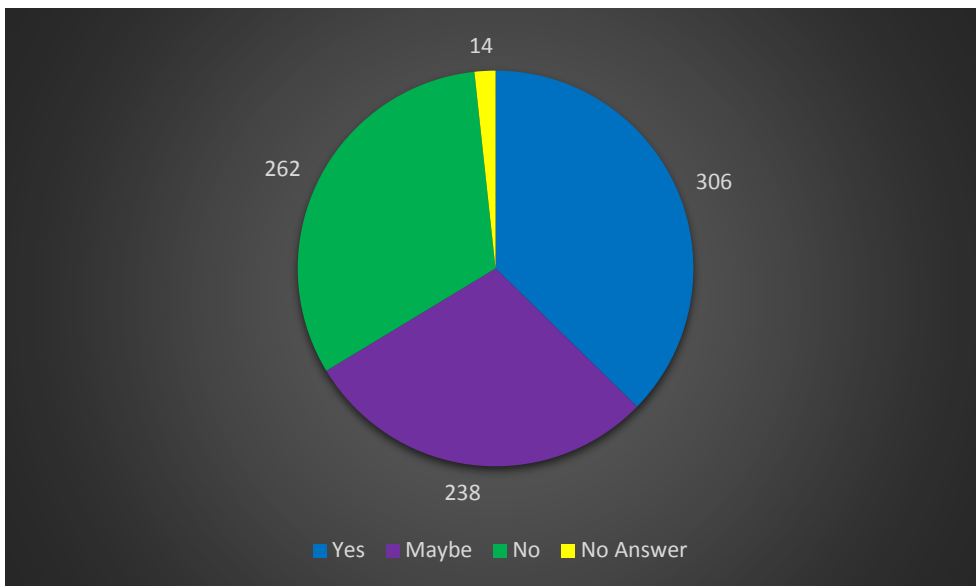
4) How easy do you find using the self-service portal once you have logged on?



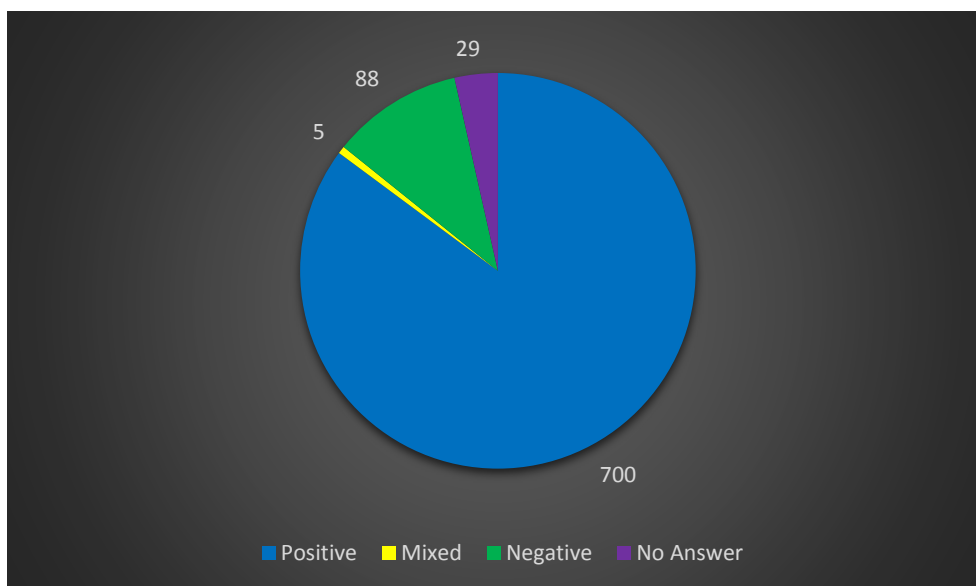
5) What would you like to do on the system that you can't do at the moment?



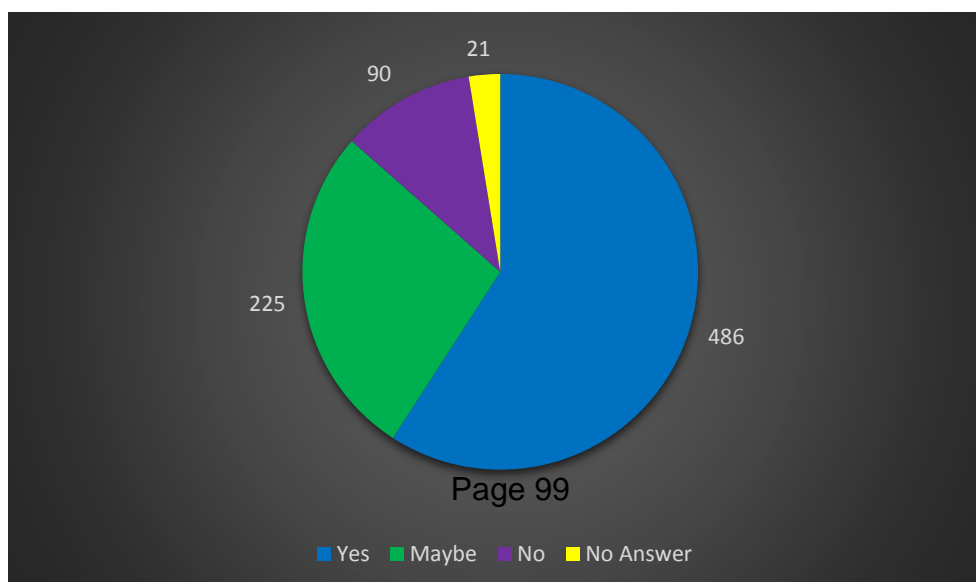
6) Would you use the self-service portal more if you had it as an app on your phone?



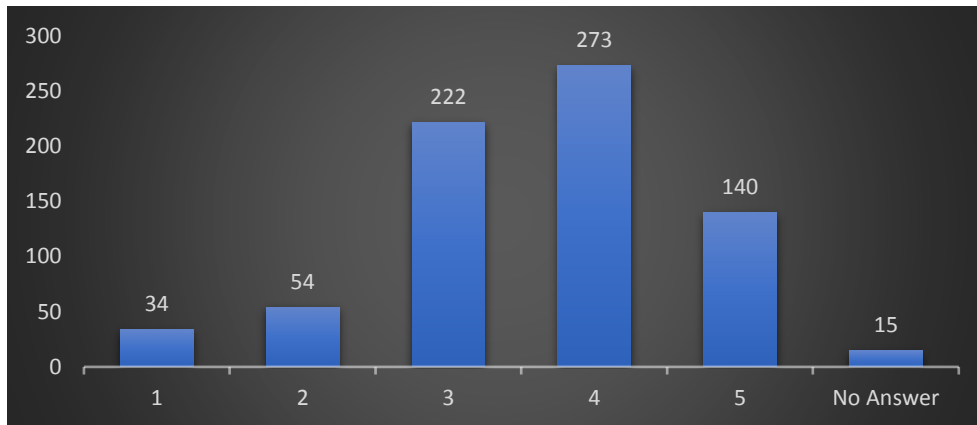
7) Which words would you most use to describe the member self-service portal?



8) Would you recommend the self-service portal?



9) How would you rate your overall experience? (1 being very dissatisfied & 5 being very satisfied)



10) What would you recommend to improve the self-service portal?

The last question allowed members to write down a response of what they believe would make the Member Self Service Portal better. Below you will find an example of the recommendation's members have made:

- ✚ Create an app
- ✚ Clearer information & Navigation
- ✚ A live chat option
- ✚ A how-to guide & glossary
- ✚ Being able to do everything in one place
- ✚ Ability to download/print from the portal
- ✚ Easier to access/login

Conclusion

As you can see from the results, we have had some fantastic feedback regarding the member self service portal. Our survey has provided us with vital information from members who use the self-service portal, to help us to shape our services for the future.

The greatest number of those who completed the survey have confirmed that they have logged into the portal within the last 6 months, with the majority using the portal to check their annual benefit statement.

Most members who completed the survey would recommend the portal and are satisfied with the current layout; the majority have also concluded that they would recommend the pension portal to others.

With regards to security, the majority of responses are positive with a rating of either 4/5 or 5/5 for how secure the portal is.

One question that was vital to Orbis Pension Services was to find out what our members would like to do on the portal which they cannot do now. We have listed the member suggestions below:

Easier to Access/Login

We wanted to see if members had difficulty when navigating around the portal. As you can see from the graph, the majority found the portal extremely or somewhat easy to navigate.

Since this survey was published, the Altair 10.1 upgrade has made the login procedure even simpler for our members.

Email the Pensions Team / Live Chat Option

The majority of members said that they would like to contact the Pensions Team via the portal. This feedback is being considered and we are currently in talks with the system administrators to see if this is an option. Any changes to the service offered by the Helpdesk would have to be implemented after the COVID-19 pandemic has passed and normal service can be resumed.

How To Guide & Glossary / Clearer Information & Navigation / Ability to Download & Print from the Portal / See All My Pension Records

We are also in the process of creating a guide to help users navigate around the portal. The new guide will offer instructions on how to change personal details, update beneficiaries, download and print documents, switch from one record to another and, most importantly, how to use the benefit projector.

Three guides will be developed for active members, deferred members and pensioner members to use.

Upload Documents

The portal is currently being developed to allow members to upload documents to their record, rather than returning them in a hard copy form.

Once this has been completed, we'll start introducing this feature for certain processes.

Create An App

We also wanted to judge whether there was an audience for a mobile application version of the portal. Following feedback received from the survey, presentations and Helpdesk, we believe that having a mobile app would benefit all our members. It's also a great way to develop the service we currently offer. A significant number of 544 members responded that they would use an app if this was available.

This feature is not currently available and the Orbis Pension Services is looking into this with our software supplier.

ESCC Pensions Annual Schedule 2020

Synopsis: This document provides a schedule of major Pensions activity for the year as described in the title.

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January

Activity			Pensions Team	ESCC	Mthly Report	Kingston Team
Monthly KPI	2 Jan	General Admin	✓		✓	
Send initial comms & posting schedule to employers	15-Jan	Admin Year End	✓			
Pension Payroll – tax pay over December deductions.	18 Jan	Payroll Admin	✓	✓		
Pension Payroll – authorisation	24-Jan	Payroll Admin	✓	✓		
CETV Amounts for Internal Transfers (HEAT)	25 Jan	General Admin				✓
Pension Payroll - payday	31-Jan	Payroll Admin	✓			
Early retirement strain costs invoices	Monthly	General Admin	✓	✓	✓	
FIRE Valuation – OLD & NEW schemes.	Ad-Hoc	General Admin	✓			
Life Certificates for selected overseas (biennial to tie in with NFI)	TBC	General Admin	✓			
Run Quarterly Firefighters CARE Employment Creation. See 5.3.1 Page 17 of Heywood Altair Release Guide Feb 2015 (2 nd Edition)	Quarterly	General Admin	✓			
Odd years only (2019, 2021 etc) National Fraud Initiative (NFI) Report Received. Begin reviewing cases over the following months.	Every 2 years	General Admin	✓			

February

Activity			Pensions Team	ESCC	Mthly Report	Kingston Team
Monthly KPI	1-Feb	General Admin	✓		✓	
Agency Pay over authorisation – January deductions	1-Feb	Payroll Admin	✓	✓		
HMRC Quarterly Tax Reporting	14-Feb	Statutory	✓			
Send reminder to employers re Year end return	15-Feb	Admin Year End				✓
Pension Payroll tax pay over – January deductions	20-Feb	Payroll Admin	✓	✓		
Pension Payroll - authorisation	21-Feb	Payroll Admin		✓		
CETV Amounts for Internal Transfers (HEAT)	22-Feb	General Admin				✓
Pension Payroll - payday	28-Feb	Payroll Admin	✓			
Closure of Accounts – Notification of Timetable	Annually	Tech & Admin	✓	✓		
Early retirement strain costs invoices	Monthly	General Admin	✓	✓	✓	

March

Activity			Pensions Team	ESCC	Mthly Report	Kingston Team
Monthly KPI	1-Mar	General Admin	✓		✓	
Agency Pay over authorisation – February deductions	1-Mar	Payroll Admin	✓	✓		
Send chase up to employers re Year end return	15-Mar	Admin Year End				✓
Fire Pensions Increase	15-Mar	Admin / Payroll	✓			
Pension Payroll tax pay over – February deductions	20-Mar	Payroll Admin	✓	✓		
Pension Payroll - authorisation	21-Mar	Payroll Admin		✓		
CETV Amounts for Internal Transfers (HEAT)	22- Mar	General Admin				✓
Pension Payroll - payday	29-Mar	Payroll Admin	✓			
Despatch PI leaflet with FIRE payslips	29-Mar	General Admin	✓			
Pensioner Mailshot – Pay dates	29-Mar	Payroll Admin	✓			
LGPS 31return- Send out new forms	29-Mar	Admin/Year End	✓			
Early retirement strain costs invoices	Monthly	General Admin	✓	✓	✓	

April

Activity			Pensions Team	ESCC	Mthly Report	Kingston Team
Monthly KPI	1-Apr	General Admin	✓		✓	
Agency Pay over authorisation – March deductions	1-Apr	Payroll Admin	✓	✓		
LG Pensions Increase	9-Apr	Admin/payroll Year End	✓			
Send chase up to employers re Year end return	10 Apr	Admin Year End	✓			
Pension Payroll tax pay over March deductions	16-Apr	Payroll Admin	✓	✓		
Payroll - council tax amendments	18-Apr	Admin Year End	✓			
CETV Amounts for Internal Transfers (HEAT)	19-Apr	General Admin				x□
Pension Payroll - authorisation	24-Apr	Payroll Admin		✓		
Pension Payroll - payday	30-Apr	Payroll Admin	✓			
Despatch PI leaflet with LGPS payslips	30-Apr	General Admin	✓			
P60s to issue – Deadline 31 May	30-Apr	Payroll Year End	✓			
Send chase up to employers re Year end return Deadline for returns 30 April	30-Apr	General Admin	✓			□
Closure of Accounts	Annually	Tech & Admin	✓			
Run Quarterly Firefighters CARE Employment Creation. See 5.3.1 Page 17 of Heywood Altair Release Guide Feb 2015 (2 nd Edition)	Quarterly	General Admin	✓			
Early retirement strain costs invoices	Monthly	General Admin	✓	✓	✓	
Annual Recharges (due 30 June)	Start	Admin Year End	✓			
Contribution postings (due 30 June)	Start	Admin Year End	✓			
Pensions Payroll Year End (due ST TBA)	Start	Payroll Year End	✓			

May

Activity			Pensions Team	ESCC	Mthly Report	Kingston Team
Monthly KPI	1-May	General Admin	✓		✓	
Agency Pay over authorisation – April deductions	1-May	Payroll Admin	✓	✓		
Send chase up to employers re Year end return	10-May	General Admin	✓			
HMRC Quarterly Tax Return	14-May	General Admin	✓			
Pension Payroll tax pay-over - April deductions	20-May	Payroll Admin	✓	✓		
Pension Payroll – authorisation	22-May	Payroll Admin		✓		
Send chase up to employers re Year end return	30-May	Admin Year End	✓			
Pension Payroll – payday	31-May	Payroll Admin	✓			
CETV Amounts for Internal Transfers (HEAT)	Monthly	General Admin				x
Pension Payroll Year End	31 May	Payroll Year End	✓			
Early retirement strain costs invoices	Monthly	General Admin	✓	✓	✓	
Recharges (due 30 June)	Ongoing	General Admin	✓			
Contribution postings (due 30 June)	Ongoing	Admin Year End	✓			

June

Activity			Pensions Team	ESCC	Mthly Report	Kingston Team
Monthly KPI	3-Jun	General Admin	✓		✓	
Agency Pay over authorisation – May deductions	3-Jun	Payroll Admin	✓	✓		
Send chase up to employers re Year end return	10-Jun	Admin Year End	✓			
CETV Amounts for Internal Transfers (HEAT)	15-Jun	General Admin	✓			
Pension Payroll - authorisation	20-Jun	Payroll Admin		✓		
Pension Payroll tax pay-over - May deductions	20-Jun	Payroll Admin	✓	✓		
Pension Payroll - payday	28-Jun	Payroll Admin	✓			
Recharges	28-Jun	General Admin	✓			
Send chase up to employers re Year end return	28-Jun	Admin Year End	✓			
Contribution postings (due 30 June)	Ongoing	Admin Year End	✓			
Early retirement strain costs invoices	Monthly	General Admin	✓	✓	✓	

July

Activity			Pensions Team	ESCC	Mthly Report	Kingston Team
Monthly KPI	1-Jul	General Admin	✓		✓	
Agency Pay over authorisation – June deductions.	1-Jul	Payroll Admin	✓	✓		
Send chase up to employers re Year end return	12-Jul	Admin Year End				
CETV Amounts for Internal Transfers (HEAT)	15-Jul	General Admin	✓			
Pension Payroll tax pay-over - June deductions	18-Jul	Payroll Admin	✓	✓		
Pension Payroll - authorisation	24-Jul	Payroll Admin		✓		
Pension Payroll - payday	31-Jul	Payroll Admin	✓			
Addresses uploaded for ABS & Address Verified	31-Jul	General Admin	✓			
Early retirement strain costs invoices	Monthly	General Admin	✓	✓	✓	
Run Quarterly Firefighters CARE Employment Creation. See 5.3.1 Page 17 of Heywood Altair Release Guide Feb 2015 (2 nd Edition)	Quarterly	General Admin	✓			
Active members ABS - LGPS/Fire (Deadline 31 August)	Start Testing	ABS	✓			
Deferred ABS – LGPS/Fire/Councillors (Deadline 31 August)	Start Testing	ABS	✓			

August

Activity			Pensions Team	ESCC	Mthly Report	Kingston Team
Monthly KPI	1-Aug	General Admin	✓		✓	
Agency Pay over authorisation – July deductions.	1-Aug	Payroll Admin	✓	✓		
HMRC Quarterly Tax Return	13-Aug	General Admin	✓			
CETV Amounts for Internal Transfers (HEAT)	15-Aug	General Admin	✓			
Pension Payroll tax pay-over – July deductions.	20-Aug	Payroll Admin	✓	✓		
Pension Payroll - authorisation	20-Aug	Payroll Admin		✓		
Pension Payroll - payday	30-Aug	Payroll Admin	✓			
Active members ABS - LGPS/Fire/Councillors (Deadline 31 August)	30-Aug	Statutory	✓			
Deferred ABS – LGPS/Fire/Councillors (Deadline 31 August)	30-Aug	Statutory	✓			
Annual Allowance – contact applicable members. Statutory deadline 6 Oct. Start running reports in Aug.	Start 30-Aug	Statutory	✓			
Early retirement strain costs invoices	Monthly	General Admin	✓	✓	✓	

September

Activity			Pensions Team	ESCC	Mthly Report	Kingston Team
Monthly KPI	2-Sep	General Admin	✓		✓	
Agency Pay over authorisation – August deductions	2-Sep	Payroll Admin	✓	✓		
CETV Amounts for Internal Transfers (HEAT)	15-Sep	General Admin	✓			
Pension Payroll tax pay-over – August deductions	18-Sep	Payroll Admin	✓	✓		
Pension Payroll - authorisation	24-Sep	Payroll Admin		✓		
Pension Payroll - payday	30-Sep	Payroll Admin	✓			
Early retirement strain costs invoices	Monthly	General Admin	✓	✓	✓	
Annual Allowance – contact applicable members. Statutory deadline 6 Oct.	Ongoing	Statutory	✓			

October

Activity			Pensions Team	ESCC	Mthly Report	Kingston Team
Monthly KPI	1-Oct	General Admin	✓		✓	
Agency Pay over authorisation – September deductions	1-Oct	Payroll Admin	✓	✓		
Send Annual Allowance letters to affected individuals	5 Oct	Statutory	✓			
CETV Amounts for Internal Transfers (HEAT)	15-Oct	General Admin	✓			
Pension Payroll tax pay over – September deductions.	18-Oct	Payroll Admin	✓	✓		
Pension Payroll - authorisation	22-Oct	Payroll Admin		✓		
Pension Payroll - payday	31-Oct	Payroll Admin	✓			
Early retirement strain costs invoices	Monthly	General Admin	✓	✓	✓	
Run Quarterly Firefighters CARE Employment Creation. See 5.3.1 Page 17 of Heywood Altair Release Guide Feb 2015 (2 nd Edition)	Quarterly	General Admin	✓			
Even Years (2018 2020 etc) Run NFI Reports – deadline set by cabinet Office in Aug	Every 2 years	General Admin	✓			
Even Years (2018 2020 etc) Send NFI reports - deadline set by cabinet Office in Aug	Every 2 years	General Admin	✓			

November

Activity			Pensions Team	ESCC	Mthly Report	Kingston Team
Monthly KPI	1-Nov	General Admin	✓		✓	
Agency Pay over authorisation – October deductions	1-Nov	Payroll Admin	✓	✓		
HMRC Quarterly Tax Reporting	14-Nov	Statutory	✓	✓		
CETV Amounts for Internal Transfers (HEAT)	15-Nov	General Admin	✓			
Pension Payroll tax pay over – October deductions	20-Nov	Payroll Admin	✓	✓		
Pension Payroll - authorisation	21-Nov	Payroll Admin		✓		
Pension Payroll - payday	29-Nov	Payroll Admin	✓			
Early retirement strain costs invoices	Monthly	General Admin	✓	✓	✓	

December

Activity			Pensions Team	ESCC	Mthly Report	Kingston Team
Monthly KPI	2 Dec	General Admin	✓		✓	
Agency Pay over authorisation – November deductions	2-Dec	Payroll Admin	✓	✓		
Pension Payroll - authorisation	TBC	Payroll Admin		✓		
Altair Calander Bank Holidays for next Year	7 Dec	General Admin		✓		
Pension Payroll tax pay over – November deductions	TBC	Payroll Admin	✓	✓		
CETV Amounts for Internal Transfers (HEAT)	15-Dec	General Admin	✓			
Pension Payroll - payday	20-Dec	Payroll Admin	✓			
Agency Pay over authorisation – December deductions	TBC	Payroll Admin	✓	✓		
Early retirement strain costs invoices	Monthly	General Admin	✓	✓	✓	

Cfwd to 2020 & Beyond

Pensions Priority	Pension Payroll tax pay over – December deductions	ST	Payroll Admin	✓	✓			
	Valuation - Next one in 2022	Triennial	General Admin	✓	✓			

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Audit	Date	Ref	Finding	Risk Rating	Agreed Action	Target Date	Requested Revised Target Date	Board / Committee Approval ?	Responsible Officer	Implemented?	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	30/06/2020		Nick Weaver	No	The leading LGPS administration systems have the ability to make one-off payments. For our current system it is the "Immediate Payments" module, which 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. The stand-alone version was implemented for the Surrey Fund on 1st May and the necessary work is starting to enable it to be fully integrated. The plan was to implement the stand-alone version at East Sussex from 1st June, integrating it as soon as the core system is up-to-date. However if there is to be a system change, later this financial year, this should be reassessed as changing financial controls twice in a period, as well as system will add risk and complexity.
		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	01/02/2020		Clare Chambers	Yes	Short term - Team Leaders check the spreadsheet v SAP v Altair for every entry. Long term - Integrated Immediate Payments.
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	No	This finding has been reallocated to the administration side. While the current software is able to perform these calculations, it is not being done in our instance, as our core system is incomplete. (A module called "Admin to Pay", which links the Administration module to the "Pensioner Payroll" and "Immediate Payments" modules has not been implemented. Before this can happen the core system will need to be bought up-to-date and any historic customisations removed.)
		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	No	This will be addressed at the same time as 2.1 above. (Reallocated to Nick Weaver)
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).	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	30/06/2020		Kevin Foster	No	
		3.2	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	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		Kevin Foster & Michelle King	No	It was agreed by the Head of Pensions and the chair of the Pension Committee that an examination of the contract is required to substantiate any potential claim of liability. A disclosure note advising that good governance project is being undertaken to clarify the related party transactions is all that is required at this stage
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	30/07/2020		Mike Lea & Clare Chambers	No	Work is progressing with Hymans to incorporate the Data Improvement Plan results into the ABS' and to issue them by the agreed 31 July deadline.
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	15/06/2020		Kevin Foster	No	Work is progressing with Hymans to incorporate the Data Improvement Plan results into the ABS' and to issue them by the agreed 31 July deadline. (It has been agreed that the data changes can now be made up until 15 June, on the proviso that Hymans will lead on following up the resulting employer EOY Return queries, due to the compressed timetable.)
		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	01/04/2020		Mike Lea	Partial	The Service Improvement Plan includes the creation of a Data Quality team, which is currently being resourced.

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.
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	01/04/2020	Mike Lea	No	On 31 March 2020 there were 512 status 2 and 5,031 status 9 cases. When the system software enables calculations and payments to be fully integrated it would be good practice to analyse the outstanding refund cases and develop an appropriate plan.
		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	
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 should 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	
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.	High	See Action 5, above.	01/04/2020	15/06/2020	Kevin Foster	No	
		9.2	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	01/04/2020	Mike Lea	No	The Service Improvement Plan includes the creation of a Data Quality team, which is currently being resourced.
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.	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	30/06/2020	Kevin Foster	No	
		10.2	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	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	No	This will be resolved as a result of the 10.1 agreed action.
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	No	The capture of Annual Allowance information when completing an interfund is not mandatory or statutory. It is done by the administration team to make the end of year Annual Allowance process quicker.
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	No	Only complaints for the East Sussex Fund are reported as part of the KPI reporting. Any KPI failures have an accompanying commentary as part of the report.
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	31/03/2020	Michelle King & Clare Chambers	Partial	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.
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	No	This will be addressed at the same time as 2.1 above. (Reallocated to Nick Weaver)
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	No	Systems and Support Team to document a process for maintaining access to PensionsWeb for scheme employers.
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	30/06/2020	Clare Chambers	No	Systems and Support Team to document a process for maintaining access to Altair for Orbis PAT.

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	This is independently governed, with TPR definitions
Pension Fund Administration, People, Processes and Systems, 2019/20	Jan-20		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	Partial	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: <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> • 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	The Policy has been prepared and is included in the scope of the Good Governance Review. This is due to be agreed by the Pension Committee on the 22 June 2020 and presented to the Pension Board on 8 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	The Policy has been prepared and is included in the scope of the Good Governance Review. This is due to be agreed by the Pension Committee on the 22 June 2020 and presented to the Pension Board on 8 June 2020.
Pension Fund - Compliance with Regulatory Requirements 2019/20 Page 121	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	Partial	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	Partial	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 Board

Date of meeting: 8 June 2020

By: Chief Finance Officer

Title: Data Improvement Project Update including Annual Benefit Statements

Purpose: To provide a progress report on the Data Improvement Project

RECOMMENDATIONS: The Pension Committee is recommended to:

- 1) Note the project update, current status and revised timelines
 - 2) Note the Pension Increase report and conclusion
-

1. Background

1.1 The Data Improvement Project was approved in November 2019 by the Pension Committee. The project kick-off meeting was held in January 2020 with the first project report submitted to Committee in March 2020. The ABS Working Group was created as the delegated decision-making group, initially meeting monthly, however since the COVID-19 restrictions have been in place, the group meet twice monthly to monitor the impact remote working is having on the project.

1.2 Furthermore, following data issues uncovered as part of the 2020 pension increase exercise, there was consideration given to expanding the scope of the project to include pensioner records.

2. Project Status and Risks as at 15th May 2020

2.1 In late March the project was impacted by the lockdown restrictions introduced by COVID 19. As a result, the planned face to face employer visits cannot be carried out, leading to reliance on phone contact and a less impactful interaction with employers. Hymans Robertson issued detailed instructions to employers and worked examples to assist with completion of the data returns, along with the offer of support by phone.

2.2 During April as the impact of remote working became more evident, an interim ABS Working Group meeting was held, which acknowledged the impact the COVID 19 situation would have on the project. The ABS Working Group approved the move of project target dates, with Annual Benefit Statements now targeting 31 July 2020 and data correction cut-off date now targeting 19th June 2020. These moved from 30 June and 30 April respectively.

2.3 The overall project status is currently reporting as Amber and at risk. This is due to the severity of risks that are outside of the project's control. These risks relate to the ability of project key stakeholders and contributors to respond to requests and queries from the project team, during the current lockdown and are detailed in the table below.

2.4 Risk

Risk	Description	Mitigation	Impact/ Probability
1	There is a risk that the required Employer action around data fixes will not be gained as a result of poor engagement or limited resource at the Employers leading to limited success of the Data Improvement Project	MITIGATE: Various chaser strategies have been carried out via phone and email contact. Remaining non-responding employers have been escalated to the Fund. The Fund issued comms on 28th April to 33 employers who have: a) not responded to any Hymans contact (13) or b) where employers have indicated a willingness to respond, or have responded in part, but have not yet completed all of their returns (20)	High/ Medium
2	There is a risk that adequate administration resource will not be available to support the DIP as a result of other competing priorities, leading to limited traction on DIP deliverables	MITIGATE: Planned external recruitment was impacted by lockdown and is now on hold. Automated upload functionality is being utilised to minimise resource required to carry out common data corrections. Point to Note: Corrections requiring manual intervention will be validated against current agreed admin priorities	High/ Medium
3	There is a risk that the targeted ABS run of 31/07 cannot be carried out remotely as a result of IT requirements, leading to a member of staff travelling into the admin offices to run the statements.	MITIGATE: - Trialling of an alternate ABS run method planed for w/c 25/05 and results to be reported to ABS Working Group Point to Note: Regulatory date for ABS Statements is 31/08/2020	Medium/ Medium

2.5 15 employers have been prioritised with the ABS Working group. These employers equate to 80% of the membership. It has been agreed to focus attention on these employers where the biggest impact could be made in resolving data anomalies and the project's success. It should be noted that the benefits of the work being undertaken by the project will only be realised when the administration records are updated to reflect data being sourced by the project.

3. Project Activity since March Committee report

3.1 Data Requests issued to Employers - 123 data requests were issued to employers in March 2020. These were categorised into 2 annexes;

- Annex A are large employers with over 200 members across 11 employers and
- Annex B are smaller employers with less than 200 members across 112 employers

3.2 Annexes differed only by the way requests were made to employers and the method of return, acknowledging the limitation of smaller employers' ability to provide payroll extracts.

3.3 As previously noted, 15 employers have been prioritised with the ABS Working group. These employers are across both Annex A and Annex B and consist of 80% of the membership of the Fund. It has been agreed to focus attention on these employers where the biggest impact could be made in resolving data anomalies, specifically relating to unresolved leavers. Further details are provided under a later item in the agenda.

3.4 Data Returns from Employers – Employers' response to requests for DIP data has been mixed and inevitably impacted by remote working and the wider implications that the lockdown restrictions might have on their individual circumstances. The project team have been in close contact with employers, checking that the requests have been received and are being actioned. Any alternate contact points have been fed back to Orbis.

3.5 As at 15th May 2020, of the 15 prioritised employers: 7 full returns have been received; 4 partial returns received; and 4 are in contact with Hymans to progress their submission. Of the remaining employers a small number remain outstanding.

3.6 Employers are required to submit their Year End returns as at end March 2020 and this has also been impacted by the current COVID situation. As at 11 May 2020, 96 Year End returns were submitted, around 75% of expected returns, with 41 of those arriving after the deadline of 30th April 2020.

3.7 The Fund and Hymans continue to chase employers for DIP responses. The Fund issued a chaser email to non-responding employers on 28th April 2020 (**appendix 1**). Orbis continue to chase employers for Year End responses. It should be noted that the status of responses changes regularly and is correct at the time of writing (mid-May 2020).

4. Data Cleanse Scope

4.1 Checks are being carried out by Hymans on the data received from Altair and compared against the data returned by employers. This work is ongoing and data corrections are being forwarded to Orbis as they become available across the following areas:

- i. Common Data – high level consistency check of agreed scheme specific data items, to ensure accuracy of active member data sets.
- ii. CARE pay - sense check of CARE pay and remuneration in respect of active members, with corrections where required, from 1 April 2014 to 31 March 2019;
 - a) 19/20 – review of employer CARE pay returns and advance warning notices issued to employers to inform their Year End returns

- b) 14/19 - work currently ongoing to identify historic CARE pay gaps and liaise with scheme employers
- iii. Status 9 - these are members with frozen refunds i.e. less than 2 years in the pension scheme and are not entitled to the benefit but are entitled to a refund or may transfer funds out. These do not impact on the ABS run.
- iv. Status 2 – these are unreported leavers where a member is entitled to a deferred benefit within the fund
- v. Status 8 - this is when a member has joined the Scheme however the Employer does not have all the joiner information. The focus will be to ensure all members are moved out of this status as this will have an impact on the ABS run, where they should be active members

5. Focus to the end of the project

5.1 Significant effort is required across the project team to complete the cleanse work before the cut-off at 19th June in readiness for the ABS run. Hymans continue to work with Orbis to coordinate the data improvement project updates and the year end returns from employers to maximise the opportunities to correct membership data. Close and ongoing monitoring by the ABS Working Group will continue to the end of the project.

6. Pension Increase Report Findings (currently outside scope of DIP)

6.1 Following concern raised by Fund Officers about data issues uncovered within the annual pension increase exercise, Hymans were commissioned to conduct an initial high-level review of the errors and warnings. The purpose was to report the materiality of the warnings and errors within the Fund's April 2020 pensions increase exercise and any potential impacts these may have had if not addressed in the past. The report in Appendix 2, sets out the findings of Hymans investigations, together with possible further actions for the Fund to consider.

6.2 In summary, based on a high-level review of the warning and error messages, Hymans believe the numbers and type involved are considered to be overall of an acceptable level for a fund of the size of East Sussex.

6.3 However, it is recommended that the Fund requests a quarterly update to the Pension Committee and Pension Board, from the administrator on the progress made to resolve the errors. It is further recommended that assurance is given to the Fund over the actions taken to consider warning messages and, where appropriate, to amend member records ahead of running the 'actual' pensions increase updates.

7. Conclusions and Recommendations

7.1 The Board is requested to note the Data Improvement Project update and to further note the key risks to the project. These risks will continue to be monitored by the ABS Working Group.

7.2 The Board is requested to note the update on the pension increase report and the assurance sought from the administrator that the agreed corrective action has been taken.

IAN GUTSELL
Chief Finance Officer

Contact Officer: Michelle King, Interim Head of Pensions
Tel. No. 01273 482017
Email: Michelle.King@eastsussex.gov.uk

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Escalation emails – 2 versions

Please see the below two email escalation emails for the East Sussex data improvement project.

- Version 1 is for **Employer Group 1**. These are employers that we have had some engagement with but have been unable to conclude and receive the required information.
- Version 2 is for **Employer Group 2**. These are employers that we have had no engagement as part of this project.

Version 1

Dear [Insert contact name],

East Sussex Data Improvement plan – Scheme employer escalation

As you will be aware, the East Sussex Pension Fund are currently undertaking a data improvement exercise on the membership information held by the Fund. The purpose of the project is to improve the accuracy of membership data held by the Fund and in relation to our members (your employees) and to ensure accurate benefit entitlements are set out in annual benefit statements as well as at retirement.

We have appointed the funds actuarial consultant, Hymans Robertson, to undertake this data improvement exercise. We are aware that in previous interactions with Hymans you have either provided some of the information or confirmed your intention to do so, however they are still awaiting some of the information that has been requested from you.

We completely recognise and understand the present challenges that we are all facing and the impact that current remote working requirements may be having on your service delivery. We hope you appreciate, however, that the data improvement work required from your organisation is essential in improving the accuracy of member data held by the Fund. As an employer within the Local Government Pension Scheme, it is your responsibility to ensure that the pension record held for your employees accurately reflects the pension benefits they have accrued within the pension scheme. Additionally, having accurate member records also has a direct impact on the level of employer contributions payable to the Fund by your organisation.

While appreciating the current challenges being faced we are seeking your commitment to provide the member data information to Hymans Robertson that they have requested by no later than **12th of May at the latest**.

If you believe you will be unable to provide the required information within this new extended deadline, please contact either Peter.Riedel@hymans.co.uk and Andrew.McKerns@hymans.co.uk in order to discuss further and to investigate what, if any, support they can give to you.

Regards

Councillor Fox

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**Version 2**

Dear [Insert contact name],

**East Sussex Data Improvement plan – Scheme employer escalation**

As you will be aware, the East Sussex Pension Fund are currently undertaking a data improvement exercise on the membership information held by the Fund. The purpose of the project is to improve the accuracy of membership data held by the Fund and in relation to our members (your employees) and to ensure accurate benefit entitlements are set out in annual benefit statements as well as at retirement.

We have appointed the funds actuarial consultant, Hymans Robertson, to undertake this data improvement exercise. We are aware that a number of attempts have been made to contact your organisation and gain the requisite member data information for the successful conclusion of this project. Despite these requests, we understand they are still awaiting some of the information that has been requested from you.

We completely recognise and understand the present challenges that we are all facing and the impact that current remote working requirements may be having on your service delivery. We hope you appreciate, however, that the data improvement work required from your organisation is essential in improving the accuracy of member data held by the Fund. As an employer within the Local Government Pension Scheme, it is your responsibility to ensure that the pension record held for your employees accurately reflects the pension benefits they have accrued within the pension scheme. Additionally, having accurate member records also has a direct impact on the level of employer contributions payable to the Fund by your organisation.

While appreciating the current challenges being faced we are seeking your commitment to provide the member data information to Hymans Robertson that they have requested by no later than **12<sup>th</sup> of May at the latest**.

If you believe you will be unable to provide the required information within this new extended deadline, please contact either [Peter.Riedel@hymans.co.uk](mailto:Peter.Riedel@hymans.co.uk) and [Andrew.McKerns@hymans.co.uk](mailto:Andrew.McKerns@hymans.co.uk) in order to discuss further and to investigate what, if any, support they can give to you.

Regards

Councillor Fox

## 2020 Pensions Increase Exercise – Errors and Warning Review

### Purpose and scope

This paper has been commissioned by and is addressed to East Sussex County Council in its role as Administering Authority to the East Sussex Pension Fund (“the Fund”).

Its purpose is to consider at an initial high-level the materiality of the warnings and errors produced as part of the Fund’s April 2020 pensions increase exercise and any potential impacts these may have had if not addressed in the past.

This report sets out our findings, together with possible further actions for the Fund to consider.

### Background

The pensions increase routine within the Fund’s administration software has been developed and supplied by the software provider, Heywood. It has been designed to process annual increases to standard local government pensions linked to the scheme member’s administration record. However, many administering authorities, like East Sussex, will make other annual payments to pensioners in the form of annual compensation or injury allowances for which no administration record is required. For accounting purposes these payments may be recorded differently to ordinary pensions. Invariably, historic pension and compensation records will have been migrated from third-party payroll systems and may have been configured differently to what the Heywood pensions increase routine expected. As a result, the pensions increase routine developed by Heywood is likely to report errors and warnings that simply reflect the local arrangements, rather than a specific issue with the person’s pension or compensation record.

### Pensions increase process

Pensions increases are applied on the first Monday in April on or after 6 April (i.e. the start of a new financial year). For 2020 the pensions increase date was 6 April. A standard calculation routine undertakes the necessary calculations in respect of each member to determine what, if any, pensions increase should be applied on and from the increase date. Where any member record contains data which is inconsistent with the expectations of the pensions increase process the routine will output error or warning messages, as appropriate.

**Errors** – where an error is reported it prevents the application of pensions increase being applied against the individual record. They do not, in themselves, suggest there is an error with the individual’s pension record. That said, further investigation is required to determine what, if any, corrective action is required to be undertaken and that corrective action then taken.

Errors may be reported for instance where the Guaranteed Minimum Pension (GMP) value is equal to or greater than the annual pension amount, where an individual has commenced their pension after the increase date or where a manual recalculation may be required.

We would expect all errors to be investigated and corrective action taken ahead of the pensions increase being run as an ‘actual’, rather than a ‘provisional’.

**Warnings** – these will not necessarily prevent the application of pensions increase against an individual member. Rather they indicate the potential for an issue to be present which should be investigated. This does not necessarily mean that further action is required to correct a record ahead of the pensions increase date.

While not critical to the successful running of the pensions increase exercise itself, warning messages still need to be investigated to ensure that everything is in order ahead of the 'actual' pensions increase run. Where necessary corrections should be made to the member records.

Warnings can occur for a variety of reasons. Many highlight where the presence of a GMP value is expected when it isn't. These can be explained away where an individual has been re-employed or has multiple pension entitlements and the GMP value is shown on the substantive records.

Warnings have also been flagged where the 'pension' component is missing from the individual's record. This is either as a result of the payment relating to an injury allowance (with the alternative component INJ used instead) or compensation (with the alternative component of COMP used instead).

A significant number of warnings (in the region of 17%) related to the application of supplementary pensions increase being applied to the individual's crystallisation data view. This appears to relate to the application of pensions increase on the lump sum awards and has no direct implication on the actual pension in payment.

### Source information

As part of our investigations we were provided with the following Altair output reports from the Fund's administrator, Orbis, on 23 April 2020.

- Provisional PI East Sussex Pensioner ("Pensioner")
- Provisional PI East Sussex Widow and Dependant ("Survivors")
- Provisional PI East Sussex Pension Debit ("Debit")
- Provisional PI East Sussex Deferred ("Deferred")

The above reports provide a detailed breakdown of the pensions increase assessment in respect of each individual. While they are split into their respective groupings the detail contained within each report is the same and includes: -

- The pensions increase percentage to be applied against each member;
- The current (pre-increase) pension amount;
- Details of any GMP that applies in respect of each member (including any 'post 88' GMP amount where applicable);
- The new, increased, pension amount;
- The pre-increase adjustment to be applied in the April reflecting that the increase is not effective from the 1<sup>st</sup> of the month;
- The relevant date used to assess pensions increase;
- Any errors or warnings shown against an individual's record, where applicable

In addition we were provided with a report in relation to the application of pensions increase on lump sum payment - Provisional PI East Sussex Lump Sum ("Lump Sum"). This report is less detailed, but provides information on supplemental increases due to those lump sums that have becoming payable in the year up to the pensions increase date where a further increase is required (i.e. lump sums in respect of deferred benefit members).



We have relied on the information contained within these reports in reaching our conclusions.

### Process

In undertaking our review of the above reports we have:

- Assessed the incidents of warnings and errors against each category of member;
- Undertaken spot checks, where possible against a cross section of the warning messages, to understand their relevance and satisfy ourselves that no material issues arose as a result of those messages; and
- Undertaken spot checks of the error messages to understand their relevance and satisfy ourselves that no material issues arose as a result of those messages.; and
- Considered which employers are impacted by the errors.

### Findings

The following table sets out the findings of our investigations against each of the reports provided to us

| Report        | Total number of records processed | Warnings                 | Errors                 |
|---------------|-----------------------------------|--------------------------|------------------------|
| Pensioner     | 19,508                            | 3,004                    | 82                     |
| Survivors     | 2,913                             | 534                      | 40                     |
| Deferred      | 31,160                            | 26                       | 15                     |
| Debit         | 16                                | 1                        | 0                      |
| <b>Totals</b> | <b>53,597</b>                     | <b>3,565<br/>(6.66%)</b> | <b>137<br/>(0.26%)</b> |

The above table shows that out of a total pensioner membership of 53,597 only 137 errors were reported. This represents just 0.26% of the pensioner and deferred pensioner membership. Given the size of the East Sussex Fund we consider this incidence of errors to be low. However, we consider the materiality of the errors below.

In terms of warnings, 3,565 against a membership of 53,597 represents 6.65%. While this number may seem high there can be a number of reasons for the pensions increase routine to throw up warnings, each of which can then be accounted for. Again, given the size of the East Sussex Fund we do not consider the incidence of warning messages to be of concern.

It should be noted that the incidence of errors or warnings does not in itself indicate an error or an issue with the individual's record or the amount of pension or compensation they are being paid. The Heywood pensions increase routine is the same for both the administration and pensioner payroll modules. It is based on a 1 to 1 principle of a single administration record to a single pension record. In reality, however, administering authorities may also pay a number of non-pension payments such as annual compensation, injury allowances and gratuities. These can be paid in addition to scheme pensions or as stand-alone payments (teachers annual compensation payments for example). A significant number of the warnings for the East Sussex exercise related to the element code used to distinguish pension over compensation or injury payments not matching the code set in the Heywood routine. Similarly warnings relating to missing GMPs can also be linked to the same payments (the routine expects a GMP to be present, but in reality one would not apply to the compensation or injury payments).

Given potential differences in local practices it is difficult to provide a direct comparison with other Funds. However, we consider the materiality of the warnings below.

Additionally, 252 errors were reported against pensions increase due on lump sum payments. Pensions increase on lump sum amounts is due primarily where a deferred benefit member commences pension part way through a financial year and a small amount of PI is due in respect of the period between the start of the increase period and the date pension benefits commenced. In each case where an error was reported the reason confirmed that the application of pensions increase was not relevant in those cases.

We are aware that concerns were expressed that any significant errors in the application of pensions increase could have a material impact on scheme employers, given potential funding implications.

### Materiality

**Warnings** – As part of the pensions increase routine set up within Altair a number of standard warning messages can be produced against individual member records. The existence of these warning messages does not necessarily indicate a problem with the members record, nor do they prevent the calculation of pensions increase where they do occur.

A significant number of the warning messages related to apparent inconsistencies with, or gaps in, the GMP information expected to be held against the member's pension record. We have been able to undertake a high-level spot check on a number of records against each type of warning that was reported. On the basis of this investigation we were satisfied that for the sample member records checked their individual pension records were in fact correct and no further action was required.

It is perhaps worth making the point that due to the pension increase routine set up within Altair we would expect these warnings to occur in future years for the individuals concerned. We would suggest, however, that as part of good practice the Fund is provided with assurance that warning messages have been investigated and, where necessary, member records amended ahead of the 'actual' pensions increase being run.

**Errors** – as above, the number of errors resulting from the 2020 pensions increase review is considered to be low. Where an error is been reported it will prevent the application of pensions increase in relation to that individual.

For some individuals (e.g. where the GMP is equal to the pension) this would be correct, and no further action would be required. In other cases, however, such as where it was indicated that pensions increase may need to be recalculated (72 of the 122 errors highlighted against pensioner and survivor records) it would be necessary to investigate each case and determine what action is required ahead of the payroll being processed.

For the purposes of our conclusions it has been assumed that the Fund's administrator has taken the appropriate action to investigate, and where necessary correct, these errors ahead of processing the April 2020 instalment of pension. We would further expect the errors relating to deferred members would be corrected ahead of the production of deferred member annual benefit statements later in the year.

In addition, we have investigated which employers are impacted by the errors (excluding the lump sum errors). We can confirm there is no pattern or concern of any particular employers impacted. As expected the majority (around 80%) of the errors fall within council employers, therefore these would have no material impact on their funding or contributions.

### Conclusions and next steps

Based on our high-level review of the warning and error messages resulting from the Fund's 2020 pensions increase exercise we believe the numbers and type involved are overall of an acceptable level for a fund of the size of East Sussex.

For the purposes of this initial analysis we have been provided with the output produced in respect of the 2020 pension increase update. We have not been provided with any historic output from previous years' exercises, but do not consider this to be material to the review we have undertaken. The outputs provided as part of the 2020 pensions increase exercise are considered to be consistent with the reports we would have expected to see in previous years. Our conclusions further do not give us any cause to believe there are any systemic issues associated with the pensions increase processes applied in respect of the Fund.

We would recommend that the Fund requests an update from the administrator on the progress made to resolve the errors. We would also recommend assurance is given to the Fund over the actions taken to consider warning messages and, where appropriate, to amend member records ahead of running the 'actual' pensions increase updates.

We would be happy to discuss our findings with you in more detail to consider if you would require a more in depth review and Committee report.

### Reliances and limitations

This paper has been prepared for the Fund for the purpose described above. It has not been prepared for use for any other purpose and should not be so used. The paper should not be disclosed to any third party except as required by law or regulatory obligation or with our prior written consent. We accept no liability where the paper is used by or disclosed to a third party unless we have expressly accepted such liability in writing. Where this is permitted, the paper may only be released or otherwise disclosed in a complete form which fully discloses our advice and the basis on which it is given.

Prepared by:-

Pete Riedel

Robert McInroy

May 2020

For and on behalf of Hymans Robertson LLP

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Report to: **Pension Board**

Date: **8 June 2020**

By: **Chief Financial Officer**

Title of report: **Draft Training Strategy and Delivery Planning**

Purpose of report: **To outline the draft Training Strategy and planning for the East Sussex Pension Fund**

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**RECOMMENDATION – The Board is recommended to:**

- 1) Comment on the draft Training Strategy as set out in appendix 1 of the report; and**
  - 2) Review and endorse the deliverables and timetables of the Training Plan.**
- 

## **1. Background**

1.1 In February 2019 the Scheme Advisory Board (SAB) commissioned Hymans Robertson to consider options for enhancing Local Government Pension Scheme (LGPS) governance arrangements to ensure that the Scheme is ready for the challenges ahead and at the same time retains local democratic accountability. Following extensive consultation and engagement with the LGPS community the SAB published 2 reports. The following recommendations from the second report relate directly to the attainment of knowledge and skills.

1.2 These recommendations extend the principle that:

- Key individuals within the LGPS, including LGPS officers and Pension Committee members, have the appropriate level of knowledge and understanding to carry out their duties effectively.
- A requirement for Section151 officers to carry out LGPS relevant training as part of their Continuing Professional Development (CPD) requirements to ensure good levels of knowledge and understanding.
- Administering authorities must publish a policy setting out their approach to the delivery, assessment and recording of training plans to meet these requirements.
- Relevant professional bodies to produce appropriate guidance and training modules for Section151 officers and to consider including LGPS training within their training qualification syllabus.

1.3 The findings of the Good Governance Review have yet to be formally adopted in statutory form, however, the draft Training Strategy recognises the principles behind the recommendations and seeks to embed them into the culture of the East Sussex Pension Fund (ESPF). A copy of the draft Training Strategy is contained in appendix 1 of the report.

## **2. Supporting Information**

2.1 The Fund will aim for full compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Knowledge and Skills Framework (KSF) and the Pension Regulator Code of Practice to meet the skills set within that Framework. Attention will also be given to any guidance issued by the Scheme Advisory board (SAB), the Pensions Regulator and the Secretary of State.

2.2 The implementation of this draft Strategy and the delivery of the accompanying Training Plan will be the delegated responsibility of the Head of Pensions. However, each individual with a

requirement to attain knowledge and skills under this Strategy has a personal responsibility to ensure they meet the required standards and is required to fully engage with the process.

2.3 This draft Strategy (**Appendix 1**) sets out the training requirements for the diverse role profiles and stakeholders working in and across the pension fund set out in the Appendix A to Appendix H of the draft Strategy.

- Appendix A The role of the Pension Committee Chair
- Appendix B The role of the Pension Committee member
- Appendix C The role of the Pension Board Chair
- Appendix D The role of the Pension Board Vice Chair
- Appendix E The role of the Scheme Member Representative
- Appendix F The role of the Employer representative
- Appendix G Decision Making Governance Matrix
- Appendix H East Sussex Pension Fund example Training Plan

2.4 The Pension Committee and Pension Board members, and officers covered by this Strategy will undergo a Training Needs Assessment (TNA), either following the adoption of this Strategy or upon commencing their role. The TNA will be used to identify areas of potential strength and weakness and will form of part of developing the Fund's Training Plan.

2.5 Specific TNA's on particular subjects will also be carried out as and when required by the Training Officer and will be used to inform subsequent training requirements.

### **3. Next Steps**

3.1 The Pension Board will need to consider the draft Strategy and accompanying appendices as a complete bundle of recommendations which can be taken forward to Pension Committee on the 22 June 2020.

3.2 The Head of Pensions will continue to meet to oversee the delivery of deliverables in the Training Strategy from June to September 2020 and which will further require the completion of the training needs assessment and development of individual learning plans for all members of the Pension Committee and Pension Board.

3.3 The annual training schedule for the Pension Committee and Board will be developed from June to September 2020.

3.4 The final timetable that is proposed for agreement of the training plans and schedules are:

- Pension Board 7<sup>th</sup> September 2020
- Pension Committee 21<sup>nd</sup> September 2020

### **4. Conclusion and reason for recommendations**

4.1 The Pension Board is recommended to comment on the draft Training Strategy and to review and endorse the deliverables and timetables of the Training Plan.

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

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# East Sussex Pension Fund Training Strategy

## Introduction

This is the training strategy of the East Sussex Pension Fund (“the Fund”). It has been established to aid the Pension Committee, Pension Board and Officers understanding of their respective responsibilities. This training strategy sets out how these key roles within the Fund will obtain and maintain the necessary knowledge and understanding in order to fulfil their role.

## Objectives

The Funds’ objectives relating to knowledge and understanding are to:

- Ensure the Fund is appropriately managed and those individuals responsible for its management and administration have the appropriate knowledge and expertise;
- Ensures that there is the appropriate level of internal challenge and scrutiny on decisions and performance of the Fund
- Ensure the effective governance and administration of the Fund; and
- Ensure decisions taken are robust and based on regulatory requirements or guidance of the Pensions Regulator, the Scheme Advisory Board and the Secretary of State for Housing, Communities and Local Government.

## CIPFA Knowledge and Skills Framework – Pension Fund Committees

Although there is currently no legal requirement for knowledge and understanding for members of the Pension Committee it is the Fund’s opinion that members of the Pension Committee should have no less a degree of knowledge and skills than those required in legislation by the Local Pension Board. As at date of writing, the ongoing SAB ‘good governance’ project signals a much stronger requirement on Pension Committee members knowledge and understanding.

The CIPFA framework, that was introduced in 2010, covers six areas of knowledge identified as the core requirements:

- Pensions legislative and governance context;
- Pension accounting and auditing standards;
- Financial services procurement and relationship development;
- Investment performance and risk management;
- Financial markets and products knowledge; and
- Actuarial methods, standards and practice.

Under each of the above headings the Framework sets out the knowledge required by those individuals responsible for Fund’s management and decision making.

## CIPFA Technical Knowledge and Skills Framework – Local Pension Boards

CIPFA extended the Knowledge and Skills Framework in 2015 to specifically include Pension Board members, albeit there is an overlap with the original Framework. The 2015 Framework identifies the following areas as being key to the understanding of local pension board members;

- Pensions Legislation;
- Public Sector Pensions Governance;
- Pensions Administration;
- Pensions Accounting and Auditing Standards;
- Pensions Services Procurement and Relationship Management;
- Investment Performance and Risk Management;
- Financial markets and product knowledge;
- Actuarial methods, standards and practices.

### Links to The Scheme Advisory Board's Good Governance project

In February 2019 the Scheme Advisory Board commissioned Hymans Robertson to consider options for enhancing LGPS governance arrangements to ensure that the Scheme is ready for the challenges ahead and at the same time retains local democratic accountability. Following extensive consultation and engagement with the LGPS community the SAB published 2 reports. The following recommendations from the second report relate directly to the attainment of knowledge and skills;

- Key individuals within the LGPS, including LGPS officers and pensions committee members, to have the appropriate level of knowledge and understanding to carry out their duties effectively.
- A requirement for s151 officers to carry out LGPS relevant training as part of their CPD requirements to ensure good levels of knowledge and understanding.
- Administering authorities must publish a policy setting out their approach to the delivery, assessment and recording of training plans to meet these requirements.
- Relevant professional bodies to produce appropriate guidance and training modules for s151 officers and to consider including LGPS training within their training qualification syllabus.

The findings of the Good Governance Review have yet to be formally adopted in statutory form, however, this Training Strategy recognises the principles behind the recommendations and seeks to embed them into the culture of the East Sussex Pension Fund.

### The Pensions Regulator's E-learning toolkit

The Pensions Regulator has developed an online toolkit to help those running public service schemes understand the governance and administration requirements set out in its code of practice 14 – *Governance and administration of public service pension schemes*. The toolkit covers 7 short modules, which 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.

The modules of the Regulator's toolkit are by their very nature generic, having to cater for all public service pension schemes. While they give a minimum appreciation of the knowledge and understanding requirements set out in the Code of Practice they do not cater for the specific requirements of the individual public service schemes.

As a result the Regulator's toolkit does not cover knowledge and skills requirements in areas such as Scheme regulations, the Fund's specific policies and the more general pension's legislation.

### **Pension Committee**

Under the constitution of East Sussex County Council, The Pension Committee has the responsibility "To make arrangements for the investment, administration and management of the Pension Fund".

Members of the Committee must, therefore, have an understanding of all aspects of running the Fund and how to exercise their delegated powers effectively.

#### **Members of the Pension Committee require an understanding of:**

- their responsibilities as delegated under the constitution of East Sussex County Council as the administering authority for the fund;
- the requirements relating to pension fund investments;
- the management and administration of the Fund;
- controlling and monitoring the funding level; and
- effective governance and decision making in relation to the management and administration of the Fund.

There also exists a specific requirement under MiFID II<sup>1</sup>, that those making investment decisions, must be able to demonstrate that they have the capacity to be treated as professional investors.

### **Expectations on Pension Committee Members**

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<sup>1</sup> Markets in Financial Instruments Directive II (2014/65/EU)

The role of Pension Committee member is an important one and there are certain expectations on those undertaking the role. These include;

- A commitment to attend and participate in training events and to adhere to the principles of this Training Strategy
- The ability to use acquired knowledge to participate in meetings and to ask questions constructively of the information provided by officers, advisers and others
- Judge the information provided in a fair and open minded way that avoids pre-determining outcomes
- Operate within the terms of reference for the Pension Committee and the elected member code of conduct

### **Local Pension Board**

Under the constitution the Local Pension Board is required;

To provide assistance to East Sussex County Council as the LGPS Scheme Manager in securing compliance with:

- LGPS Regulations and any other legislation relating to the governance and administration of the LGPS
- requirements imposed in relation to the LGPS by The Pensions Regulator
- the agreed investment strategy
- any other matters as the LGPS regulations may specify.

The role of the Local Pension Board is to provide assistance to the administering authority to ensure that the fund is well run and complies with its legal responsibilities and best practice. The Local Pension Board does not replace the administering authority or make decisions which are the responsibility of the administering authority.

#### **Local Pension Board members must be conversant with:**

- the relevant LGPS Regulations and any other regulations governing the LGPS;
- guidance issued by The Pensions Regulator and other competent authorities, relevant to the LGPS;
- any policy or strategy documents as regards the management and administration of the Fund; and
- the law relating to pensions and such other matters as may be prescribed.

### **Expectations on Local Pension Board members**

The training provided to members of Local Pension Boards will ensure that they are familiar with certain legal requirements with they must comply. These are listed below;

- Members must have the capacity to represent employers or scheme members, according to whether they themselves are an employer or scheme member representative;
- Members must not have conflicts of interest and must provide the administering authority with any information they require in order to ensure that conflicts do not exist or arise in future;
- Have the appropriate level of knowledge and skills to carry out their role

In addition, Local Pension Board members will be expected to demonstrate other attributes, including;

- A commitment to attend and participate in training events and to adhere to the principles of this Training Strategy
- The ability to use acquired knowledge to participate in meetings and to ask questions constructively of the information provided by officers, advisers and others
- Judge the information provided in a fair and open minded way that avoids pre-determining outcomes
- Operate within the terms of reference for the Pension Board

### **Chief Finance Officer (Section 151 Officer)**

The Chief Finance Officer has specific LGPS related delegated powers under the constitution of East Sussex County Council. These include;

- Responsibility for implementing the policy decisions of the Pension Committee and to act for the Pension Committee in certain emergency situations where to delay buying or selling assets might be detrimental to the Fund;
- The power to approve the terms of admission agreements on behalf of the administering authority;
- The power to approve the membership of certain categories of employees of foundation schools as being eligible for LGPS membership
- To undertake any necessary actions in connection with the admission of any academies to the East Sussex Pension Fund as scheme employers

In addition, The Chief Finance Officer has the responsibility under s151 of the Local Government Act 1972 for the proper administration of the authority's financial affairs, including those relating to the LGPS fund.

It is important therefore that the individual carrying out the role of the Chief Finance Officer has an appropriate knowledge of LGPS and pension matters.

**The Chief Finance Officer should be familiar with:**

- The LGPS Landscape and the role of the administering authority;
- The wider legal and regulatory framework
- Key bodies and organisations
- External Scrutiny
- Employer issues including outsourcing and restructuring
- The role of the actuary

In addition the Chief Finance officer should be familiar with certain specific aspects of his or her role in respect of the LGPS, these include;

- CIPFA guidance of the role of the Chief Finance Officer in the LGPS
- Fiduciary duties
- Relevant case law
- LGPS funds in a local authority context

**Head of Pensions**

The Head of Pensions has responsibility for the operation of all aspects of the Fund and has delegated responsibilities in connection with the Council's role as administering authority for the East Sussex Pension Fund. Furthermore, the Head of Pensions provides expert advice and guidance to the pension committee. It is, therefore, expected that the Head of Pensions retains an exceptional level of knowledge, commensurate with the role.

The Head of Pensions should have an exceptional knowledge of;

**Pensions legislations:** including LGPS, wider relevant pensions and guidance

**Pensions governance:** including legal and constitutional matters, relevant legal bodies and performance monitoring.

**Pensions administration:** including administration and communications strategy, best practice in administration delivery and data management and security.

**Funding and actuarial matters:** including setting funding strategy, employer risk and covenant, valuations and funding reporting and scrutiny.

**Accounting and auditing:** including financial strategy, accounting, financial reporting and audit standards

**Investment strategy:** including asset allocation, pooling, performance and risk management

**Financial markets and products knowledge:** including MiFID II, pooling and asset classes

**Procurement:** Including contract management, SLA's and relationship management

### **Other officers responsible for the management and administration of the Fund**

All individuals responsible for the management and delivery of the LGPS or who have a decision-making, scrutiny or oversight role require the appropriate training to ensure they are equipped to do their job well.

The knowledge and skills required of staff are set out in their job descriptions, including any formal qualifications required.

The exact nature and level of knowledge required will vary considerably by role.

#### **Fund officers should have a strong understanding of:**

- Relevant areas of the LGPS as required for the delivery of their role
- The processes and procedures required to successfully carry out their role
- Any pension fund or East Sussex County Council policies which apply, for example IT security, data management, equality and diversity.

### **Participating Employers**

The success of the Fund depends on the strength of the relationship between the administering authority and the employers that participate in it. Employers have a range of responsibilities within the LGPS and must employ individuals who have an understanding of the of those responsibilities.

#### **Employers must be able to identify individuals who have an understanding of;**

- Employer discretion policies
- The role of the appointed person and the Internal dispute resolution procedure
- Their responsibilities for starters, leavers and changes to membership as set out in the Fund's administration strategy
- Their responsibilities for collecting and remitting contributions (including additional contributions)
- The reasons for leaving under the LGPS regulations
- Providing information requested by the Fund at year end or as required
- Their responsibilities with respect to outsourcing, staff transfers and reorganisations.

## Management and delivery

To achieve these objectives, the Fund will aim for full compliance with the CIPFA Knowledge and Skills Framework (KSF) and the Pension Regulator Code of Practice to meet the skills set within that Framework. Attention will also be given to any guidance issued by the Scheme Advisory board (SAB), the Pensions Regulator and the Secretary of State.

The implementation of this Strategy and the delivery of the accompanying Training Plan will be the responsibility of the Fund's Training Officer. However, each individual with a requirement to attain knowledge and skills under this Strategy has a personal responsibility to ensure they meet the required standards and must fully engage with the process.

### Training Needs Assessment

Committee and Board members, and officers covered by this Strategy will undergo a Training Needs Assessment (TNA), either following the adoption of this Strategy or upon commencing their role, whichever is later. The TNA will be used to identify areas of potential strength and weakness and will form part of developing the Fund's training plan.

Specific TNA's on particular subjects will also be carried out as and when required by the Training Officer and will be used to inform subsequent training requirements.

### Level of knowledge and skills required

In developing the training plan, consideration will be given as to the level of knowledge needed for each group of individuals. For example, the committee and board may require only an "awareness" or "general understanding" of some areas while an officer may require "detailed" or "expert" knowledge of the same topic.

The levels of knowledge that will be considered when drawing up the training plan and scheduling training events will be, in ascending order;

For committee and board members:

- An awareness – i.e. recognition that the subject matter exists
- A general understanding – i.e. understanding the basics in relation to the subject matter
- A strong understanding – i.e. a good level of knowledge in relation to the subject matter (but not necessary at detailed level).

For the officers:

- A strong understanding – i.e. a good level of knowledge in relation to the subject matter (but not necessary at detailed level)
- Detailed knowledge – i.e. knowledge of all aspects of the subject matter
- Expert knowledge – i.e. in depth mastery of all aspects of knowledge in relation to the subject matter

### Individual Training Plans

Training plans will contain core elements, such as the CIPFA knowledge and Skills modules and the TPA's requirements, but there will be variations within each individual's training plan to reflect their specific role and level of knowledge required.



## Measuring the effectiveness of training

Following the delivery of training, each recipient of the training will be required to complete a brief written test based on the topic. The responses will be marked by the Training Officer and the results collated and used to evidence level of understanding.

The Training Officer will also maintain a log of all training events and each individuals attendance and assessment score.

## Timing

Ideally, targeted training will be provided that is timely and directly relevant to the Committee and Board's activities as set out in the Fund's business plan.

## Approach

This Strategy sets out how the Fund provide training to members of the Pension Committee and Pension Board. The Officers involved in the management and administration of the Fund will have their own team and personal training plans and career development objectives.

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

Induction training will be arranged by the Training Officer and will be provided prior to the member attending their first committee or board meeting.

- **External courses** - Additionally, a number of specialist courses are run by bodies such as the Local Government Association, actuarial, governance and investment advisers as well as fund managers. Appropriate courses will be selected by the Head of the Pension Fund and the Training Officer and information circulated to members in advance. Courses will be selected for their relevance to the Training Plan.
- **Conferences** - There are also a number of suitable conferences run annually, which will be brought to members attention where appropriate. Of particular relevance are the LGA Annual Governance Conference, LGA Fundamentals Training, Pension and Lifetime Savings Association (PLSA) Conference, the Local Government Chronical (LGC) Local Authority Conference, and the Local Authority Pension Fund Forum (LAPFF) annual conference.

Appropriate conferences will be selected by the Head of the Pension Fund and the Training Officer and information circulated to members in advance. Conferences will be selected for their relevance to the Training Plan.

Additionally, consideration will be given to various training resources available in delivering training to Pension Committee and Pension Board members. These may include but are not restricted to:

- In-house and shared training events where it improves economy, efficiency and effectiveness
- 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
- Informal discussion and one-to-one sessions
- Formal presentations
- Circulated reading material
- E-learning

### **Flexibility**

When considering training for members of the Pension Committee and Pension Board it is recognised that individuals may have different learning styles. The Fund will seek, where possible, to ensure flexibility in the manner in which training is provided to support these different learning styles.

### **Maintaining knowledge**

In addition to undertaking ongoing training to achieve the requirements of the CIPFA knowledge and skills framework Pension Committee and Pension Board members are expected to maintain their knowledge and understanding of topical issues through attendance at internal/external events and seminars where appropriate.

Owing to the changing world of pensions, it will also be necessary to attend ad hoc training on emerging issues or on a specific subject on which a decision is to be made in the near future.

### **Risk Management**

The delivery of this training strategy is at risk in the event of-

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

These risks will be monitored, recorded and cross referenced with attendance details and assessment scores by the Training Officer and reported to the Pension Committee and Pension Board if their impact is likely to prevent the East Sussex Pension Fund from achieving the objectives of this Training Strategy.

### **Reporting and Compliance**

In line with the CIPFA Code of Practice a disclosure will be made in the Fund's Annual Report and Accounts that covers:

- How the Knowledge and Skills framework has been applied.
- What assessment of training needs has been undertaken.

- What training has been delivered against the identified training needs.

### Budget and costs

A training budget will be agreed with the Pension Committee and costs fully scoped.

All direct costs and associated reasonable expenses for attendance of external courses and conferences will be met by the Fund, provided that the Scheme Manager's prior approval is sought before incurring any such expenses (other than routine costs associated with travelling to and from Pensions Board/Committee meetings) and appropriate receipts are sent to the Scheme Manager evidencing the expenses being claimed for.

### Effective date

This strategy comes into effect from **[insert date]**.

### Review

This strategy will be reviewed every 2 years, and if necessary, more frequently to ensure it remains accurate and relevant.

Signed by

\_\_\_\_\_ (Section 151 officer)

\_\_\_\_\_ (Head of Pensions)

\_\_\_\_\_ (Chair of Pension Committee)

\_\_\_\_\_ (Chair of Pension Board)

## Roles and responsibilities of the Chair of the Pension Committee

The Pension Committee has delegated authority on the matters set out in Section 9 of Part 3 of East Sussex County Council's constitution. This includes the power "To make arrangements for the investment, administration and management of the Pension Fund."

It is the role of the Chair of the Pension Committee to ensure that the Committee carries out its role effectively, in line with its terms of reference and in accordance with the relevant legislation and guidance.

### Compliance with the Constitution

As an elected member of East Sussex County Council The Chair of the Pension Committee must comply with the requirements of the constitution and should be satisfied that the Committee is run in accordance with the following codes and protocols;

- Members' Code of Conduct
- Code of Conduct and Conflict of Interest Policy
- Code on Member/Employee Relations
- Protocol on Decision Making
- Advice to Members Serving on Outside Bodies

### Main Responsibilities of the Chair

- To Chair Pension Committee meetings and ensure their effectiveness
- To provide effective leadership in the development of the Fund's policy, strategy, business planning and budget setting.
- To provide effective leadership in the implementation of effective service delivery and the Fund's approved policies and strategies.
- To develop good working relationships with The Chair of the Pension Board, the Chief Finance Officer and the Head of Pensions in order to ensure that the Fund's interests are represented.
- To act as a spokesperson and represent the Fund at a local and national level.

### Training and knowledge and skills

Under MiFID II (Markets in Financial Instruments Directive) local and public authorities are deemed to be retail investors, unless those making investment decisions can satisfy a qualitative test, that allows them to be treated as a professional investor. The test requires the Pension Committee to satisfy those providing investment services that it possesses the expertise, experience and knowledge required to be capable of making its own investment decisions and understanding the risks involved.

The Fund operates a Training Strategy which requires that committee member's knowledge and skills are measured, monitored and maintained to ensure they have a relevant understanding of the matters required to carry out their role effectively. Committee members must invest sufficient time in their learning and development in order to reach the required standard.

The Chair's additional responsibilities in respect of knowledge and skill are to;

- ensure that all Committee members fully understand and appreciate their role and responsibilities
- promote a culture of learning among Pension Committee members and ensure that the Fund's training strategy is adhered to.
- ensure that all Committee members are developed both as a group and as individuals, to enable them to perform their duties effectively
- ensure that the ongoing training on relevant issues and developments meets the needs of the Committee members.

## Roles and responsibilities of a member of the Pension Committee

The Pension Committee has delegated authority on the matters set out in Section 9 of Part 3 of East Sussex County Council's constitution. This includes the power "To make arrangements for the investment, administration and management of the Pension Fund."

It is the role of a member of the Pension Committee is to participate fully and effectively in discharging the Committee's terms of reference.

### Compliance with the Constitution

As an elected member of East Sussex County Council a member of the Pension Committee must comply with the requirements of the constitution and should be satisfied that the Committee is run in accordance with the following codes and protocols;

- Members' Code of Conduct
- Conflict of Interest Policy
- Code on Member/Employee Relations
- Protocol on Decision Making
- Advice to Members Serving on Outside Bodies

### Expectation on Committee members

As well as the general expectations of an elected member of East Sussex County Council, those individuals sitting on the pension committee are expected to;

- Run the pension Fund for the benefit of all participating employers and members
- Contribute to the development and maintenance of effective governance and internal controls for the Fund
- Make decisions and set the Fund's objectives and strategy
- Effectively monitor and oversee advisers and those carrying out scheme activities

### Training and Knowledge and skills

Under MiFID II (Markets in Financial Instruments Directive) local and public authorities are deemed to be retail investors, unless those making investment decisions can satisfy a qualitative test, that allows them to be treated as a professional investor. The test requires the Pension Committee to satisfy those providing investment services that it possesses the expertise, experience and knowledge required to be capable of making its own investment decisions and understanding the risks involved.

The Fund operates a Training Strategy which requires that committee member's knowledge and skills are measured, monitored and maintained to ensure they have a relevant understanding of the matters required to carry out their role effectively. Committee members must invest sufficient time in their learning and development in order to reach the required standard.

## East Sussex Pension Fund

### Role description for the Local Pension Board Chair

#### Role Summary

The role of the Chair is to provide leadership and direction to the pension board.

The Chair's aim is to enable the pension board to fulfil their responsibilities in respect of the governance of the East Sussex Pension Fund ("the Fund") in accordance with the Public Service Pension Scheme Act 2013 ("PSPA13"), legislation governing the Local Government Pension Scheme ("LGPS") and the Code of Practice issued by The Pensions Regulator ("TPR").

The Chair will work closely in partnership with the Scheme Manager (East Sussex CC) in relation to the following matters:

- Securing compliance with LGPS regulations and other legislation relating to the governance and administration of the Scheme and any statutory pension scheme that is connected with it;
- Securing compliance with requirements imposed in relation to the scheme and any connected scheme by The Pensions Regulator;
- Ensuring any breach of duty is considered and reported under the scheme's breaches procedure,
- Such other matters as the scheme regulations may specify.
- Assisting the Scheme Manager to ensure the effective and efficient governance and administration of the scheme.

The Chair will be expected to use their skills, knowledge and experience to help the Local Pension Board reach sound conclusions and recommendations. This will involve scrutinising Board papers, leading discussions, focusing on key issues, and providing advice and guidance requested by the Board.

In addition to the general responsibilities of a Local Pension Board member, the Chair has a number of tasks specific to their role.

#### 1. Main Responsibilities of the Chair

- providing leadership to Board members and developing the strategy and policy of the Local Pension Board
- planning the annual cycle of board meetings and setting the agendas
- chairing and facilitating the Local Pension Board meetings, ensuring that all voices and opinions are heard and judging when consensus is reached
- monitoring that recommendations made at Local Pension Board meetings are considered and where necessary implemented
- liaising with the Head of Pensions and the Chair of the Pension Committee to maintain an overview of the Fund's affairs and providing support as appropriate
- reviewing and appraising the performance of the Local Pension Board
- to receive timely advice on new developments relevant to the LGPS and pensions in general and consider whether the Fund is complying with them
- ensuring that the Local Pension Board's reporting requirements are met including, for example, to The Pensions Regulator and the Scheme Advisory Board

- balancing the views and needs of the participating employers and the scheme members
- ensuring that that The Local Pension Board complies with relevant policies, including but limited to those on conflicts of interest, reporting breaches and East Sussex CC's code of conduct.

#### **Training and knowledge and skills**

- ensure that all new board members fully understand and appreciate their role and responsibilities
- promote a culture of learning among Local Pension Board members and ensure that the Fund's training strategy is adhered to.
- ensure that all board members are developed both as a group and as individuals, to enable them to perform their duties effectively
- ensure that the ongoing training on relevant issues and developments meets the needs of the board members.

#### **2. Qualities expected of the Chair**

- leadership skills with the ability to effectively chair meetings
- articulate in writing and speech with the ability to prepare formal papers and speak at public occasions
- sufficient gravitas and sensitivity to operate effectively at all levels internally and externally
- commitment to the role
- integrity, strategic vision and good independent judgement
- a willingness to devote the necessary time and effort to the duties of the Chair
- ability to help formulate recommendations
- good communication skills
- tact and diplomacy
- willingness to speak one's mind and listen to the views of others
- understanding of the legal responsibilities and liabilities of a Local Pension Board member

#### **3. Desirable experience and knowledge**

- knowledge and experience of governance or management of work based pension schemes and the regulatory bodies involved
- a good knowledge of the local government pension scheme
- an awareness of the legislation relating to the operation of local authorities
- prior experience of committee/trustee work
- the law relating to pensions as it applies to the LGPS
- any matters which are prescribed in regulations.

#### **4. Time consideration**

The pension board meets at least 4 times a year.

In addition to board meetings, contact electronically or by telephone will be necessary.

The time commitment for the Chair is expected to be [xx] days per month, on average.



## East Sussex Pension Fund

### Role description for the Local Pension Board Vice Chair

[Note the constitution allows the Governance Committee to appoint a Vice Chair but there is no vice listed in the Board's membership]

#### Role Summary

The role of the Vice Chair is to provide support to the Chair of the Local Pension Board and act as a substitute in the event that the Chair cannot be present.

The Vice Chair will work closely in partnership with The Chair and the Scheme Manager (East Sussex CC) in relation to the following matters:

- Securing compliance with LGPS regulations and other legislation relating to the governance and administration of the Scheme and any statutory pension scheme that is connected with it;
- Securing compliance with requirements imposed in relation to the scheme and any connected scheme by The Pensions Regulator;
- Ensuring any breach of duty is considered and reported under the scheme's breaches procedure,
- Such other matters as the scheme regulations may specify.
- Assisting the Scheme Manager to ensure the effective and efficient governance and administration of the scheme.

The Vice Chair should make a strong contribution to Local Pension Board meetings and be senior voice around the table.

In addition to the general responsibilities of a Local Pension Board member, the Vice Chair has a number of tasks specific to their role.

#### 1. Main Responsibilities of the Vice Chair

- acting as a sounding board for the Chair to discuss ideas and provide a second opinion
- deputising for the Chair at meetings or external events
- providing a senior voice at Local Pension Board meetings and demonstrating the values expected of a member of the East Sussex Local Pension Board.
- to speak one's mind and listen to the views of others
- understanding of the legal responsibilities and liabilities of a Local Pension Board member

#### 2. Time consideration

The pension board meets at least 4 times a year.

In addition to board meetings, contact electronically or by telephone will be necessary.

The time commitment for the Vice Chair is expected to be [xx] days per month, on average.

## East Sussex Pension Fund

### The role and responsibilities of the employer representative on the Local Pension Board

In accordance with the Public Service Pensions Act 2013 (“PSPA132), the East Sussex Pension Fund (“the Fund”) operates a Local Pension Board. The Board comprises 3 scheme member representatives, 3 employer representatives and an independent chair.

This paper sets out the role and responsibilities of employer representatives on the Local Pension Board.

Employer representatives play an important part in the governance and administration of the Fund, by providing representation for participating employers. Although sitting on the Board as employer representative, those carrying out the role have a primary responsibility to assist the Scheme Manager (East Sussex County Council) to secure compliance with all relevant pensions law. The role of employer representative will therefore be of value to all stakeholders in the fund including participating employers, members of the Fund and East Sussex County Council, as the Administering Authority.

#### Role Summary

The role of the employer representative will be to ensure the Fund is complying with legislation relating to its governance and administration, its own rules and any requirements of The Pensions Regulator.

The aim is to enable the Local Pension Board to fulfil its responsibilities in respect of the governance of the Fund in accordance with the PSPA13, legislation governing the Local Government Pension Scheme (“LGPS”) and relevant Codes of Practice issued by the Pension Regulator.

The role involves working closely in partnership with the Scheme Manager in order assist in relation to the following matters:

- Securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme and any statutory pension scheme that is connected with it;
- Securing compliance with requirements imposed in relation to the scheme and any connected scheme by The Pensions Regulator;
- Ensuring any breach of the law is considered and the Fund’s procedure for reporting to the Pensions Regulator is adhered to;
- Such other matters as the scheme regulations may specify;
- Assisting the Scheme Manager to ensure the effective and efficient governance and administration of the scheme.

#### Responsibilities of the Employer Representative

Employer representatives must provide the Scheme Manager with any information required so that they can be satisfied that they do not have a conflict of interest. A member who becomes aware of a potential conflict of interest involving themselves or another pension board member or prospective member, must comply with the Fund’s conflict of interest policy. Anyone with a conflict of interest may not be appointed to the pension board or, if already a member when the conflict arises, will be asked to resign.

An employer representative must have the capacity to represent the Fund’s employers and is expected to be available to attend all pension board meetings, unless apologies are sent in advance and accepted by the Board.

There will be 4 meetings per annum. In the event of persistent non-attendance, their tenure will be reviewed by the Chair to the pension board in liaison with the Scheme Manager.

### Training and knowledge and skills

The law requires Local Pension Board members to have knowledge and understanding of relevant pensions law and to have a working knowledge of the Local Government Pension Scheme and statutory guidance supporting it. An employer representative's responsibilities start from the day of appointment.

Employer representatives also need to be familiar with the Fund's documented policies including, but not limited to those covering, administration, communications, funding, investment and breaches of the law.

Employer representatives should be aware of the range and extent of pensions law that applies to the Local Government Pension Scheme and have enough understanding of the law to recognise when and how it impacts on their responsibilities.

The Fund operates a Training Strategy which requires that Local Pension Board members' knowledge and skills are measured, monitored and maintained to ensure they have a relevant understanding of the matters required to carry out their role effectively. Local Pension Board members must invest sufficient time in their learning and development in order to reach the required standard.

### Tenure

The term of office for Board members shall be 4 years or such time as resolved by the Governance Committee. The Governance Committee may agree an extension to terms of office up to a further 2 years after which there shall be a further appointment process. Reappointment of existing members is permitted.

### Expenses

Actual expenses incurred in attending pension board meetings or incurred will be reimbursed. Expenses incurred in performing other duties as a pension board member will only be reimbursed if first agreed with the Scheme Manager.

## East Sussex Pension Fund

### The role and responsibilities of the scheme member representative on the Local Pension Board

In accordance with the Public Service Pensions Act 2013 (“PSPA132”), the East Sussex Pension Fund (“the Fund”) operates a Local Pension Board. The Board comprises 3 scheme member representatives, 3 employer representatives and an independent chair.

This paper sets out the role and responsibilities of scheme member representatives on the Local Pension Board.

Scheme member representatives play an important part in the governance and administration of the Fund, by providing representation for scheme members. Although sitting on the Board as scheme member representative, those carrying out the role have a primary responsibility to assist the Scheme Manager (East Sussex County Council) to secure compliance with all relevant pensions law. The role of scheme member representative will therefore be of value to all stakeholders in the fund including participating employers, members of the Fund and East Sussex County Council, as the Administering Authority.

#### Role Summary

The role of the employer representative will be to ensure the Fund is complying with legislation relating to its governance and administration, its own rules and any requirements of The Pensions Regulator.

The aim is to enable the Local Pension Board to fulfil their responsibilities in respect of the governance of the Fund in accordance with the PSPA13, legislation governing the Local Government Pension Scheme (“LGPS”) and relevant Codes of Practice issued by the Pension Regulator.

The role involves working closely in partnership with the Scheme Manager in order assist in relation to the following matters:

- Securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme and any statutory pension scheme that is connected with it;
- Securing compliance with requirements imposed in relation to the scheme and any connected scheme by The Pensions Regulator;
- Ensuring any breach of the law is considered and the Fund’s procedure for reporting to the Pensions Regulator is adhered. Such other matters as the scheme regulations may specify.
- Assisting the Scheme Manager to ensure the effective and efficient governance and administration of the scheme.

#### Responsibilities of the Scheme Member Representative

Scheme member representatives must provide the Scheme Manager with any information required so that they can be satisfied that they do not have a conflict of interest. A member who becomes aware of a potential conflict of interest involving themselves or another pension board member or prospective member, must comply with the Fund’s conflict of interest policy. Anyone with a conflict of interest may not be appointed to the pension board or, if already a member when the conflict arises, will be asked to resign.

A scheme members representative must have the capacity to represent all of the members in the Fund and is expected to be available to attend all pension board meetings, unless apologies are sent in advance and accepted by the Board. There will be 4 meetings per annum. In the event of persistent non-attendance, their tenure will be reviewed by the Chair to the pension board in liaison with the Scheme Manager.

### Training and knowledge and skills

The law requires Local Pension Board members to have knowledge and understanding of relevant pensions law and to have a working knowledge of the Local Government Pension Scheme and statutory guidance supporting it. A scheme member representative's responsibilities start from the day of appointment.

Scheme member representatives also need to be familiar with the Fund's documented policies including, but not limited to those covering, administration, communications, funding, investment and breaches of the law.

Scheme member representatives should be aware of the range and extent of pensions law that applies to the Local Government Pension Scheme and have enough understanding of the law to recognise when and how it impacts on their responsibilities.

The Fund operates a Training Strategy which requires that Local Pension Board members' knowledge and skills are measured, monitored and maintained to ensure they have a relevant understanding of the matters required to carry out their role effectively. Local Pension Board members must invest sufficient time in their learning and development in order to reach the required standard.

### Tenure

The term of office for Board members shall be 4 years or such time as resolved by the Governance Committee. The Governance Committee may agree an extension to terms of office up to a further 2 years after which there shall be a further appointment process. Reappointment of existing members is permitted.

### Expenses

Actual expenses incurred in attending pension board meetings or incurred will be reimbursed. Expenses incurred in performing other duties as a pension board member will only be reimbursed if first agreed with the Scheme Manager.

## Decision Making : LGPS Governance matrix

| Area                                                           | Task                                                                          | Committee                                                         | Pension Board  | Investment Pool | S151 Officer   | Fund Officers  | Advisors       |
|----------------------------------------------------------------|-------------------------------------------------------------------------------|-------------------------------------------------------------------|----------------|-----------------|----------------|----------------|----------------|
| <b>Fund mission, objectives and beliefs</b>                    | Develop Fund Mission Statement                                                | Oversight                                                         | Specific Input | N/A             | Recommend      | Recommend      | Specific Input |
|                                                                | Agree Fund Mission Statement                                                  | Approve                                                           | Oversight      | N/A             | Agree          | Agree          | Advise         |
|                                                                | Develop Fund objectives for Governance, Funding, Investment and Delivery      | Oversight                                                         | Specific Input | N/A             | Recommend      | Recommend      | Specific Input |
|                                                                | Agree Fund objectives for Governance, Funding, Investment and Delivery        | Approve                                                           | Oversight      | N/A             | Agree          | Agree          | Specific Input |
|                                                                | Consider and agree Fund beliefs                                               | Approve                                                           | Oversight      | N/A             | Recommend      | Recommend      | Advise         |
| <b>Fund Risk Management</b>                                    | Agree the risks facing the Fund                                               | Approve                                                           | Oversight      | N/A             | Recommend      | Recommend      | Advise         |
|                                                                | Agree risk mitigations                                                        | Approve                                                           | Oversight      | N/A             | Recommend      | Recommend      | Advise         |
|                                                                | Approve regular risk register reports                                         | Approve                                                           | Oversight      | N/A             | Recommend      | Recommend      | Specific Input |
|                                                                | Define investment strategy (including ESG considerations)                     | Approve                                                           | Oversight      | Specific Input  | Advise         | Advise         | Advise         |
|                                                                | Identify how you deal with upside / downside events                           | Notified                                                          | Notified       | Specific Input  | Advise         | Advise         | Advise         |
|                                                                | Review of Fund covenant arrangements                                          | Approve                                                           | Oversight      | N/A             | Advise         | Advise         | Specific Input |
| <b>Governance functions</b>                                    | Agree Governance Manual/Framework                                             | Approve                                                           | Oversight      | Notified        | Advise         | Advise         | Advise         |
|                                                                | Monitor and input into the Valuation process                                  | Oversight                                                         | Notified       | Notified        | Specific Input | Specific Input | Approve        |
|                                                                | Sign off valuation results                                                    | Approve                                                           | Oversight      | N/A             | Recommend      | Recommend      | Advise         |
|                                                                | Confirmation of annual MIFID II position                                      | Oversight                                                         | Oversight      | N/A             | Agree          | Agree          | Notified       |
|                                                                | Review of Fund discretionary policies                                         | Oversight                                                         | Oversight      | N/A             | Recommend      | Recommend      | Specific Input |
|                                                                | Agree changes to Fund discretionary policies                                  | Approve                                                           | Oversight      | N/A             | Agree          | Agree          | N/A            |
|                                                                | Review of various policy statements and strategies                            | Oversight                                                         | Oversight      | N/A             | Recommend      | Recommend      | Specific Input |
|                                                                | Agree revisions to policy statements and strategies                           | Approve                                                           | Oversight      | N/A             | Agree          | Agree          | N/A            |
|                                                                | Adequate training completed for Pension Committee and Pension Board           | Agree                                                             | Agree          | N/A             | Recommend      | Recommend      | Specific Input |
|                                                                | Ensure adequate Pension Committee and Pension Board meetings are held         | Agree                                                             | Agree          | N/A             | Oversight      | Recommend      | N/A            |
|                                                                | <b>Fund Delivery<br/>(Administration functions)</b>                           | Agree/review delivery model (in-house, shared service, outsource) | Approve        | Oversight       | N/A            | Recommend      | Recommend      |
| Agree scope and nature of administration service               |                                                                               | Approve                                                           | Oversight      | N/A             | Recommend      | Recommend      | Advise         |
| Agree administration processes                                 |                                                                               | Notified                                                          | Oversight      | N/A             | Notified       | Agree          | Advise         |
| Completion of Year-end exercise                                |                                                                               | Notified                                                          | Oversight      | N/A             | Notified       | Agree          | N/A            |
| Issue annual benefit statement                                 |                                                                               | Notified                                                          | Oversight      | N/A             | Notified       | Agree          | N/A            |
| Issue annual allowance pension savings statements              |                                                                               | Notified                                                          | Oversight      | N/A             | Notified       | Agree          | N/A            |
| Compile and publish Fund Annual report                         |                                                                               | Approve                                                           | Specific Input | N/A             | Agree          | Agree          | Specific Input |
| TPR - Reporting breaches of the law to the Pensions Regulator* |                                                                               | Oversight                                                         | Oversight      | N/A             | Oversight      | Oversight      | Oversight      |
| <b>LGPS Investment</b>                                         | Agree asset allocation                                                        | Approve                                                           | Oversight      | Specific Input  | Advise         | Advise         | Specific Input |
|                                                                | Agree allocations to new asset classes                                        | Approve                                                           | Oversight      | Specific Input  | Advise         | Advise         | Specific Input |
|                                                                | Agree Investment strategy statement                                           | Approve                                                           | Oversight      | Specific Input  | Advise         | Advise         | Specific Input |
|                                                                | Confirm partner LGPS Investment pool for Fund                                 | Approve                                                           | Specific Input | Specific Input  | Recommend      | Recommend      | Specific Input |
| <b>Employer Related Decisions</b>                              | Set employer contribution rates                                               | Approve                                                           | Oversight      | N/A             | Advise         | Advise         | Recommend      |
|                                                                | Set admission policy                                                          | Approve                                                           | Oversight      | N/A             | Advise         | Advise         | Specific Input |
|                                                                | Set cessation policy                                                          | Approve                                                           | Oversight      | N/A             | Advise         | Advise         | Specific Input |
|                                                                | Set bulk transfer policy                                                      | Approve                                                           | Oversight      | N/A             | Advise         | Advise         | Specific Input |
|                                                                | Approve new employers to the Fund                                             | Approve                                                           | Oversight      | N/A             | Advise         | Advise         | Specific Input |
| <b>Monitoring and Oversight</b>                                | Monitor Investment strategy (context of market outlook, covenant and funding) | Oversight                                                         | Oversight      | Specific Input  | Recommend      | Recommend      | Specific Input |
|                                                                | Monitor the Fund's Investment pool performance                                | Oversight                                                         | Oversight      | Advise          | Specific Input | Specific Input | Specific Input |
|                                                                | Monitor fund managers ESG and sustainability policies                         | Oversight                                                         | Oversight      | Advise          | Specific Input | Specific Input | Specific Input |
|                                                                | Monitor the Funds administration management and delivery performance          | Oversight                                                         | Oversight      | N/A             | Advise         | Advise         | Specific Input |

\* as required, when any breach is considered to be "material"

## EAST SUSSEX PENSION FUND: TRAINING PLAN 2020/21

| Training event            | Committee and Board responsibilities | Investment update                                                                                              | Pensions legislation                                                                                                                                                                                                                                                      | Pensions governance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|---------------------------|--------------------------------------|----------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>CIPFA Framework</b>    | No                                   | No                                                                                                             | Yes (module 1)                                                                                                                                                                                                                                                            | Yes (module 2)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Scheduled Date</b>     | (date tbc)                           | (date tbc)                                                                                                     | (date tbc)                                                                                                                                                                                                                                                                | (date tbc)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Delivered by</b>       | Eversheds                            |                                                                                                                |                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Committee</b>          | Yes                                  | Yes                                                                                                            | Yes                                                                                                                                                                                                                                                                       | Yes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Board</b>              | Yes                                  | Yes                                                                                                            | Yes                                                                                                                                                                                                                                                                       | Yes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Outline of Content</b> | tbc                                  | Private Equity & Infrastructure, and the role of Asset Allocation in enhancing the profile of long run returns | A general understanding of; <ul style="list-style-type: none"> <li>• The overall legislative framework</li> <li>• Scheme-specific regulations and guidance</li> <li>• LGPS discretions and the formulation of policies</li> <li>• Latest changes to LGPS rules</li> </ul> | A general understanding of; <ul style="list-style-type: none"> <li>• The role of the admin authority</li> <li>• The role of MHCLG, the Pensions Regulator, the Pensions Ombudsman</li> <li>• The role of the Scheme Advisory Board</li> <li>• The role of Pension Committees in relation to the fund, the admin authority, employing authorities, scheme members and taxpayers.</li> <li>• The role of the s151 officer and the monitoring officer</li> <li>• The Myners' Principles</li> <li>• The role and responsibilities of LPB members.</li> <li>• The Fund's stakeholders and their interests</li> <li>• The consultation, communication and involvement options available to stakeholders</li> <li>• Monitoring and managing Fund risk</li> <li>• Managing conflicts of interest</li> <li>• Reporting breaches of the law.</li> </ul> |

| Training event            | Pensions administration                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Pensions accounting and auditing standards                                                                                                                                                                                                                                                                                 | Pensions services procurement and relationship management                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Investment performance and risk management                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|---------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>CIPFA Framework</b>    | Yes (module 3)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Yes (module 4)                                                                                                                                                                                                                                                                                                             | Yes (module 5)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Yes (module 6)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Scheduled Date</b>     | (date tbc)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | (date tbc)                                                                                                                                                                                                                                                                                                                 | (date tbc)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | (date tbc)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Delivered by</b>       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>PSB</b>                | Yes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Yes                                                                                                                                                                                                                                                                                                                        | Yes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Yes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>PAB</b>                | Yes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Yes                                                                                                                                                                                                                                                                                                                        | Yes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Yes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Outline of Content</b> | <p>A general understanding of;</p> <ul style="list-style-type: none"> <li>• Best practice in pensions administration eg performance and cost measures.</li> <li>• Fund policies relating to member data maintenance and record-keeping processes, internal dispute resolution, contributions collection and scheme communication and materials.</li> <li>• Discretionary powers</li> <li>• The pension administration strategy</li> <li>• Pensions taxation</li> <li>• An understanding of AVC arrangements, including investment</li> </ul> | <p>A general understanding of;</p> <ul style="list-style-type: none"> <li>• Accounts and Audit Regulations and legislative requirements relating to internal controls and accounting practice</li> <li>• The role of internal and external audit</li> <li>• The role played by third party assurance providers.</li> </ul> | <p>A general understanding of;</p> <ul style="list-style-type: none"> <li>• Public procurement policy and procedures and the roles of key decision-makers and organisations.</li> <li>• The main public procurement requirements of UK and EU legislation.</li> <li>• The nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting third parties.</li> <li>• How the pension fund monitors and manages the performance of service providers.</li> </ul> | <p>A general understanding of;</p> <ul style="list-style-type: none"> <li>• The importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long-term risks</li> <li>• The Myners' principles of performance management and the approach adopted by the administering authority.</li> <li>• The range of support services, who supplies them and the nature of the performance monitoring regime.</li> <li>• A general understanding of the structure, operation and purpose of the investment pooling arrangements, including the structure of the relationship with the other participants within the pool</li> </ul> |



|                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                          |  |  |
|---------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|
|                           | choices, investment performance and payment schedule.                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                          |  |  |
| <b>Training event</b>     | <b>Financial markets and products knowledge</b>                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>Actuarial methods, standards and practices</b>                                                                                                                                                                                                                                                                                                                        |  |  |
| <b>CIPFA Framework</b>    | Yes (module 7)                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Yes (module 8)                                                                                                                                                                                                                                                                                                                                                           |  |  |
| <b>Scheduled Date</b>     | (date tbc)                                                                                                                                                                                                                                                                                                                                                                                                                                                                | (date tbc)                                                                                                                                                                                                                                                                                                                                                               |  |  |
| <b>Delivered by</b>       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                          |  |  |
| <b>PSB</b>                | Yes                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Yes                                                                                                                                                                                                                                                                                                                                                                      |  |  |
| <b>PAB</b>                | Yes                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Yes                                                                                                                                                                                                                                                                                                                                                                      |  |  |
| <b>Outline of Content</b> | <p>A general understanding of;</p> <ul style="list-style-type: none"> <li>• The risk and return characteristics of the main asset classes</li> <li>• The role of these asset classes in long-term pension fund investing.</li> <li>• The importance of the fund's ISS and investment strategy decisions.</li> <li>• the workings of the financial markets and of the investment vehicles available to the pension fund and the nature of the associated risks.</li> </ul> | <p>A general understanding of;</p> <ul style="list-style-type: none"> <li>• The role of the actuary</li> <li>• The valuation process (including the FSS and inter-valuation monitoring)</li> <li>• Early and ill-health retirement monitoring</li> <li>• New employers and cessations</li> <li>• Outsourcings and bulk transfers</li> <li>• Employer covenant</li> </ul> |  |  |

|  |                                                                                                                                                                                                                                                                |  |  |  |
|--|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|--|
|  | <ul style="list-style-type: none"><li>• the limits placed by regulation on the investment activities of local government pension funds.</li><li>• how the fund interacts with the taxation system in the UK and overseas in relation to investments.</li></ul> |  |  |  |
|--|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|--|

DRAFT

**Report to:** Pension Board

**Date of meeting:** 8 June 2020

**By:** Chief Financial Officer

**Title:** East Sussex Pension Fund: 2020/21 Budget, Business Plan & Work Programme and Annual Training Plan

**Purpose:** This report updates the 2020/21 business plan at Quarter 1 for the East Sussex Pension Fund.

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## RECOMMENDATION

The Board is recommended to:

1. Note the updated business plan; and
  2. Note the new workstream for ill health retirement planning.
- 

## 1. Background

1.1 Under the Local Government Pension Scheme (LGPS) Regulations, the Council is required to maintain a Pension 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' (e.g. other public bodies) bodies into the Fund.

1.2 The business plan and budget 2020/21 sets 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, however the Fund will begin from September 2020 to monitor fees. In addition, the Fund has not received a quotation for pension administration costs for this financial year for approval by pension committee. This will be explored with the Chief Operating Officer with a view to presenting a budget for approval in September 2020.

## 2. 2019/20 Investment and Administration Expenses Outturn and 2020/21 Budget Report

2.1 In March 2020 the Pension Committee agreed a budget of £3.795M (2019/20: £4.857M) revised downward at quarter one to £3.730M due to budget adjustments in respect of the Data Improvement Plan, and ESG suppliers, PIRC and EIRIS.

2.2 The 2019/20 Outturn is £5.36M, against a budget of £4.86M resulting in an overspend of £0.5M.

2.3 The attribution of the overspend, in the main relates to programmes and projects arising from service performance shortfalls which were not included in budget setting in February 2019. These are set out in below in Para. 2.4 to 2.6.

2.4 The Good Governance Scheme Advisory Board Project commenced in November 2019 supported by the Good Governance Working Party, Aon Advisory and Eversheds Sutherland. The

overspend in 2019/20 attributable to Good Governance is £0.09M. The additional budget to complete the Good Governance Project in 2020/21, and which is due to be completed and reported to Pension Committee in September 2020 is £0.05M.

2.5 The Data Improvement Programme commenced in October 2019 following the results of the failed Annual Benefit Statement (ABS) Exercise for 2019 and all prior years to 2015. The Pension Committee formed the Data Improvement Project and ABS Working Group supported by Hymans Robertson Actuarial. The overspend attributable to Data Improvement is £0.08M.

2.6 There has been significant input by the Actuary in managing the valuation which was 10 weeks late due to data errors. This additional work to rectify administration errors contributed to the increase resource required from the Actuary - contributing to an overspend of £0.2M. Additional support was also required from the Fund's legal advisor during this time which contributed to an overspend of £0.08M

2.7 The 2019/20 outturn against line items is shown at Table 1 in Para. 3 below. The table also shows the budgeted expenditure for 2020/21 and the budgetary performance to Quarter 1.

### 3. Table 1 2019/20 Outturn and 2020/21 Budget Report

| 2019/20<br>Outturn<br>£000 | Item                                                | 2020/21<br>Budget<br>£000 | 2020/21<br>Actual<br>£000 | 2020/21<br>Outturn<br>£000 |
|----------------------------|-----------------------------------------------------|---------------------------|---------------------------|----------------------------|
|                            | <b><u>Pension Fund Oversight and Governance</u></b> |                           |                           |                            |
| 345                        | Actuarial Fund Work                                 | 250                       | (41)                      | 297                        |
| 97                         | Actuarial Employer Work                             | 150                       | 5                         | 150                        |
| (97)                       | Employer reimbursement                              | (150)                     | (3)                       | (150)                      |
| 88                         | Good Governance Program                             | 47                        | 0                         | 0                          |
| 75                         | Data Improvement Program                            | 100                       | 0                         | 200                        |
| 8                          | Independent Pension Board Chair                     | 5                         | 0                         | 5                          |
| 307                        | Fund Officers                                       | 385                       | 0                         | 385                        |
| 28                         | External Audit – Grant Thornton                     | 26                        | (9)                       | 26                         |
| 17                         | Internal Audit                                      | 19                        | 0                         | 19                         |
| 119                        | Legal Fees                                          | 115                       | (13)                      | 115                        |
| 11                         | Subscriptions and other Expenses                    | 70                        | 17                        | 70                         |
| <b>998</b>                 | <b>Sub Total</b>                                    | <b>1,017</b>              | <b>(44)</b>               | <b>1,117</b>               |
|                            | <b><u>Investment activities</u></b>                 |                           |                           |                            |
| 114                        | Investment Consultant                               | 120                       | (8)                       | 120                        |
| 0                          | PIRC ESG Report                                     | 11                        | 0                         | 11                         |
| 0                          | EIRIS Carbon Report                                 | 24                        | 0                         | 24                         |
| 11                         | Independent Advisor Basic                           | 12                        | 0                         | 12                         |
| 5                          | Independent Advisor Project work                    | 8                         | (2)                       | 8                          |
| 54                         | Custodian                                           | 150                       | 0                         | 150                        |
| 3,003                      | Investment Manager Fee Invoices                     | 1,200                     | 0                         | 1,200                      |
| <b>3,187</b>               | <b>Sub Total</b>                                    | <b>1,525</b>              | <b>(10)</b>               | <b>1,525</b>               |
|                            | <b><u>ACCESS</u></b>                                |                           |                           |                            |
| 67                         | ACCESS Support Unit                                 | 98                        | 35                        | 98                         |
| (3)                        | Fund Officer Time Rebates                           | (20)                      | 0                         | (20)                       |
| <b>64</b>                  | <b>Sub Total</b>                                    | <b>78</b>                 | <b>35</b>                 | <b>78</b>                  |
|                            | <b><u>Pension Board/Committee Training</u></b>      |                           |                           |                            |
| 0                          | Training Costs                                      | 30                        | 0                         | 30                         |
| <b>0</b>                   | <b>Sub Total</b>                                    | <b>30</b>                 | <b>0</b>                  | <b>30</b>                  |
| 1,106                      | <b>Pension Administration:</b>                      | 1,080                     | 0                         | 0                          |
| <b>5,355</b>               |                                                     | <b>3,730</b>              | <b>(19)</b>               | <b>3,830</b>               |

#### 4. Ill Health Retirement Workstream

4.1 The Fund has not determined its approach to managing ill health early retirement risk within the Fund. The actuary has prepared a report at Appendix 2 in this regard as a late addition to the business plan workstreams.

4.2 When an LGPS member is awarded early retirement on grounds of ill health there is an increase in the pension liability for the participating employer (“the strain cost”). This results from:

- early payment of the pension compared to under normal retirement; and

- an increase in the benefits payable to the member through augmentation awarded on ill-health retirement (either based on full prospective service to retirement for a Tier 1 early retirement or 25% of prospective service for a Tier 2 early retirement).

4.3 At present the Fund's approach is that employers effectively self-insure by making a contribution towards potential ill health strain costs via a small proportion of their total contribution rate. While this method of managing costs works well for larger employers (e.g. Councils) where large numbers of members make strain costs relatively predictable, it is more variable and unpredictable for medium or smaller employers (e.g. Academies). There is a risk that some employers in the Fund may be unable to meet the strain cost arising from an ill-health early retirement. In the worst-case scenario, the increased deficit and contributions could put an employer out of business.

## **5. Conclusion and reasons for recommendation**

5.1 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 costs and considerations associated with delivering the Funds Business Plan.

5.2 The new workstream for ill health retirement planning will set out the approach that the Fund takes to managing strain costs for medium or smaller employers (e.g. Academies) in the Fund.

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

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2020/21

## Business Plan & Budget

## 1. Business Plan

1.1 It is anticipated that 2020/21 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, Data Improvement and Cleansing, Achievement of the Statutory Annual Benefit Statement, Implementation of McCloud provisions, Revised Asset Liability Modelling and Good governance Programme. Public Sector Exit Payments, Review of Academies, Tier 3 Employers and procurement of new contract for Fund Actuary and Investment Advisors.
- **Investment activities:** Review and implement new investment strategy, develop the Fund's ESG credentials, UK Stewardship Code 2020 Principals of Responsible Investment, review and implement agreed changes to the Fund's equity structure, assistance with annual accounts completion, Investment Government, Investment Pooling, Cost Transparency, Cost Management, Strategic ESG Repositioning.
- **ACCESS activities:** ACCESS support unit (ASU), Actively managed listed assets, ACS sub fund construction, transition activity, alternative / non listed assets, passive assets, Governance.
- **Pension Board/Committee Training:** Provision of 3 joint Committee and Board Training days, Provision of 2 Investment Governance/Strategy days, Attendance at third party provided LGPS related training, Breaches, Good Governance.
- **Pension Administration:** Performance Management Group, Maintaining Member Data, Data Improvement Programme, ABS Compliance and Service Level Agreement Oversight, Orbis Service Improvement Programme and Robust Employer Engagement

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 2020/21 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 lead and co-ordinated by the Pension Fund Officers. Pension administration is provided by Orbis Business Operations and reviewed by the Performance Management Group. The Pension Committee and Board will receive updates on the work plan each quarter.

1.4 A budget totalling **£3.730m** (£3.795m February 2020 £4.857m for 2019/20) to support the business plan for 2020/21 is detailed below in Table 1:



Table 1 Pension Fund Management Expenses for Actuals for April 2020

| 2019/20<br>Outturn<br>£000 | Item                                         | 2020/21<br>Budget<br>£000 | 2020/21<br>Actual<br>£000 | 2020/21<br>Outturn<br>£000 |
|----------------------------|----------------------------------------------|---------------------------|---------------------------|----------------------------|
|                            | <b>Pension Fund Oversight and Governance</b> |                           |                           |                            |
| 345                        | Actuarial Fund Work <sup>1</sup>             | 250                       | (41)                      | 250                        |
| 97                         | Actuarial Employer Work <sup>2</sup>         | 150                       | 5                         | 150                        |
| (97)                       | Employer reimbursement <sup>2</sup>          | (150)                     | (3)                       | (150)                      |
| 88                         | Good Governance Program                      | 47                        | 0                         | 47                         |
| 75                         | Data Improvement Program <sup>3</sup>        | 100                       | 0                         | 100                        |
| 8                          | Independent Pension Board Chair              | 5                         | 0                         | 5                          |
| 307                        | Fund Officers <sup>4</sup>                   | 385                       | 0                         | 385                        |
| 28                         | External Audit – Grant Thornton              | 26                        | (9)                       | 26                         |
| 17                         | Internal Audit                               | 19                        | 0                         | 19                         |
| 119                        | Legal Fees <sup>5</sup>                      | 115                       | (13)                      | 115                        |
| 11                         | Subscriptions and other Expenses             | 70                        | 17                        | 70                         |
| <b>998</b>                 | <b>Sub Total</b>                             | <b>1,017</b>              | <b>(44)</b>               | <b>1,017</b>               |
|                            | <b>Investment activities</b>                 |                           |                           |                            |
| 114                        | Investment Consultant                        | 120                       | (8)                       | 120                        |
| 0                          | PIRC ESG Report                              | 11                        | 0                         | 11                         |
| 0                          | EIRIS Carbon Report                          | 24                        | 0                         | 24                         |
| 11                         | Independent Advisor Basic                    | 12                        | 0                         | 12                         |
| 5                          | Independent Advisor Project work             | 8                         | (2)                       | 8                          |
| 54                         | Custodian                                    | 150                       | 0                         | 150                        |
| 3,003                      | Investment Manager Fee Invoices <sup>7</sup> | 1,200                     | 0                         | 1,200                      |
| <b>3,187</b>               | <b>Sub Total</b>                             | <b>1,525</b>              | <b>(10)</b>               | <b>1,525</b>               |
|                            | <b>ACCESS</b>                                |                           |                           |                            |
| 67                         | ACCESS Support Unit <sup>8</sup>             | 98                        | 35                        | 98                         |
| (3)                        | Fund Officer Time Rebates <sup>8</sup>       | (20)                      | 0                         | (20)                       |
| <b>64</b>                  | <b>Sub Total</b>                             | <b>78</b>                 | <b>35</b>                 | <b>78</b>                  |
|                            | <b>Pension Board/Committee Training:</b>     |                           |                           |                            |
| 0                          | Training Costs <sup>9</sup>                  | 30                        | 0                         | 30                         |
| <b>0</b>                   | <b>Sub Total</b>                             | <b>30</b>                 | <b>0</b>                  | <b>30</b>                  |
| <b>1,106</b>               | <b>Pension Administration:</b>               | <b>1,080</b>              | <b>0</b>                  | <b>1,080</b>               |
| <b>5,355</b>               |                                              | <b>3,730</b>              | <b>(19)</b>               | <b>3,830</b>               |

<sup>1</sup>Due to issues raised in internal audit reports we are anticipating the actuary having to carry out additional work in 2020/21 until these are resolved.

<sup>2</sup>As we are exiting a valuation year we expect the employer queries to decrease in 2020/21

<sup>3</sup>This is a one of project approved by the Pension Committee to improve the current standard of pensioner data that is held on our pension system.

<sup>4</sup>Due to Vacancies in the current team it is anticipated that more expensive temporary staff will be need until the Good Governance Project is completed.

<sup>5</sup>There is currently a lot of specialist advice that the Fund is seeking in response to the breaches that the Fund has reported to the Pension Regulator this is anticipated to still be required in 2020/21.

<sup>6</sup>New budget items determined after procurement of services.

<sup>7</sup>The Fund's investment managers that have now transferred into the ACCESS sub-funds are no longer contracted directly to the Fund. The Fund will therefore no longer pay the investment manager fees directly and these will be a charge within the sub-fund structure taken out of the assets of the sub-funds.

<sup>8</sup>As ACCESS is moving from the set-up phase to more business as usual footing it is expected to reduce the contribution to run the Pool. The ASU function is now fully staffed and virtual technical leads time being recharged.

<sup>9</sup>A dedicated training budget has been created to ensure the Board and Committee get the training they require to perform their functions.

<sup>10</sup>To ensure of deferred pension data is accurate a tracing services project is being undertaken in 2020/21

### **Key budget assumptions**

1.5 The key budget assumptions are set out below

- Staffing budgets have been left at the same level as the previous year until the implications of the Good Governance Review are understood.
- Training costs are based on three training sessions run by East Sussex Pension Fund at a cost of £5,000 each, two investment governance sessions at £5,000 each and £5,000 for external training events.
- ACCESS cost based on the budget set by the ACCESS Joint Committee.
- Manager fees based on invoiced fees only and these are anticipated to only be payable to UBS and Schroders in 2020/21. Fees are based on the assets under management no movement has been included in this figure.
- The budget excludes estimates for the Service Improvement Programme and Good Governance Programme, but these may be considered at a late date.

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                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |  |
|-------------------------------------------------|------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| <b>Fund Oversight and Governance activities</b> | Fund/Employer actuarial work | 2019 Valuation close-off/<br><br>Employer accounting reports/Employer requests/<br>Bulk Transfers calculations<br><br>Regular meeting attendance / Officer Support<br><br>Employer asset tracking (HEAT)<br><br>Benefits Consultancy and Governance support/Club Vita longevity analysis/ | Actuarial Valuation completed by the 31 March 2019 and submitted by the Actuary to MHCLG.<br><br>SLA between Orbis and Pension Administration awaiting agreement by Orbis.<br><br>Actuary attendance on 8 June 2020 and 22 June 2020<br><br>Employer FRS102 and IAS 19 reporting generated through HEAT with returns due by (July 2020)<br><br>Actuary consultancy undertaken in regard to errors in Pension Increase calculation and to agree the deferral of contributions policy and exit credit policy. |  |
|                                                 | Fund external legal advice   | LGPS specific legal advice provided by external specialist lawyers.                                                                                                                                                                                                                       | Legal consultancy undertaken in regard to deferral of contributions and exit credit policy and employer admissions and cessations.                                                                                                                                                                                                                                                                                                                                                                          |  |
|                                                 | Pension Fund Annual Report   | Statutory documents produced once a year providing information on the Pension Fund activities over the past                                                                                                                                                                               | Annual report and Accounts are                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |  |
|                                                 |                              |                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |  |
|                                                 |                              |                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |  |

| Theme                        | Tasks                                      | 2020/21 activity                                                                                                       | Action Update                                                                                                                                                                                                                                                                                                                      |
|------------------------------|--------------------------------------------|------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                              | and Accounts                               | year.                                                                                                                  | outstanding. Draft accounts due to be submitted to Grant Thornton by 22 May 2020.                                                                                                                                                                                                                                                  |
|                              | External audit                             | External Audit: statutory audit of the 2019/20 Pension Fund accounts.                                                  | Draft accounts due to be submitted to Grant Thornton by 22 May 2020.                                                                                                                                                                                                                                                               |
|                              | Internal audit                             | Internal Audit: delivery of the 2020/21 Internal Audit Plan                                                            | Internal Audit update of management actions included in the Appendix to this business plan.                                                                                                                                                                                                                                        |
|                              | Good Governance                            | Implementing the Good Governance Project to ensure that the Pension Fund has appropriate governance in place.          | The governance project has ended with a report to the board and committee planned to take place on 27 May 2020.                                                                                                                                                                                                                    |
|                              | Procurements                               | Strategically important procurement of Investment Consultant and Actuary                                               | The following procurements have commenced under the national frameworks for the: Actuary; Investment Advisor, Benefit Consultancy. Tenders are due to be advertised in June with evaluations in August for decision by Pension Committee in September 2020. The evaluation committee Michelle King, William Bourne, Russell Woods. |
| <b>Investment activities</b> | Review and implement agreed changes to the | Implement any strategic changes agreed at the Q1 2020 strategy review.<br>Review the Fund's private markets programme. | Asset Liability Model taking place in May 2020 to determine passive/active mix; private                                                                                                                                                                                                                                            |

| Theme         | Tasks                                                                                                                                                                          | 2020/21 activity                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Action Update                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|---------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|               | <p>Fund's equity structure</p> <p>Review and implement new investment strategy</p> <p>Develop the Fund's ESG credentials</p> <p>Assistance with annual accounts completion</p> | <p>Review Passive/Active investment position. Review the Income generation of the Fund's investments. Once the strategic allocation to equities is agreed, discuss and agree on the equity structure and implement any agreed changes</p> <p>Discuss strategy at the annual strategy day.</p> <p>Consider requirements under the UK Stewardship Code and PRI, with a view to the Fund becoming a signatory.</p> <p>Undertake the transition pathway analysis in respect of the Longview holdings.</p> <p>Collate quarterly analysis of fossil fuel exposure and voting &amp; engagement records.</p> <p>Prepare the usual information for the Report &amp; Accounts, including performance and private markets summary</p> | <p>markets; infrastructure, protection and ESG assets. Revised strategic asset allocation to be determined and presented to the Committee in June 2020. Equity structure to be determined within this process.</p> <p>Investment strategy and revision to ISS to be discussed in June 2020.</p> <p>This action has commenced with a report to September Committee<br/>Action in progress – Sept 2020 Committee Report</p> <p>Q1 Report to June 2020 Committee</p> <p>Action presently outstanding</p> |
| <b>ACCESS</b> | <p>ACCESS Support Unit</p> <p>Actively managed listed assets</p>                                                                                                               | <p>The size and scope of the ASU will be reviewed during 2020/21.</p> <p>The completion of pooling active listed assets within the Authorised Contractual Scheme (ACS). Ongoing monitoring and engagement with the operator and investment managers of the ACS sub-funds</p>                                                                                                                                                                                                                                                                                                                                                                                                                                               | <p>Workstream not commenced.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |

| Theme                                   | Tasks                                             | 2020/21 activity                                                                                                                                                                                 | Action Update                                               |
|-----------------------------------------|---------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------|
|                                         | Alternative / non listed assets                   | The initial implementation of pooled alternative assets.                                                                                                                                         |                                                             |
|                                         | Passive assets                                    | Ongoing monitoring and engagement with UBS.                                                                                                                                                      |                                                             |
|                                         | Governance                                        | The application of appropriate forms of governance throughout ACCESS.                                                                                                                            |                                                             |
| <b>Pension Board/Committee Training</b> | 3 joint Training days                             | Provision of speakers to deliver East Sussex Pension Fund lead training.                                                                                                                         | Training strategy presented in June 2020                    |
|                                         | 2 Investment Strategy days                        | Commissioning work to examine the current investment strategy                                                                                                                                    | In place in section on ALM.                                 |
|                                         | Third party training                              | Identifying useful third party provided session that will be useful for ESPF to attend.                                                                                                          | Training strategy presented June 2020                       |
| <b>Pension Administration</b>           | Performance Management Group                      | Overseeing the activities of the administration service.                                                                                                                                         | Workstream planned to commence in July 2020                 |
|                                         | Maintaining Member Data / Data / Improvement Plan | Day to day imputing of data into the pension system to ensure the records are up to date. Identifying areas where data within the pension system can be improved and developing plan of redress. | Data Improvement Programme underway - report in this agenda |
|                                         | ABS Production                                    | 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.                                                | ABS programme underway – report in this agenda.             |

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:**

- Good Governance Review
- Data Improvement

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**

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 review is not purely focussed on the SAB project, but also incorporate other areas of best practice, including requirements within other guidance such as from The Pensions Regulator, MHCLG (the legislators for the LGPS) and CIPFA (relating to professional standards) as described in the next section of this report.

The guidance and requirements that are subject to the Good Governance Review are as follows:

- SAB Good Governance Project – phase 2 report ("SAB Good Governance Project Outcomes ")
- MHCLG Statutory Guidance on Governance Compliance Statements2 ("MHCLG Statutory Governance Guidance")

- The Pensions Regulator's Code 14: Governance and administration of public service pension schemes<sup>3</sup> ("TPR Code of Practice")
- CIPFA's Administration in the LGPS: a guide for pensions authorities<sup>4</sup> ("CIPFA Administration Guide")

## Data Improvement

The recent issues noted by the Pension Administration in delivering the 2019 Annual Benefit Statements has highlighted a number of concerns regarding scheme employer understanding of their responsibilities, as well as their ability to provide accurate and complete data in a timely manner. The Fund Actuary, Hymans Robertson, in undertaking of the Triennial Valuation as at 31 March 2019, similarly identified a high level of validation and critical data error points within scheme employer common and scheme specific data, which highlights the need to undertake an assessment and review of employer data sets.

Given the increased focus of the Pension Committee regarding day-to-day administration, together with the accuracy of member data and its impact on scheme liabilities the purpose of this report is to set out the steps being proposed to undertake a comprehensive review of scheme member data held by scheme employers, reconcile this with that held on scheme member data records and ensure appropriate procedures are in place to support scheme employers for the future.

A workshop was held on 22 October 2019 to gain a common understanding of the challenges and agree priorities to inform the objectives and scope detailed in this document. The project proposals were presented to the East Sussex Pension Board on 11 November 2019 and a recommendation to proceed was made to the Pension Committee, who then approved the project scope and spend on 25 November. The Pension Committee created a delegated approval board, the ABS Working Group, terms of reference are attached as an appendix (where?)

The Pensions Regulator (TPR) has set targets of 100% for both common and scheme specific data, although the exact definition of scheme specific data for the LGPS has still to be confirmed by the Scheme Advisory Board. In measuring scheme specific data, therefore, the ESPF uses measurements set out in the Heywood Altair reporting as benchmarks to measure its data quality.

The key objectives of the data cleanse project are:

- to ensure accuracy of historic active scheme member data records to 31 March 2020, to ensure the correct calculation of pension entitlements and employer liabilities;
- to ensure that the ESPF is compliant with legislation and in particular, with the guidance of TPR. Furthermore, in doing so, to ensure it establishes a robust, reviewable and transparent framework necessary for the acquisition and upkeep of accurate, complete and up-to-date records
- to ensure the ESPF 2020 annual benefit statement exercise is successfully completed in advance of the statutory 31 August deadline;
- to ensure the percentage of Annual Benefit Statement sent on time is as close to 100% as possible;
- to prepare Orbis Business Operations and the participating scheme employers for the introduction of monthly receipt and posting of scheme member pension contributions and member data via the i-Connect module of the administration system Altair;



- to avoid censure from TPR as a consequence of any material breaches of the law directly attributable to poor or missing scheme member data.

Supplementary benefits of the data cleanse project include:

1. ensuring clarity of roles and responsibilities between the ESPF and scheme employers, ensuring all parties are committed to continuing engagement to improve data quality and promote ongoing accurate record keeping;
2. ensuring that all data collection processes are clearly documented and regularly reviewed to check the validity of data.

## **2. Investment activities:**

### **New Investment Strategy**

As the valuation has taken place during the 2019/20 financial year the Fund will need to carry out asset liability modelling exercise. This will help the Fund determine the best investment strategy for the Fund. The expected result from this is a need to change the strategic asset allocation of the Fund. This is due to better Funding position and the likelihood of reduced employer contribution rates affecting the cashflow of the Fund.

This will require a review of all aspects of the Fund's investments such as the Passive/Active position, the private markets programme.

### **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.

### **Investment Governance**

Our Independent Adviser review the governance of the arrangements under which East Sussex Pension Fund invests its assets. They have not looked at the resources available or value for money achieved, except note that both are important considerations.

The legal and regulatory background has been considered along with the main characteristics of good investment governance and the roles of the main parties involved. This resulted in the following recommendations that are going to be implemented

Recommendation 1: Establish two Working Parties a year in place of the Strategy Day in order to facilitate deeper discussions.

Recommendation 2: Strategic Asset Allocation of the Fund should be the subject of at least an annual discussion at a Working Party, with any changes to be approved at the following PFC meeting.

Recommendation 3: Officers test the current arrangements for implementing changes. When ACCESS is fully up and running, they test the arrangements there too.

Recommendation 4: A review is undertaken of the format of the quarterly monitoring report which Hymans provides for the PFC with the aim of providing the most useful and relevant information clearly.

Recommendation 5: The paper on manager performance benchmarks which Hymans produced in 2018 be subject to discussion and formal approval.

Recommendation 6: When considering a new manager appointment outside the ACCESS pool, Hymans are asked to show a shortlist of at least three managers to the PFC for discussion.

Recommendation 7: The Fund continue to engage with its ACCESS partners to agree possible measures to mitigate concerns over pool governance.

Recommendation 8: The Risk Register's section on investments is reviewed on a regular (i.e. at least every six months) by either the PFC or The IA.

Recommendation 9: The scope of the independent governance review which is likely to be required in the future explicitly include consideration of value for money received from the investment arrangements.

### **3. ACCESS activities:**

#### **Sub Fund transition management**

As at the end of December 2019 there is £24.634 billion of investments pooled within ACCESS. The total number of actively managed listed asset sub-funds created by link is currently 13 with another 14 planned to launch over the next year. There are 3 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 and Governance manual being updated to reflect current

practices. Once these 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, to form part of usual committee and board meetings, plus a separate stand-alone training session.

### **CIPFA Knowledge and Skills Framework**

In January 2010 CIPFA launched technical guidance for Elected Representatives on s101 pension committees and non-executives in the public sector within a knowledge and skills framework. The framework covers six areas of knowledge identified as the core requirements:

- pension accounting and auditing standards;
- financial services procurement and relationship development;
- investment performance and risk management;
- financial markets and products knowledge; and
- actuarial methods, standards and practice.

The Knowledge and Skills Framework sets the skills required for those responsible for pension scheme financial management and decision making under each of the above areas in relation to understanding and awareness of regulations, workings and risk in managing LGPS funds.

**Local Pension Boards: A Technical Knowledge and Skills Framework** In August 2015 CIPFA extended the Knowledge and Skills Framework to specifically include members of local pension boards, albeit there exists an overlap with the original framework. The framework identifies the following areas as being key to the understanding of local pension board members;

- Pensions Legislation;
- Public Sector Pensions Governance;
- Pensions Administration;
- Pensions Accounting and Auditing Standards;
- Pensions Services Procurement and Relationship Management;
- Investment Performance and Risk Management;
- Financial markets and product knowledge;
- Actuarial methods, standards and practices.

Given that the local pension board framework effectively covers the same material as the earlier committee focused one, albeit across 8 modules rather than six, training session for both Committee and Board members will be based around the most recent framework.

CIPFA's Code of Practice on Public Sector Pensions Finance, Knowledge and Skills (the "Code of Practice") recommends (amongst other things) that LGPS administering authorities:

- formally adopt the CIPFA Knowledge and Skills Framework in its knowledge and skills statement;
- ensure the appropriate policies and procedures are put in place to meet the requirements of the Framework (or an alternative training programme);
- publicly report how these arrangements have been put into practice each year.

### **Guidance from the Scheme Advisory Board**

The Scheme Advisory Board has taken note of the regulatory requirements and the principles of the Pension Regulator's code of practice and in January 2015 published Guidance for administering authorities to support them in establishing their local pension board. The Guidance includes a section designed to help local pension board members to understand their knowledge and understanding obligations. While this guidance is aimed at local pension boards, some of the principles and good practice relating to training will be adopted by the Fund in respect of the Committee as well as the Pension Board.

Knowledge and understanding must be considered in the light of the role of a local pension board and East Sussex County Council will make appropriate training available to assist and support Committee and Board members in undertaking their role. The approach, where possible will be to schedule joint training sessions for Board and Committee members.

### **Degree of Knowledge and Understanding**

Committee members should have sufficient knowledge and understanding to make sound decisions in the best interests of the East Sussex Pension Fund. It is the role of the Committee to ensure that the Fund is managed in a way that complies with regulations, any other legislation or professional advice relating to the governance and administration of the LGPS and/or statutory guidance or codes of practice.

### **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:**

### **Performance Management Group**

The Performance Management Group (PMG) has been established to performance manage the new Service Level Agreement with the ORBIS Pensions Administration Service. Under the Local Government Pension Scheme (LGPS) (Administration) Regulations 2013, East Sussex County Council has a statutory responsibility to administer and manage the East Sussex Pension Fund (ESPF) on behalf of all employers participating in the fund and all past and present members, including their dependants.

The Performance Management Group's (PMG) is a local governance structure, to create a legacy of improvement and transformation. Through PMG, East Sussex Pension Fund will place a greater emphasis on offering coordinated, joined up and holistic support for business as usual delivery and improvement. PMG brings together a wealth of expertise on quality, compliance and operational improvement and draws together well developed links with Pension Administration, Fund Advisors, East Sussex Business Leaders and Benefit Consultants to draw down their specialist advice. PMG will act as a critical friend and offer

robust challenge to ensure that participants at every level take the necessary action to the achieve the performance and improvements required.

The PMG will have a key responsibility for ensuring a shared and accurate sense of progress and risks to business as usual, as well as, planned improvement across the pension service to ensure a continuous focus on adding value and building a foundation for ongoing sustainable improvement. Advisors in attendance at PMG will be expected to provide advice to support the successful leadership and delivery of business as usual with a focus on continuous improvement: advising on the continued development, review and monitoring of the administration business plan for East Sussex.

A key function of PMG is to monitor the new Service Level Agreements between the Fund and Orbis and Orbis and the Actuary and to ensure timely oversight on administration matters for seamless service delivery.

### **McCloud Work plan**

This year the Committee and Board will need to agree the actuarial approaches for managing the associated risk and uncertainty within funding strategy until the remedy to McCloud is confirmed, focussing on the 2019 valuation, contributions setting, cessation debts, new employer asset allocations, accounting and bulk transfers.

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.



## Managing ill-health early retirement risk

### Purpose

This paper has been requested by and is addressed to East Sussex County Council as the Administering Authority to East Sussex Pension Fund (“the Fund”). It is intended to provide a general overview of some issues and considerations surrounding the risk to funds in the Local Government Pension Scheme (“LGPS”) of ill health early retirements and the associated additional costs of these. We summarise the various risk mitigation options available. This paper is not intended to provide advice and should be read as such.

### Ill Health Early Retirements costs

When an LGPS member is awarded early retirement on grounds of ill health there is an increase in the pension liability for the participating employer (“the strain cost”). This results from:

- early payment of the pension compared to under normal retirement; and
- an increase in the benefits payable to the member through augmentation awarded on ill-health retirement (either based on full prospective service to retirement for a Tier 1 early retirement or 25% of prospective service for a Tier 2 early retirement).

Ill health early retirements are relatively infrequent (around 1 to 2 per 1,000 employees per annum) but variable and unpredictable. The number and cost can vary significantly from year to year for an employer and at whole fund level. Examples of actual member strain costs experienced from the Fund are given below. These represented an immediate increase to the liabilities (and hence likely deficit) of the employer.

| Employer      | Member age | Member salary | Tier 1 strain cost | Employer payroll |
|---------------|------------|---------------|--------------------|------------------|
| Council       | 50         | £75,000       | £567,000           | £133.0m          |
| College       | 45         | £39,000       | £534,000           | £2.9m            |
| Admitted body | 49         | £19,000       | £163,000           | £1.0m            |
| Academy       | 34         | £20,000       | £155,000           | £2.2m            |
| Town council  | 36         | £18,000       | £110,000           | £0.3m            |

At present the Fund’s approach is that employers effectively self-insure by making a contribution towards potential ill health strain costs via a small proportion of their total contribution rate. For example, East Sussex County Council pay around 0.9% of pay per annum, but this amount varies from employer to employer depending on membership profile. When a member retires due to ill health the strain cost is allowed within the liability at the next valuation and subsequently recovered within future contributions. This contribution arrangement works well for larger employers (e.g. Councils) where large numbers of members make strain costs relatively predictable, but not for medium or smaller employers (e.g. Academies). There is a risk that some employers in the Fund may be unable to meet the strain cost arising from an ill-health early retirement. In the worst-case scenario, the increased deficit and contributions could put an employer out of business.

### Risk management options

Given the above disparity and risk, it has become good practice within the LGPS for funds to have an ill health cost management and mitigation approach. This typically involves either (a) insuring some or all employers via a third party insurer or (b) through internal cost sharing between employers. Each is considered below.

#### (a) Ill health insurance

In exchange for a premium, ill health liability insurance involves an external insurer paying a lump sum equal to the strain cost in the event of an employer's member retiring on ill health grounds. This effectively offsets the additional liabilities in the Fund. Legal & General is the established LGPS provider of the insurance with policies in place across 20 funds with around 1,500 employers covered.

There are three main options for the Fund to use ill health insurance:

- Whole Fund insurance covering all employers
- Partial Fund insurance covering a group of employers selected by the Fund (e.g. small/medium employers)
- Employer "Choice" insurance where each employer holds its own policy, should it elect to do so

The premium for the insurance is calculated as a percentage of each employer's pay and the employer's own regular contributions to the Fund are reduced by the premium. This ensures the employer's annual cash payments to the Fund are the same whether it insures or not. This ensures they are not effectively "paying twice" for ill health costs.

The Fund obtained insurance quotes from Legal & General in 2017 but did not pursue at that stage. The premiums are set out below for context (noting that these are no longer valid, and a revised quote will be required):

- Whole Fund insurance - 0.98% of pay
- Partial Fund insurance – 1.01% of pay
- Employer "Choice" insurance – 1.50% of pay

As with any insurance product, there is a risk that the Fund or employer has fewer ill health early retirements than expected, and so the insurance premium will be higher than the claims made.

Given the points raised above that the current contribution arrangement works well for larger employers, we would question if insurance across all employers (i.e. Whole Fund insurance) is required.

In addition, there is some concern that if employers were offered the choice some may not have the time or knowledge to make an informed decision on what is quite a complex issue. In particular, this may apply to those small and medium sized employers most at risk.

#### (b) Internal cost sharing

An alternative to external insurance is internal cost sharing or "self-insurance". This is simply an internal pooling arrangement between employers within the Fund. With cost sharing, employers with good experience subsidise those with poor experience.

The benefit to the Fund is that employers are not giving up profits to the insurer should experience be good.

Other LGPS funds have found that a major stumbling block to this approach is that employers are normally unhappy to cross-subsidise other employers in such an explicit manner. Therefore, Officers would recommend an employer consultation is carried out to explain the cost sharing approach.

In addition, there is also a danger with this approach that employers become less thorough in their decision-making process to allow an employee to ill health early retire i.e. in being aware they are only partly responsible for their own costs.

The Fund's actuary would implement the internal ill health cost sharing as part of the formal valuation process. The cost of setting up and running the arrangement would be small relative to total strain costs.

### Next steps

Currently, Fund employers are (often unwittingly) exposed to ill health strain cost risk, both from their own adverse experience but also from the cost of another employer becoming insolvent as a result of unaffordable strain costs. We would suggest the Fund reviews this paper and considers putting in place an ill health risk management approach to mitigate these risks.

We would recommend a short call to discuss any questions you may have before proceeding.

### Reliances and limitations

This paper has been commissioned by East Sussex County Council. It intended for the use by East Sussex County Council only for the purposes of considering its options to manage ill-health early retirement risk.

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The following Technical Actuarial Standards<sup>1</sup> are applicable in relation to this report and have been complied with where material:

- TAS 100; and
- TAS 300.

<sup>1</sup> Technical Actuarial Standards (TASs) are issued by the Financial Reporting Council (FRC) and set standards for certain items of actuarial work.

Prepared by:-

Robert McInroy FFA    Richard Warden FFA

May 2020

For and on behalf of Hymans Robertson LLP

Report to: **Pension Board**

Date of meeting: **8 June 2020**

By: **Chief Internal Auditor**

Title of report: **Draft East Sussex Pension Fund Internal Audit Strategy**

Purpose of report: **To consider the East Sussex Local Government Pension Scheme Internal Audit Strategy and Plan 2020/21**

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## **RECOMMENDATIONS**

**The Board is recommended to consider and endorse the East Sussex Local Government Pension Scheme Internal Audit Strategy and Plan 2020/21, attached as Appendix 1**

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### **1. Background**

1.1 The East Sussex Local Government Pension Scheme Internal Audit Strategy and Plan 2020/21 sets out the approach Internal Audit takes when planning its assurance on the effectiveness of controls over the East Sussex Pension Fund (ESPF). In particular, it sets out the risks inherent in administering a large and complex scheme so that audit resources may be focussed on areas where these risks are highest.

1.2 Input has been sought from officers responsible for running the Scheme and from the Chairs of both the Pension Board and the Pension Committee and their contributions have been fed into the draft Strategy.

### **2. Supporting Information**

2.1 The Strategy will provide a detailed framework to cover our work for the year and will be delivered in line with proper internal audit practices as required by the Public Sector Internal Audit Standards (PSIAS).

2.2 In presenting this Strategy, we recognise the impact of the current Coronavirus pandemic, which could potentially result in changes during the year to respond to any new risk exposures arising from the crisis. It could also affect our ability to deliver the Strategy in full. Any changes will, however, continue to be made in full consultation with, and the agreement of, management, the Board and Committee.

### **3. Conclusions and Reasons for Recommendation**

3.1 The Pension Board is recommended to consider the East Sussex Local Government Pension Scheme Internal Audit Strategy and Plan 2020/21 and endorse its approval by the Pension Committee.

**RUSSELL BANKS**  
Orbis Chief Internal Auditor

Contact Officer: Nigel Chilcott, Audit Manager  
Tel No.: 01273 481992

BACKGROUND DOCUMENTS:  
None

**East Sussex**  
**Local Government Pension Scheme**  
**Internal Audit Strategy and Plan**  
**2020/21**

## 1. Introduction

- 1.1. The scheme provides retirement benefits for employees of the County Council and 134 other employer organisations, including Brighton & Hove City Council, district and borough councils and academic institutions.
- 1.2. We (the Orbis Internal Audit & Counter Fraud Team) provide internal audit services to the East Sussex Pension Fund.

## 2. Objective

- 2.1. The objective of this Pension Scheme Audit Strategy and Plan (The Strategy) is to provide the Scheme with a consistent, risk-based approach to determining an internal audit programme for the Pension Fund, which takes maximum advantage of the available sources of internal and external assurance.
- 2.2. In March 2007, the Local Authority Working Group on the Audit of Investment Managers [LAWGAIM] and the County Chief Auditors Network [CCAN] published '*Good Practice Guidance: Gaining Assurance Over the Governance and Administration of Pension Funds, and Pension Fund Investment Management – A Guide for The Internal Auditor*'. Whilst this guidance is now some 13 years' old, no new guidance has been produced and this, therefore, remains the principal steer in establishing our Strategy. However, we acknowledge that there have been considerable changes to the pension environment and this Strategy has sought to recognise them.
- 2.3. The most significant of the recent changes to pensions is the introduction of pooling arrangements. These were introduced to:
  - a) achieve the benefits of scale;
  - b) provide strong governance and decision making;
  - c) reduce costs; and
  - d) improve capacity to invest in infrastructure.
- 2.4. The ESPF pools funds with another 10 funds to create the ACCESS Pool, a collaboration of central, eastern and southern shires. The ACCESS pool has assets of £49.1bn with the ESPF representing £3.9bn of these. We are liaising with the other authorities in the Pool to arrange and ensure appropriate coverage whilst avoiding duplication.
- 2.5. The Strategy seeks to provide assurance on the following aspects of pension fund activities:
  - Pension Fund governance;
  - The Pension Fund's compliance with regulatory requirements;
  - Pension Fund investments and pooling arrangements;



- Internal controls of external fund managers;
- Pension Fund administration – people, processes and systems;
- Processes to validate the accuracy and completeness of management reports; and
- Information governance.

2.6. Additionally, for 2020/21, we shall carry out follow-ups of the following two audits from 2019/20 in which we gave opinions of Minimal Assurance and Partial Assurance respectively:

- Pension Administration – People, Processes and Systems; and
- Pension Fund - Compliance with Regulatory Requirements.

### 3. Approach

- 3.1. The Strategy uses risk assessment as its foundation. On a periodic basis, risks will be reviewed in consultation with the Chairs of the Pension Committee and Board and with management to identify any new risks. The risk assessment will consider the materiality and significance of the processes involved, any negative factors such as problems or significant changes and any positive factors, which provide comfort or assurance. It should be borne in mind that the Pension Fund is a material and fundamental financial system in its own right and, as such, should be subject to a level of coverage that complements the work of the Scheme's external auditors.
- 3.2. The outcome of the risk assessment will be an objective view of those areas of the business where the organisation requires assurance that risks are being managed effectively. Internal Audit will then use a number of potential sources to provide that assurance.
- 3.3. For externally managed investments, Internal Audit will make use of assurance reports from the investment managers, custodians and property managers. The highest level of assurance will be placed on annual reports that comply with the Institute of Chartered Accountants' AAF 01/06 'Assurance reports on internal controls of services organisations made available to third parties' and the UK Financial Reporting Council's Corporate Governance Code (or international equivalents). These documents are used to gain assurance over external investment management activities. If such documents are not available or do not comply with these standards, some reliance may still be placed on local management assurance processes. Additionally, depending on the level of risk identified, specific internal audit work may be required. Levels of testing will be varied, depending on risk.
- 3.4. Where possible, direct access to source data will be obtained, including to data held in the administration system (Altair), information passed via the Pension Regulator's on-line portal and HMRC's event reporting portal. Where access cannot be obtained, this will be reported.

- 3.5. Throughout the year, there will be routine liaison between Internal Audit and officers representing the Fund to identify emerging risks and ensure that this Strategy continues to reflect the needs of, and risks to, the Fund, acknowledging that COVID-19 has already affected the way many areas of the pension administration are being delivered. It is likely to have a wider impact on the Fund, in particular on the performance of its investments. It may also affect our ability to deliver the Audit Strategy and Plan in full during 2020/21.
- 3.6. Following the issues raised in the audits of 2019/20, we have increased the number of audit-days from 47 to 100 for the year 2020/21. This level of coverage will be reviewed at the end of the year to ensure that it remains proportionate and continues to meet the needs to the Fund.
- 3.7. Work is underway to re-procure the audit administration system (currently Altair) and any change will result in a significant implementation project. Furthermore, a Good Governance Review is underway, based on the Scheme Advisory Board's (SAB) Good Governance Project, with the objective of ensuring continuing compliance with SAB requirements. Where required, we shall provide advice and support for these developments (e.g. the creation of a new Service Level Agreement). Any resulting changes to the Audit Strategy will be presented to the Pension Committee for its approval.

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

- 4.1. Audits of the Pension Fund will be carried out in accordance with the professional standards set out in the Public Sector Internal Audit Standards.

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

- 5.1. Internal Audit work will be reported in the following manner:
  - Terms of Reference will be drafted and agreed with management;
  - An initial draft report will be issued to management for its comments on factual accuracy and response to the issues and risks identified;
  - A final report that includes agreed actions and implementation dates will be published to management.
  - The results of audit work on the Scheme will be reported:
    - in full, to the Pension Board and Pension Committee; and
    - in summary form, to the Audit Committee as part of our quarterly progress reports.
- 5.2. Audit work for 20/21 will be reported in five separate reports (in addition to any specific follow-up audits), covering the risks detailed below:

- Governance
  - Inadequate governance arrangements, including unclear delegation of key functions, result in poorly defined Fund objectives and ineffective strategic oversight;
  - Lack of resilience on the part of the Fund, or an inexperienced Board or Committee may weaken stewardship of the Fund;
  - Ineffective risk management arrangements result in financial loss and reputational damage to the Council;
  - Ineffective communication or poor professional advice results in a lack of understanding amongst relevant stakeholders and/or poor decision making;
  - Inaccurate reporting (including performance targets and breaches) results in a failure to identify and correct poor performance.
  
- Investments and External Control Assurance
  - Poor performance of the Fund results in financial loss and reputational damage;
  - Investment returns are not received in full in a timely manner;
  - Accounting of the Pension Fund is inaccurate resulting in mis-statement of Fund accounts;
  - East Sussex Pension Fund assets or investment opportunities may be lost, due to the ACCESS Operator, Fund Managers/Custodian not maintaining adequate systems of internal control;
  - The ACCESS pool does not exploit benefits of economies of scale resulting in a failure to save costs and the pool not returning excellent value for money.
  
- Compliance with Regulatory Requirements
  - Scheme governance arrangements do not meet regulatory requirements, leading to regulatory sanction and/or reputational damage to the Council;
  - Investment management arrangements do not meet regulatory requirements, leading to regulatory sanction and/or reputational damage to the Council; and
  - Pension administration arrangements do not meet regulatory requirements, leading to regulatory sanction and/or reputational damage to the Council.
  
- Pension Administration – People, Processes and Systems.

- Inaccuracies in the calculation of pension benefit entitlements may cause financial loss to the scheme or financial hardship to members and reputational damage for the Council.
  - Poor or inadequate delivery of the pension administration service by Orbis Business Operations may result in reputational damage for the Council and/or complaints by members.
  - Non-collection of, or inaccuracies in, pension contributions increases the risk of Pension Fund deficit.
  - Without appropriate checks and guarantees on the funding levels of new and existing employers, the Fund may be exposed to additional financial risk.
  - Poor data quality leads to inaccuracies in transactions, or a failure to meet statutory requirements (e.g. ABS production and distribution), resulting in financial loss, and/or regulatory sanction.
  - Poorly executed procurement of a new administration system and/or project management for its implementation may lead to poor value for money and/or ineffective service delivery, including as a result of lost or corrupted data.
- Information Governance
    - Unclear responsibility for data ownership increases the risk of breaches of the Data Protection Act and weakness management's ability to identify and resolve issues.
    - Inappropriate access to Pension Fund systems may result in the loss, corruption or compromise of data.
    - Poor control of data in transit may result in unauthorised disclosure of personal information, resulting in reputational damage and regulatory sanction.

**Report to:** Pension Board

**Date of meeting:** 8 June 2020

**By:** Chief Finance Officer

**Title:** External Audit Plan for the East Sussex Pension Fund 2019/20 and PSAA Fee Scales 2020/21

**Purpose:** To inform the Board of the content of the East Sussex Pension Fund's External Audit Plan for 2019/20, together with the fees for 2020/21

---

## RECOMMENDATION

The Board is recommended to

1. consider and comment on the External Audit Plan for the East Sussex Pension Fund for 2019/20
  2. note the Public Sector Audit Appointments (PSAA) Fee Scales 2020/21 letter
- 

### 1. Background

1.1 The East Sussex Pension Fund (ESPF) External Audit Plan provides an overview of the planned scope and timing of the statutory audit of the ESPF accounts and identifies any significant risks. Grant Thornton (GT), as the ESPF's external auditors, must form and express an opinion on the ESPF's financial statements.

### 2. 2019/20 Financial Statements

2.1 The draft ESPF External Audit Plan for 2019/20 (Appendix 1) identifies four significant risks that require audit consideration as they could potentially cause a material error in the financial statements. These are:

- Revenue recognition, including fraudulent transactions (this presumed risk has been rebutted);
- Management override of controls (journals, estimates and transactions);
- Valuation of hard to price Level 3 investments (require judgement to establish value)
- COVID-19

2.2 The timescales for the production of the accounts have been moved back such that the unaudited draft financial statements will be produced by the first part of June 2020 (in previous years the deadline was 31 May), as they form part of the East Sussex County Council's statement of accounts. The audit will be conducted from 22 June 2020. The plan will also be considered by the Pension Committee on 22 June 2020.

2.3 The proposed audit fee for 2019/20 is £27,487, which is a significant increase from the 2018/19 original fee of £20,487. GT levied additional fees for 2018/19 of £5,000, which were challenged with the Public Sector Audit Appointments (PSAA), who reduced them to £3,000. The total fees for 2018/19 were £23,487.

2.4 The ESPF External Audit Plan on page 12 sets out the rationale for the proposed increase in fees. There is a driver nationally, particularly from the Financial Reporting Council (FRC), for audit firms to improve the quality of the work they undertake, particularly where there are external valuations and estimates included within the accounts. This pressure has arisen since services were tendered for from 2018/19; so an increase in fees may be expected. The proposed variations to the core fee will be assessed the PSAA for reasonableness.

2.5 The PSAA Fee Scales letter at Appendix 2, provides an update on national issues impacting on external audit, together with the proposed fee for 2020/21. The core fee, prior to any agreed variations, for 2020/21 has been set at 20,487, the same level as 2019/20.

### **3. Conclusion and Recommendation**

3.1 The ESPF External Audit Plan is presented to Board for consideration and comment. The Plan will also be presented to the Pension Committee on 22 June 2020. The Board is recommended to note the letter from the PSAA.

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

Contact Officer: Ian Gutsell, Chief Finance Officer  
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Local Member(s): All

Background Documents  
None

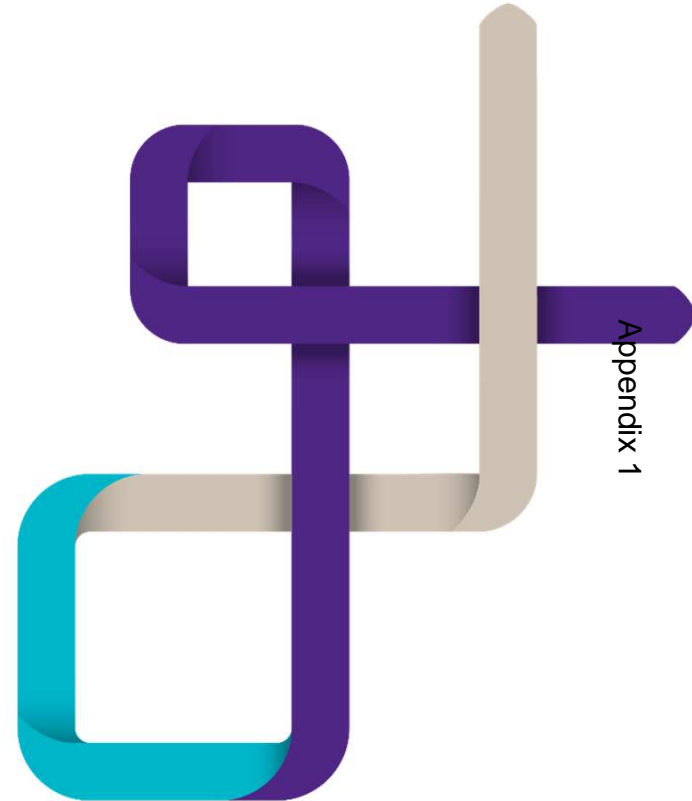
# External Audit Plan

*Year ending 31 March 2020*

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East Sussex Pension Fund  
27 April 2020

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# 1. Introduction & headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of East Sussex Pension Fund ('the Pension Fund') for those charged with governance.

## Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of East Sussex Pension Fund. We draw your attention to both of these documents on the [PSAA website](#).

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Pension Fund's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit Committee).

The audit of the financial statements does not relieve management or the Audit Committee or the Pension Committee of your responsibilities. It is your responsibility to ensure that proper arrangements are in place for the conduct of your business, and that public money is safeguarded and accounted for properly.

Our audit approach is based on a thorough understanding of your business and is risk based.

## Significant risks

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Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls;
- Level 3 asset valuations;
- Covid-19.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

## Materiality

We have determined materiality at the planning stage of our audit to be £36m (PY £36m) for the Pension Fund, which equates to approximately 1% of your prior year net assets for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £1.8m (PY £1.8m).

## Audit logistics

Our interim visit will take place in March and our final visit will take place in June and July. Our key deliverables are this Audit Plan and our Audit Findings Report. Our audit approach is detailed in Appendix A.

Our fee for the audit will be £27,487 (PY: £23,487) for the Pension Fund, subject to meeting our requirements set out on page

## Independence

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..

## 2. Key matters impacting our audit

### Factors

#### The wider picture and political uncertainty

- Local Government funding continues to be stretched with increasing cost pressures.
- The market value of LGPS funds at end of March 2019 was £287.2 billion (an increase of £16.3 billion or 6.0%) but for the first time, the LGPS in England & Wales is now cashflow negative, with benefit payments rising to £10.4bn while contributions fell to £9.3bn. There are now over 18,000 employers. Local authorities represent around 74% of scheme members.
- LGPS has undergone a full revaluation in 2019 in line with the triennial programme. This will be reflected in your 2019/20 financial statements.
- The UK left the EU on 31 January 2020 and Covid-19 has spread across the globe. The economic impact of these factors remains uncertain as is the wider global economic picture. You will need to ensure that your investment strategy has considered potential outcomes.

#### Governance

- The Scheme Advisory Board (SAB) has published the *Good Governance – Phase II Report*. Proposals include having a single named officer responsible for the delivery of LGPS related activity for a fund, an enhanced annual governance compliance statement and establishing a set of key performance indicators.
- SAB is also consulting on Responsible Investment guidance to assist and help investment decision makers.
- tPR continues to apply pressure on pension schemes to improve the quality of scheme member data. The 2019 valuation process will likely have thrown up some data issues (large or small) that need addressing.

#### Financial reporting and audit – raising the bar

The Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge, and to undertake more robust testing as detailed in Appendix 1.

Our work across the country in 2018/19 has highlighted areas where financial reporting, needs to be improved (in particular level 3 and financial instrument investment valuations and disclosures), with a corresponding increase in audit procedures.

### Our response

- We will consider the valuation of the pension assets in light of the impact of Brexit and Covid-19
- We have included a financial statement level significant risk in this audit plan in relation to Covid-19.
- We will review the disclosures in your financial statements and Annual Report against our knowledge of you as an entity.
- We will undertake additional work over your member data accuracy and completeness as requested by Scheme Employer auditors in this the triennial valuation year.

- We will consider the your responses to the SAB initiatives and whether they impact upon our risk assessment.
- We will consider the impact of any data issues raised as part of the 2019 valuation and recent internal audit reports prior to testing member data as part of our audit.
- We will consider the internal environment in relation to your member data processing at Surrey County Council in light of the recent internal audit report which resulted in a rating of 'no assurance'.

- As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and financial reporting. Our proposed work and fee is set out on page 10 of this Audit Plan.

### 3. Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

| Risk                                                                        | Reason for risk identification                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Key aspects of our proposed response to the risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|-----------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>The revenue cycle includes fraudulent transactions (rebutted)</b></p> | <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including East Sussex County Council and East Sussex Pension Fund, mean that all forms of fraud are seen as unacceptable</li> </ul> <p>Therefore we do not consider this to be a significant risk for East Sussex Pension Fund.</p> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <p><b>Management over-ride of controls</b></p>                              | <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Fund faces external scrutiny of its spending and stewardship of funds and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate the design effectiveness of management controls over journals;</li> <li>• analyse the journals listing and determine the criteria for selecting unusual journals;</li> <li>• test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;</li> <li>• gain an understanding of the accounting estimates and critical judgements applied by management and consider their reasonableness with regard to corroborative evidence;</li> <li>• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul> |

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### 3. Significant risks

| Risk                                  | Reason for risk identification                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Key aspects of our proposed response to the risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|---------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Level 3 Asset Valuation</b></p> | <p>You revalue your investments on an annual basis with the aim of ensuring that the carrying value of these investments is not materially different from their fair value at the balance sheet date.</p> <p>By their nature level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (£618 million) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p> <p>Management utilise the services of investment managers and custodians as valuation experts to estimate the fair value as at 31 March 2020.</p> <p>We therefore identified valuation of Level 3 investments as a significant risk.</p> | <p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate management's processes for valuing Level 3 investments;</li> <li>• review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; against the requirements of the Code;</li> <li>• independently request year-end confirmations from investment managers and custodian;</li> <li>• for a sample of investments, test the valuation by obtaining and reviewing the audited accounts at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconcile those values to the values at 31 March 2020 with reference to known movements in the intervening period;</li> <li>• in the absence of available audited accounts, we will evaluate the competence, capabilities and objectivity of the valuation expert;</li> <li>• test revaluations made during the year to see if they had been input correctly into the Pension Fund's asset register;</li> <li>• where available review investment manager service auditor report on design effectiveness of internal controls.</li> </ul> |

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### 3. Significant risks

| Risk                   | Reason for risk identification                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Key aspects of our proposed response to the risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Covid-19</b></p> | <p>The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to;</p> <ul style="list-style-type: none"> <li>• Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation</li> <li>• Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation, and the reliability of evidence we can obtain to corroborate management estimates</li> <li>• For instruments classified as fair value through profit and loss there may be a need to review the Level 1-3 classification of the instruments if trading may have reduced to such an extent that quoted prices are not readily and regularly available and therefore do not represent actual and regularly occurring market transactions.</li> <li>• Whilst the nature of the Fund and its funding position (i.e. not in a winding up position or no cessation event) means the going concern basis of preparation remains appropriate management may need to consider whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and</li> <li>• Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties.</li> </ul> <p>We therefore identified the global outbreak of the Covid-19 virus as a significant risk,</p> | <p>We will:</p> <ul style="list-style-type: none"> <li>• Work with management to understand the implications the response to the Covid-19 pandemic has on the organisation’s ability to prepare the financial statements and update financial forecasts and assess the implications on our audit approach</li> <li>• Liaise with other audit suppliers, regulators and government departments to co-ordinate practical cross sector responses to issues as and when they arise</li> <li>• Evaluate the adequacy of the disclosures in the financial statements in light of the Covid-19 pandemic. Including management’s assessment of the impact of Covid 19 upon employer covenants and forecast cashflows.</li> <li>• Evaluate whether sufficient audit evidence using alternative approaches can be obtained for the purposes of our audit whilst working remotely</li> <li>• Evaluate whether sufficient audit evidence can be obtained to corroborate management’s fair value hierarchy disclosure</li> <li>• Evaluate whether sufficient audit evidence can be obtained to corroborate significant management estimates such as Level 3 asset valuations.</li> <li>• Discuss with management any potential implications for our audit report if we have been unable to obtain sufficient audit evidence.</li> </ul> |

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2020.

## 4. Other matters

### Other work

The Pension Fund is administered by East Sussex County Council (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements.

Therefore, as well as our general responsibilities under the Code of Practice a number of other audit responsibilities also follow in respect of the Pension Fund, such as:

- We read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.
- We consider our other duties under legislation and the Code, as and when required, including:
  - Giving electors the opportunity to raise questions about your 2019/20 financial statements, consider and decide upon any objections received in relation to the 2019/20 financial statements;
  - Issue of a report in the public interest or written recommendations to the Fund under section 24 of the Act, copied to the Secretary of State.
  - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
  - Issuing an advisory notice under Section 29 of the Act.
- We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.

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### Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

### Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the Pension Fund's ability to continue as a going concern" (ISA (UK) 570).

Currently, the accounts of the Pension Fund are expected to be prepared on a going concern basis. We will review management's assessment of the going concern assumption and any material uncertainties, and evaluate the disclosures in the financial statements.

# 5. Materiality

## The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

## Materiality for planning purposes

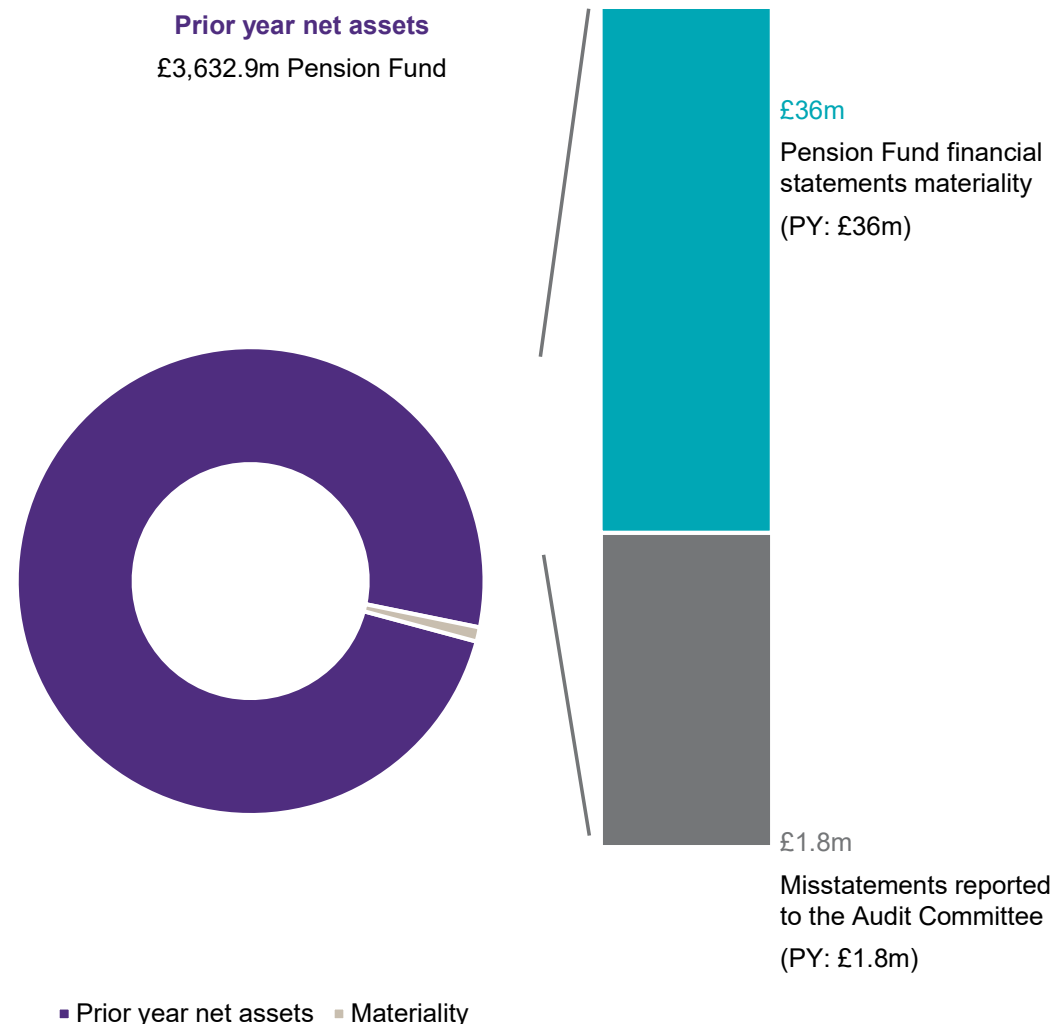
We have determined financial statement materiality based on a proportion of the net assets of the Pension Fund for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £36m (PY £36m) for the Pension Fund, which equates to approximately 1% of your prior year net assets for the year.

We do not consider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

## Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £1.8m (PY £1.8m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.



# 6. Audit logistics & team



### Darren Wells, Key Audit Partner

Darren will be the main point of contact for the Chief Executive and Members. Darren will share his wealth of knowledge and experience across the sector providing challenge, sharing good practice and acting as a sounding board with Members and the Audit Committee. Darren will review all reports and the team’s work, focussing his time on the key risk areas of the audit.



### Marcus Ward, Audit Manager

Marcus will work with senior members of the finance team ensuring testing is delivered and any accounting issues are addressed on a timely basis. Marcus will ensure our audit is tailored specially to you and high quality audit is delivered efficiently. Marcus will undertake reviews of the team’s work and draft reports for Audit Committee ensuring they remain concise and understandable.



### Mary Adeson, Audit Incharge

Mary will lead the onsite team and will be the day to day contact for the audit. Mary will monitor the deliverables, including managing the query log with your finance team and highlighting any significant issues and adjustments to senior management. Mary will undertake the more technical aspects of the audit, coach the junior members of the team and review the teams’ work

### Client responsibilities

Where clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

### Our requirements

To minimise the risk of a delayed audit, we ask that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.



# 7. Audit fees

## Planned audit fees 2019/20

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing. Within the public sector, where the FRC has recently assumed responsibility for the inspection of local government audit, the regulator requires that all audits achieve a 2A (few improvements needed) rating.

Our work across the sector in 2018/19 has highlighted areas where local government pension fund financial reporting, in particular, scrutiny of the valuation of hard to value investments needs to be improved. Combined with the FRC requirement that 100% of audits achieve a 2A rating this means that additional audit work is required. We have set out below the expected impact on our audit fee. The table overleaf provides more details about the areas where we will be undertaking further testing.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting. Our proposed fee at the planning stage is set out below, with further analysis overleaf.

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|                                         | Actual Fee 2018/19 | Proposed fee 2019/20 |
|-----------------------------------------|--------------------|----------------------|
| <b>Pension Fund Audit</b>               | £23,487            | £27,487              |
| <b>Total audit fees (excluding VAT)</b> | <b>£23,487</b>     | <b>£27,487</b>       |

### Assumptions:

In setting the above fees, we have assumed that you will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

### Relevant professional standards:

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with staff of appropriate skills, time and abilities to deliver an audit to the required professional standard.

# Audit fee variations – further analysis

## Planned audit fees

The table below shows the planned variations to the original scale fee for 2019/20 based on our best estimate at the audit planning stage. Further issues identified during the course of the audit may incur additional fees.

| Audit area                                   | £      | Rationale for fee variation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|----------------------------------------------|--------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Scale fee                                    | 20,487 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Raising the bar                              | £3,000 | The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms needs to improve across local audit. This will require additional supervision and leadership, as well as additional challenge and scepticism in areas such as journals, estimates, financial resilience and information provided by the entity.                                                                                                                                                           |
| Valuation of level 3 investments             | £4,000 | The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms in respect of valuations of hard to value investments needs to improve across the sector. Accordingly, we plan to enhance the scope and coverage of our work to ensure an adequate level of audit scrutiny and challenge over the assumptions and evidence that underpin the valuations of level 3 investments this year to reflect the expectations of the FRC and ensure we issue a safe audit opinion. |
| Revised scale fee (subject to PSAA approval) | 27,487 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |

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## 8. Independence & non-audit services

### Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 and PSAA's Terms of Appointment which set out supplementary guidance on ethical requirements for auditors of local public bodies.

### Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund. The following other services were identified.

| Service                                                    | £     | Threats                                         | Safeguards                                                                                                                                                                                                                                                                                                                                           |
|------------------------------------------------------------|-------|-------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Audit related:</b>                                      |       |                                                 |                                                                                                                                                                                                                                                                                                                                                      |
| Provision of IAS 19 Assurances to Scheme Employer auditors | 5,000 | Self-Interest (because this is a recurring fee) | The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £5,000 in comparison to the total fee for the audit of £27,487 and in particular relative to Grant Thornton UK LLP's turnover overall. This mitigates the perceived self-interest threat to an acceptable level. |

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with your policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit Committee. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

The firm is committed to improving our audit quality – please see our transparency report - <https://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/annual-reports/interim-transparency-report-2019.pdf>

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# Appendices

Appendix A

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# Appendix A: Audit Quality – national context

## What has the FRC said about Audit Quality?

The Financial Reporting Council (FRC) publishes an annual Quality Inspection of our firm, alongside our competitors. The Annual Quality Review (AQR) monitors the quality of UK Public Interest Entity audits to promote continuous improvement in audit quality.

All of the major audit firms are subject to an annual review process in which the FRC inspects a small sample of audits performed from each of the firms to see if they fully conform to required standards.

The most recent report, published in July 2019, shows that the results of commercial audits taken across all the firms have worsened this year. The FRC has identified the need for auditors to:

- improve the extent and rigour of challenge of management in areas of judgement
- improve the consistency of audit teams' application of professional scepticism
- strengthen the effectiveness of the audit of revenue
- improve the audit of going concern
- improve the audit of the completeness and evaluation of prior year adjustments.

The FRC has also set all firms the target of achieving a grading of '2a' (limited improvements required) or better on all FTSE 350 audits. We have set ourselves the same target for public sector audits from 2019/20.

## Other sector wide reviews

Alongside the FRC, other key stakeholders including the Department for Business, energy and Industrial Strategy (BEIS) have expressed concern about the quality of audit work and the need for improvement. A number of key reviews into the profession have been undertaken or are in progress. These include the review by Sir John Kingman of the Financial Reporting Council (Dec 2018), the review by the Competition and Markets Pension Fund of competition within the audit market, the ongoing review by Sir Donald Brydon of external audit, and specifically for public services, the Review by Sir Tony Redmond of local Pension Fund financial reporting and external audit. As a firm, we are contributing to all these reviews and keen to be at the forefront of developments and improvements in public audit.

## What are we doing to address FRC findings?

In response to the FRC's findings, the firm is responding vigorously and with purpose. As part of our Audit Investment Programme (AIP), we are establishing a new Quality Board, commissioning an independent review of our audit function, and strengthening our senior leadership at the highest levels of the firm, for example through the appointment of Fiona Baldwin as Head of Audit. We are confident these investments will make a real difference.

We have also undertaken a root cause analysis and put in place processes to address the issues raised by the FRC. We have already implemented new training material that will reinforce the need for our engagement teams to challenge management and demonstrate how they have applied professional scepticism as part of the audit. Further guidance on auditing areas such as revenue has also been disseminated to all audit teams and we will continue to evolve our training and review processes on an ongoing basis.

## What will be different in this audit?

We will continue working collaboratively with you to deliver the audit to the agreed timetable whilst improving our audit quality. In achieving this you may see, for example, an increased expectation for management to develop properly articulated papers for any new accounting standard, or unusual or complex transactions. In addition, you should expect engagement teams to exercise even greater challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. As a result you may find the audit process even more challenging than previous audits. These changes will give the audit committee – which has overall responsibility for governance - and senior management greater confidence that we have delivered a high quality audit and that the financial statements are not materially misstated. Even greater challenge of management will also enable us to provide greater insights into the quality of your finance function and internal control environment and provide those charged with governance confidence that a material misstatement due to fraud will have been detected.

We will still plan for a smooth audit and ensure this is completed to the timetable agreed. However, there may be instances where we may require additional time for both the audit work to be completed to the standard required and to ensure management have appropriate time to consider any matters raised. This may require us to agree with you a delay in signing the announcement and financial statements. To minimise this risk, we will keep you informed of progress and risks to the timetable as the audit progresses.

We are absolutely committed to delivering audit of the highest quality and we should be happy to provide further detail about our improvement plans should you require it.



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30 April 2020

By email

**Email** [generalenquiries@psaa.co.uk](mailto:generalenquiries@psaa.co.uk)

Dear Section 151 Officer and Audit Committee Chair

**Fee Scale for the Audit 2020/21 and update on 2019/20**

I am writing to notify you of your 2020/21 audit scale fee. In previous years your auditor has been required to write to you to do this. However, going forward, we have agreed with the audit firms that it is more efficient for PSAA to write out to all bodies directly.

PSAA commissions auditors to provide audits that are compliant with the National Audit Office's Code of Audit Practice ('the Code'). PSAA is required by s16 of the Local Audit (Appointing Person) Regulations 2015 (the Regulations) to set the scale fees by the start of the financial year, and we published the 2020/21 scale fees on our website on 31 March 2020. In addition to notifying you directly of your scale fee, this letter provides you with key updates and information on audit matters in these difficult times.

We wrote to all S151 officers on 12 December 2019 describing that local audit and audit more widely is subject to a great deal of turbulence with significant pressures on fees. These pressures still apply and the key aspects are summarised below;

- It is apparent that the well publicised challenges facing the auditing profession following a number of significant financial failures in the private sector have played a part. As you know, these high profile events have led the Government to commission three separate reviews - Sir John Kingman has reviewed audit regulation, the Competition and Markets Authority has reviewed the audit market, and Sir Donald Brydon has reviewed the audit product.

- It is not yet clear what the long term implications of these reviews will be. However, the immediate impact is clear - significantly greater pressure on firms to deliver higher quality audits by requiring auditors to demonstrate greater professional scepticism when carrying out their work across all sectors – and this includes local audit. This has resulted in auditors needing to exercise greater challenge to the areas where management makes judgements or relies upon advisers, for example, in relation to estimates and related assumptions within the accounts. As a result, audit firms have updated their work programmes and reinforced their internal processes and will continue to do so to enable them to meet the current expectations.

### How we set your scale fee

We consulted on the 2020/21 Scale of Fees in early 2020 and received a total of 54 responses. We published the final document on our website ([Scale fee document](#)). In it we explained that although we have set the scale audit fee at the same level as for 2019/20, we do not expect the final audit fee to remain at that level for most if not all bodies because of a variety of change factors, the impact of which cannot be accurately or reliably estimated at this stage.

The impact of these changes is likely to vary between bodies depending on local circumstances, and information to determine that impact with any certainty is not yet available. Our view is that it would also be inappropriate to apply a standard increase to all authorities given the differing impact of these changes between bodies. As the impact of these changes is understood, fee variations will need to be identified and agreed reflecting the impact on each audit

|                          | <b>Scale fee for the audit<br/>2020/21</b> | <b>Scale fee for the audit<br/>2019/20</b> |
|--------------------------|--------------------------------------------|--------------------------------------------|
| East Sussex Pension Fund | £20,487                                    | £20,487                                    |

As well as the Scale of Fees document, we have also produced a [Q&A](#) which provides detailed responses to the questions raised as part of the consultation. We will update the Q&As periodically to take account of ongoing developments affecting scale fees.

The fee for the audit is based on certain assumptions and expectations which are set out in the [Statement of Responsibilities](#). This statement serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and of the audited body begin and end, and what is to be expected of both in certain areas.



The final fee for the audit will reflect the risk-based approach to audit planning as set out in the Code. Under the Code, auditors tailor their work to reflect local circumstances and their assessment of audit risk. This is achieved by assessing the significant financial and operational risks facing an audited body, and the arrangements it has put in place to manage those risks, as well as considering any changes affecting audit responsibilities or financial reporting standards.

### **Fee Variations**

As noted above, we recognise that with so much turbulence and change in the local audit environment, additional fee variations are likely to arise for most if not all bodies.

The amount of work required on arrangements to secure VFM is a matter of auditor judgement and is based on the requirements set out in the new Code and supporting guidance which will be published later in 2020. Once the Auditor Guidance Notes have been published we will be able to consider the impact of the new requirements in more depth, and may be able to provide indicative ranges in relation to the likely fee implications for different types and classes of body.

Given that local circumstances at each audited body are key to determining the assessment of risk and the audit work required, we would encourage early dialogue with your auditor to determine any related implications for fees. The process for agreeing fee variations begins with local communication, and ideally agreement. We have produced a fee variation process note which is available on our website ([Fee variations process](#)). Please note that all fee variations are required to be approved by PSAA before they can be invoiced.

### **Quality of Audit Services**

We are committed to do all we can to ensure good quality audits and a high-quality service for the bodies that have opted into our arrangements. The service that you can expect to receive from your auditors is set out in their Method Statement, which is available from your auditors.

Whilst professional regulation and contractual compliance are important components of the arrangements for a quality audit service, so too is the aspect of relationship management. We recently commissioned a survey via the LGA Research team to obtain audited bodies' views of the audit service provided to them. The themes and improvement areas from the survey will be discussed with firm contact partners for development at a local level. The results from our 2018/19 survey of all opted-in bodies will be available on our website in May and we will notify all S151 officers and Audit Committee Chairs.

### **Impact of COVID-19 on current 2019/20 audits**

The global COVID-19 pandemic has created further turbulence impacting on all aspects of the economy including the public sector. There are potentially significant repercussions for the delivery of audits, audit-related issues and delays to signing audit opinions for 2019/20. MHCLG has acted to ease these pressures by providing more flexibility in the 2019/20 accounts preparation and auditing timetable by temporarily revising the Accounts and Audit Regulations. This has extended the period which an authority has to publish its draft financial statements until 31 August, and importantly there is much greater flexibility for the public inspection period as it is now required to start on or before the first working day of September 2020. The revised date for publishing audited accounts (if available) is 30 November 2020.

We recommend that you discuss with your auditors the use that can be made of this flexibility in meeting mutual governance and assurance responsibilities, noting that in a letter to all local authority Chief Executives on 22 April, MHCLG encouraged approval of pre-audit accounts earlier than 31 August if possible.

We have referred to the importance of audit quality in this letter, and just as important is the quality of the pre-audit financial statements and the working papers that are prepared by bodies. The disruption caused by COVID-19 will impact on areas of judgement and creates uncertainty in preparation of the financial statements, and it is key that bodies ensure there is sufficient focus upon financial reporting and related processes and controls, and that the planned timetable allows for sufficient internal quality assurance and review of financial reporting issues taking into account the wider impact of the pandemic on the officers' time.

### **Local Audit Quality Forum**

Our Local Audit Quality Forum focuses on providing information to support audit committees (or equivalent) in delivering their remit effectively. We are disappointed that we are not able to host our planned event this summer due to the COVID-19 pandemic. However, we plan to host our next event towards the end of the year. It will provide an opportunity to discuss a range of relevant topics and themes. If there are any particular areas you would like to see included on a future agenda, or if you wish to raise any other issues with PSAA, please feel free to contact us at [generalenquiries@psaa.co.uk](mailto:generalenquiries@psaa.co.uk)

Your auditor will, of course, be best placed to answer any questions you may have with regard to your audit.

Yours sincerely,

Tony Crawley

**Chief Executive**

**Report to:** Pension Board

**Date of meeting:** 8 June 2020

**By:** Chief Finance Officer

**Title:** Pension Fund Risk Register

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

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## RECOMMENDATIONS

**The Board is recommended to consider and comment on 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 (ESPF or “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** at Appendix 1 has been updated since the last meeting for the circumstances as outlined below:

2.2 The onset of Coronavirus and Covid-19 is placing significant pressures on both Employers to the Fund and the Pension Administration Service. The increased demand for Pension Administration Services may increase the likelihood of breaching service performance targets and presents resourcing constraints since staff may be subject to the illness themselves. In addition, the migration to remote working has seen an increase in the likelihood of Cyber Scams and Data Protection.

2.3 The Pension Regulator issued a notice on the 2 April 2020 to Scheme Managers of Public Service Pension Schemes to carry out a risk assessment of their Pension Administrator in relation to Covid 19. The Scheme Manager is required to assess whether the ESPF business continuity plan is still adequate and to establish from the Pension Administrator what contingency plan is in place to mitigate their impact of increases in work volumes or unavailable staff.

2.4 A collaborative approach is required to work with your administrators to make sure they deliver critical processes: reducing the burden by limiting any non-critical demands and queries; and, confirm the priorities of activities to be carried out, in the order set out below:

- paying members’ benefits
- retirement processing
- bereavement services, as well as any administrative functions required to support these
- any processes needed to ensure benefits are accurate

This includes the agreement of changes in operating procedures such as allowing electronic signatures and documents and encouraging other third-party providers to do the same. The legal validity of electronic signatures has been endorsed in a recent statement from government.

2.5 The Chancellor, Rishi Sunak, in his March Statement advised a suite of financial relief measures to alleviate economic duress arising from the global lockdown and the corresponding liquidity squeeze. It is clear that despite attempts by the Government to prevent a permanent structural impact, a number of companies that existed prior to the lockdown will not exist after the lockdown due to the severity of this economic shock. It follows that the ESPF has seen an increase in employers advising they need to defer the payment of employer contributions to the Fund, noting that employee contributions are legally prohibited from deferral. The Fund is working on a policy on the deferral of employer contributions and has managed the early requests on a case by case basis.

2.6 In managing the economic consequence of a global lockdown and the increasing need to build up cash reserves has given rise to dividend retention. This impacts the cashflow balances of pension funds which are required to service pension promises. The ESPF has therefore commenced cashflow modelling to ensure it can manage within its cash envelope and to mitigate against forced sales of assets to service pension promises.

2.7 Covid 19 has also impacted the progress of the Data Improvement Programme and the Annual Benefit Statement exercise for 2019. It has been difficult to make contact with employers in lockdown and those staff are generally redirected to business critical tasks of the employer.

2.8 In summary, the Covid 19 Risk is a global risk affecting a number of risk indicators, so it has been necessary to rebalance both the pre-mitigation and post mitigation response as set out in summary in the table below. Also, a new indicator for Covid 19 is included at risk (17) and a further new risk (18) relating to market cost pull pressures such as pay and inflation.

**Table 1 Rebalancing Pre and Post Mitigation Risk Scores**

| Ref            | Reason for Change                                                                                                                                                         | Change to pre-mitigation score                                          | Change to post mitigation score                                               | Score   |
|----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------|-------------------------------------------------------------------------------|---------|
| 2              | End of Heywood's contract and changeover to new system. Several converging key risks on data issues and potential business interruption. Reported elsewhere on the agenda | From 3 x 3<br>To 4 x 3                                                  | From 3 x 3<br>To 4 x 3                                                        | ↑       |
| 9              | Covid 19 economic lockdown has increased the pre-mitigation scores                                                                                                        | From 2 x 3<br>To 3 x 3                                                  | From 2 x 3<br>To 3 x 3                                                        | ↑       |
| 10             | Covid has increased reliance on remote working and the increase in Cyber crime and scams                                                                                  | From 4 x 2<br>To 4 x 3                                                  | From 3 x 2<br>To 4 x 2                                                        | ↑       |
| 13             | The high level of prudence in the actuarial valuation mitigates the likelihood score in pre-mitigation                                                                    | From 3 x 3<br>To 3 x 2                                                  | From 3 x 2<br>To 3 x 1                                                        | ↓       |
| 16<br>17<br>18 | Access Risks - merged into a single risk (16)                                                                                                                             | (16) From 3x3<br>(17) From 4x2<br>(18) From 3x3<br><br>To 3 x 3 overall | (16) From 2 x 2<br>(17) From 2 x 2<br>(18) From 3 x 3<br><br>To 3 x 2 overall | Rebased |

2.9 The UK enacted legislation to leave the EU on 31 January 2020 and therefore it may be appropriate to remove risk indicator 12 from the risk register.

### 3. **Assessment of Risk**

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

3.2 The East Sussex Pension Fund, risk profile has been updated and in addition to the current mitigation in place, further actions are planned to provide a greater level of assurance, and the level of risk will be reviewed once these additional actions have been implemented.

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

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

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

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

Contact Officer: Michelle King, Interim Head of Pensions  
Tel. No. 01273 482017  
Email: [Michelle.King@eastsussex.gov.uk](mailto:Michelle.King@eastsussex.gov.uk)

Local Member(s): All  
Background Documents  
None

**Risk Register Risk Scores**

The risk scores are calculated using the risk matrix below:

|            |   |        |   |   |   |
|------------|---|--------|---|---|---|
| LIKELIHOOD | 4 |        |   |   |   |
|            | 3 |        |   |   |   |
|            | 2 |        |   |   |   |
|            | 1 |        |   |   |   |
|            |   | 1      | 2 | 3 | 4 |
|            |   | IMPACT |   |   |   |

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

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

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

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





## EAST SUSSEX PENSION FUND - RISK REGISTER

| Reference                                                   | Risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Pre Mitigation |            |            | Risk Control / Response                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Post Mitigation |            |            |                          | Risk Owner            | Timescales                                  |
|-------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|------------|------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|------------|------------|--------------------------|-----------------------|---------------------------------------------|
|                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Impact         | Likelihood | Risk Score |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Impact          | Likelihood | Risk Score | Change since last review |                       |                                             |
| <b>Pensions Administration (Orbis -Business Operations)</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                |            |            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                 |            |            |                          |                       |                                             |
| Page 229                                                    | <b>Pension contributions:</b> <ul style="list-style-type: none"> <li>• Non-collection</li> <li>• Miscoding</li> <li>• Non-payment</li> </ul> If not discovered results inaccurate: <ul style="list-style-type: none"> <li>• employer FRS17/IAS19 &amp; Valuation calculations</li> <li>• final accounts</li> <li>• cash flow</li> </ul>                                                                                                                                                                                               | 3              | 3          | 9          | <ul style="list-style-type: none"> <li>• Employer contribution monitoring</li> <li>• Additional monitoring at specific times</li> <li>• SAP / Altair quarterly reconciliation</li> <li>• Annual year end checks</li> <li>• Fines imposed for late payment and late receipt of remittance advice.</li> </ul>                                                                                                                                                                                                    | 3               | 2          | 6          | ↔                        | Head of Pensions      | On-going                                    |
| 2                                                           | <b>Inadequate delivery of Pensions Administration by service provider</b> <ul style="list-style-type: none"> <li>• Members of the pension scheme not serviced</li> <li>• Statutory deadlines not met</li> <li>• Employers dissatisfied with service being provided + formal complaint</li> <li>• Complaints by members against the administration (these can progress to the Pensions Ombudsman)                             <ul style="list-style-type: none"> <li>• Data interruption from system changeover</li> </ul> </li> </ul> | 4              | 3          | 12         | <ul style="list-style-type: none"> <li>• Key Performance Indicators</li> <li>• Internal Audit</li> <li>• Reports to Pension Board / Committee</li> <li>• Service Review meetings with business operations management</li> <li>• Awareness of the Pension Regulator Guidance</li> <li>• Procurement of new Pension Administration System to replace Heywoods                             <ul style="list-style-type: none"> <li>• Project managers being sourced risk not yet mitigated.</li> </ul> </li> </ul> | 4               | 3          | 12         | ↑                        | Lead Pensions Manager | Management Actions in Internal Audit Report |

## EAST SUSSEX PENSION FUND - RISK REGISTER

| Reference     | Risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Pre Mitigation |            |            | Risk Control / Response                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Post Mitigation |            |            |                          | Risk Owner            | Timescales |
|---------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|------------|------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|------------|------------|--------------------------|-----------------------|------------|
|               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Impact         | Likelihood | Risk Score |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Impact          | Likelihood | Risk Score | Change since last review |                       |            |
| 3<br>Page 230 | <b>Loss of key/senior staff and knowledge/ skills</b> <ul style="list-style-type: none"> <li>Damaged reputation</li> <li>Inability to deliver and failure to provide efficient pensions administration service; major operational</li> <li>Disruption and inability to provide a high quality pension service to members.</li> <li>Concentration of knowledge in a small number of officers and risk of departure of key and senior staff.</li> <li>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.</li> </ul> | 3              | 3          | 9          | <ul style="list-style-type: none"> <li>Diversified staff / team</li> <li>Attendance at pension officers user groups</li> <li>Procedural notes which includes new systems, section meetings / appraisals</li> <li>Succession planning</li> <li>Robust business continuity processes in place around key business processes, including a disaster recovery plan.</li> <li>Knowledge of all tasks shared by at least two team members and can in addition be covered by senior staff.</li> <li>Training requirements are set out in job descriptions and reviewed annually with team members through the appraisal process.</li> </ul> | 3               | 2          | 6          |                          | Lead Pensions Manager | On-going   |
| 4             | <b>Paying pension benefits incorrectly</b> <ul style="list-style-type: none"> <li>Damaged reputation</li> <li>Financial loss</li> <li>Financial hardship to members</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                             | 3              | 3          | 9          | <ul style="list-style-type: none"> <li>Internal control through audit process</li> <li>Constant monitoring / checking</li> <li>In house risk logs</li> <li>SAP / Altair reconciliation</li> <li>Task management</li> <li>Vita cleansing</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                  | 3               | 2          | 6          |                          | Lead Pensions Manager | On-going   |
| 5             | <b>Guaranteed Minimum Pension (GMP) reconciliation</b> <ul style="list-style-type: none"> <li>Members of pensions scheme exposed to financial loss</li> <li>Inaccurate record keeping</li> <li>Damaged reputation</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                               | 3              | 3          | 9          | <ul style="list-style-type: none"> <li>Internal Audit</li> <li>Key performance indicators</li> <li>Reports to Pension Board and Committee</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 3               | 2          | 6          |                          | Lead Pensions Manager | On-going   |

## EAST SUSSEX PENSION FUND - RISK REGISTER

| Reference | Risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Pre Mitigation |            |            | Risk Control / Response                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Post Mitigation |            |            |                          | Risk Owner            | Timescales                                                                |
|-----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|------------|------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|------------|------------|--------------------------|-----------------------|---------------------------------------------------------------------------|
|           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Impact         | Likelihood | Risk Score |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Impact          | Likelihood | Risk Score | Change since last review |                       |                                                                           |
| 6         | <p><b>Failure to issue Annual Benefit statements 31st August</b></p> <ul style="list-style-type: none"> <li>• Reputational risk and complaints</li> <li>• Fines and enforcement action by The Pension Regulator                             <ul style="list-style-type: none"> <li>• Covid 19 has reduced the ability of employers to participate in the data cleansing due to lockdown.</li> </ul> </li> </ul>                                                                                | 3              | 3          | 9          | <ul style="list-style-type: none"> <li>• Regular contact with employers to get data.</li> <li>• Monthly interfacing to reduce workload at year end</li> <li>• Statements to employers in time to allow time for distribution to staff.</li> <li>• Considerations of employer take up of monthly interfaces system. Many leavers are not being notified until year-end.</li> <li>• Pension Committee letter to employers requesting their participation and joint working between Hymans and Pensions Administrator on end of year returns.</li> </ul> | 3               | 2          | 6          | ↓                        | Lead Pensions Manager | Initial project deadline was 31 March 2020 this has been moved to 30 June |
| 7         | <p><b>Data Cleansing – failure to provide timely and accurate member data.</b></p> <ul style="list-style-type: none"> <li>• Risk of financial loss and damage to reputation.</li> <li>• Incorrect employer’s contribution calculations</li> <li>• Delays to triennial actuarial valuations process.</li> <li>• Fines and enforcement action by The Pension Regulator</li> <li>• Covid 19 has reduced the ability of employers to participate in the data cleansing due to lockdown.</li> </ul> | 3              | 3          | 9          | <ul style="list-style-type: none"> <li>• Administration Strategy in place;</li> <li>• Employing authorities are contacted for outstanding/accurate information;</li> <li>• Regular meeting with administration services re updates, when required.</li> <li>• A data cleansing plan is expected to be agreed with Business Operations.</li> <li>• Business Operation has been given authority to recruit 4 additional FTE for an initial period of 6 months to focus on data deficiencies.</li> </ul>                                                 | 3               | 3          | 9          | ↔                        | Lead Pensions Manager | Data Improvement Programme Ongoing to June 2020                           |


## EAST SUSSEX PENSION FUND - RISK REGISTER

| Reference                                 | Risk                                                                                                                                                                                                                                                                                                                                                                                                 | Pre Mitigation |            |            | Risk Control / Response                                                                                                                                                                                                                                                                                                                                                                    | Post Mitigation |            |            |                          | Risk Owner       | Timescales |
|-------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|------------|------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|------------|------------|--------------------------|------------------|------------|
|                                           |                                                                                                                                                                                                                                                                                                                                                                                                      | Impact         | Likelihood | Risk Score |                                                                                                                                                                                                                                                                                                                                                                                            | Impact          | Likelihood | Risk Score | Change since last review |                  |            |
| <b>Pensions Investment and Governance</b> |                                                                                                                                                                                                                                                                                                                                                                                                      |                |            |            |                                                                                                                                                                                                                                                                                                                                                                                            |                 |            |            |                          |                  |            |
| 8                                         | <b>Required returns not met due to poor strategic allocation</b> <ul style="list-style-type: none"> <li>• Damaged reputation</li> <li>• Increase in employer contribution</li> <li>• Inability to Pay Pensions</li> </ul>                                                                                                                                                                            | 4              | 2          | 8          | <ul style="list-style-type: none"> <li>• Investment Advisors</li> <li>• Triennial review</li> <li>• Performance monitoring</li> <li>• Annual Investment Strategy Review</li> <li>• Reporting to Pensions Committee and Board</li> <li>• Compliance with the ISS/FSS</li> </ul> Revision of the Asset Liability Model to support a viable Strategic Asset Allocation for the new valuation. | 4               | 1          | 4          | ↓                        | Head of Pensions | On-going   |
| 9                                         | <b>Employers unable to pay increased contributions / contributions</b> <ul style="list-style-type: none"> <li>• Lower funding level</li> <li>• Increase in employer contributions</li> <li>• Employer forced to sell assets</li> <li>• Employer forced into liquidation</li> <li>• Increase in investment risk taken to access higher returns</li> </ul> Lockdown and Halted Economy Covid 19 Impact | 3              | 3          | 9          | <ul style="list-style-type: none"> <li>• Valuation</li> <li>• Regular communication with Employers</li> <li>• Monthly monitoring of contribution payments</li> <li>• Meetings with employers where there are concerns</li> </ul> Covenant Assessments in progress with employers facing difficulties from Covid 19                                                                         | 3               | 3          | 9          | ↑                        | Head of Pensions | On-going   |
| 10                                        | Cyber Security of member data - personal employment and financial data <ul style="list-style-type: none"> <li>• ESCC may incur penalties</li> <li>• Damaged reputation</li> <li>• Legal issues</li> <li>• Members of the pension scheme exposed to financial loss / identity theft</li> <li>• Members of the pension scheme data lost or compromised</li> </ul>                                      | 4              | 3          | 12         | <ul style="list-style-type: none"> <li>• ICT defence-in-depth approach</li> <li>• Utilising firewalls,</li> <li>• Email and content scanners</li> <li>• Using anti-malware.</li> <li>• ICT performs penetration and security tests on regular basis</li> </ul>                                                                                                                             | 4               | 2          | 8          | ↑                        | Head of Pensions | On-going   |

## EAST SUSSEX PENSION FUND - RISK REGISTER

| Reference      | Risk                                                                                                                                                                                                                                                                                                                                                                                                                                                | Pre Mitigation |            |            | Risk Control / Response                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Post Mitigation |            |            |                          | Risk Owner       | Timescales |
|----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|------------|------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|------------|------------|--------------------------|------------------|------------|
|                |                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Impact         | Likelihood | Risk Score |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Impact          | Likelihood | Risk Score | Change since last review |                  |            |
|                | <ul style="list-style-type: none"> <li>Covid-19 Cybercrime Spike</li> </ul>                                                                                                                                                                                                                                                                                                                                                                         |                |            | 8          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                 |            |            |                          |                  |            |
| 11             | <b>Cyber Security of third party suppliers</b> <ul style="list-style-type: none"> <li>Damaged reputation</li> <li>Financial loss</li> <li>Inability to trade</li> <li>Lower funding level</li> <li>Increase in employer contribution</li> <li>Increase in investment risk taken to access higher returns</li> </ul>                                                                                                                                 | 4              | 2          | 8          | <ul style="list-style-type: none"> <li>Service level agreement with termination clause</li> <li>Regular Meetings</li> <li>Regular reports SAS 70/AAF0106</li> <li>Investment Advisors</li> <li>Global custodian</li> </ul>                                                                                                                                                                                                                                                                                                                                                            | 3               | 2          | 6          | ↔                        | Head of Pensions | On-going   |
| Page 233<br>12 | <p>The decision to leave the European Union without a trade deal causing significant economic instability and slowdown, and as a consequence lower investment returns, resulting in:</p> <ul style="list-style-type: none"> <li>Financial loss, and/or failure to meet return expectations.</li> <li>Increased employer contribution costs.</li> <li>Changes to the regulatory and legislative framework within which the Fund operates.</li> </ul> | 4              | 2          | 8          | <ul style="list-style-type: none"> <li>Diversification of the Fund's investments across the world, including economies where the impact of "Brexit" is likely to be smaller.</li> <li>The long-term nature of the Fund's liabilities provides some mitigation, as the impact of "Brexit" will reduce over time.</li> <li>The Govt. is likely to ensure that much of current EU regulation is enshrined in UK law.</li> <li>Officers receive regular briefing material on regulatory changes and attend training seminars and ensure any regulatory changes are implemented</li> </ul> | 3               | 2          | 6          | ↔                        | Head of Pensions | On-going   |
| 13             | <b>2019 Triennial actuarial valuation outcome</b> <ul style="list-style-type: none"> <li>An increase in liabilities that is higher than the previous actuarial valuation</li> </ul>                                                                                                                                                                                                                                                                 | 3              | 2          | 6          | <ul style="list-style-type: none"> <li>The triennial actuarial valuation review focuses on the real returns on assets, net price and pay increases.</li> <li>The Committee receiving training on</li> </ul>                                                                                                                                                                                                                                                                                                                                                                           | 3               | 1          | 3          | ↓                        | Head of Pensions | On-going   |

## EAST SUSSEX PENSION FUND - RISK REGISTER

| Reference | Risk                                                                                                                                                                                                                                                                                                         | Pre Mitigation |            |            | Risk Control / Response                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Post Mitigation |            |            |                                                                                       | Risk Owner       | Timescales |
|-----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|------------|------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|------------|------------|---------------------------------------------------------------------------------------|------------------|------------|
|           |                                                                                                                                                                                                                                                                                                              | Impact         | Likelihood | Risk Score |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Impact          | Likelihood | Risk Score | Change since last review                                                              |                  |            |
|           |                                                                                                                                                                                                                                                                                                              |                |            |            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                 |            |            |                                                                                       |                  |            |
| Page 234  | <p>estimate.</p> <ul style="list-style-type: none"> <li>The level of inflation and interest rates assumed in the valuation may be inaccurate leading to higher than expected liabilities.</li> <li>Significant rises in employer contributions due to increases in liabilities or fall in assets.</li> </ul> |                |            | 6          | <p>understanding liabilities</p> <ul style="list-style-type: none"> <li>Hymans Robertson commission to produce an Asset Liabilities Model.</li> <li>Life expectancy assumptions are reviewed at each valuation.</li> <li>Reviewing of each triennial valuation assumptions and challenge actuary as required.</li> <li>Funding Strategy Statement and Investment Strategy Statement updated and approved,</li> <li>Actuary attendance at Pension Fund Committee to cover triennial valuation issues and expectations</li> <li>The Fund holding discussions with employers through the Pension Employers Forum. Using actuary that makes significant possible assumptions and recommends appropriate recovery period and strategy;</li> </ul> |                 |            | 4          |                                                                                       |                  |            |
| 14        | <p><b>Accounting - Failure to comply with CIPFA new pension fund accounting regulations.</b></p> <ul style="list-style-type: none"> <li>Risk of the accounts being qualified by the auditors.</li> </ul>                                                                                                     | 3              | 2          | 6          | <ul style="list-style-type: none"> <li>Pensions Officers are kept up to date with changes to legislative requirements via network meetings, professional press, training and internal communication procedures.</li> <li>Pension Fund financial management and administration processes are maintained in accordance with the CIPFA Code of Practice, International</li> </ul>                                                                                                                                                                                                                                                                                                                                                               | 2               | 2          | 4          |  | Head of Pensions | On-going   |

## EAST SUSSEX PENSION FUND - RISK REGISTER

| Reference | Risk                                                                                                                                                                                                                                                                                                                   | Pre Mitigation |            |            | Risk Control / Response                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Post Mitigation |            |            |                          | Risk Owner       | Timescales |
|-----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|------------|------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|------------|------------|--------------------------|------------------|------------|
|           |                                                                                                                                                                                                                                                                                                                        | Impact         | Likelihood | Risk Score |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Impact          | Likelihood | Risk Score | Change since last review |                  |            |
|           |                                                                                                                                                                                                                                                                                                                        |                |            | 9          | Financial Reporting Standards (IFRS), and the ESSC Financial Regulations. <ul style="list-style-type: none"> <li>Regular reconciliations are carried out between in-house records and those maintained by the custodian and investment managers.</li> <li>Internal Audits - carried out in line with the Pension Audit strategy.</li> <li>External Audit review the Pension Fund's accounts annually</li> </ul>                                                                      |                 |            | 4          |                          |                  |            |
| Page 235  | <b>LGPS Pooling - ACCESS Pool</b>                                                                                                                                                                                                                                                                                      |                |            |            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                 |            |            |                          |                  |            |
| 15        | <b>Asset transition costs</b> <ul style="list-style-type: none"> <li>Asset transition costs are greater than forecast.</li> <li>Failure to control operational risks and transaction costs during the transition process</li> <li>An increase in the initial set-up costs forecast by the pooling proposal.</li> </ul> | 3              | 3          | 9          | <ul style="list-style-type: none"> <li>Consultant has analysed the creation of sub-funds and transitioning of our current assets into the pool, under a variety of scenarios.</li> <li>There may also be the opportunity to transfer securities in 'specie'.</li> <li>A transition manager will be appointed, with the objective of preserving asset values, managing risk and project managing the transition process to ensure that costs are monitored and controlled.</li> </ul> | 2               | 2          | 4          | ↔                        | Head of Pensions | On-going   |
| 16        | <b>LGPS Investment Pooling &amp; Sub Fund Issues</b> <ul style="list-style-type: none"> <li>Increase in investment risk taken to access higher returns</li> <li>There can be size restrictions on certain investments.</li> <li>Weaker control leading to poorer</li> </ul>                                            | 3              | 3          | 9          | <ul style="list-style-type: none"> <li>ACCESS Support Unit function to provide support.</li> <li>Officers have agreed Link should be allowed a reasonable time period to resolve issues, e.g., until ending of August. The ACCESS Contracts Manager will monitor Link's progress</li> </ul>                                                                                                                                                                                          | 3               | 2          | 6          | Rebased                  | Head of Pensions | On-going   |

## EAST SUSSEX PENSION FUND - RISK REGISTER

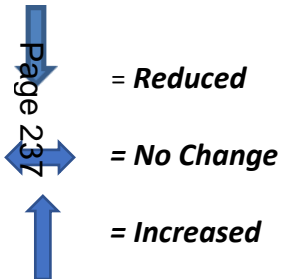
| Reference      | Risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Pre Mitigation |                                                                                                                                                                                               |            | Risk Control / Response                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Post Mitigation |            |                                                                                                                                                                           |                          | Risk Owner       | Timescales |
|----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|------------------|------------|
|                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Impact         | Likelihood                                                                                                                                                                                    | Risk Score |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Impact          | Likelihood | Risk Score                                                                                                                                                                | Change since last review |                  |            |
|                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                | governance.<br>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. |            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                 |            | 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 |                          |                  |            |
| Page 236<br>17 | <b>Coronavirus and Covid 19</b> <ul style="list-style-type: none"> <li>Employers unable to pay employer contributions</li> <li>Ceding Employers unable to find additional funds to support outsourced operations</li> <li>Revised dividend policies reducing income to pension funds</li> <li>Remote working presenting data protection risks</li> <li>Administration service unable to service demand</li> <li>Increased criminal activity from cyber scams and phishing</li> <li>investment environment changes radically, and Fund is slow to respond, leading to lower solvency</li> </ul> | 4              | 4                                                                                                                                                                                             | 16         | <ul style="list-style-type: none"> <li>investment working group created to actively review investment strategy on an ongoing basis</li> <li>Data improvement Programme and ABS Working Group monitoring employers and administration service in relation to data cleansing and end of year returns for the ABS.</li> <li>Covenant reviews underway and review of all high risk employers in the fund.</li> <li>Contribution deferral policy submitted to committee for consideration in June 2020.</li> </ul> | 4               | 3          | 12                                                                                                                                                                        | new                      | Head of Pensions | On-going   |
| 18             | <b>Pay awards higher than expected</b> <ul style="list-style-type: none"> <li>Inflation rises faster than the actuarial assumption as a result of Govt. response to COVID-19</li> <li>Liabilities are higher than expected.</li> </ul>                                                                                                                                                                                                                                                                                                                                                         | 3              | 3                                                                                                                                                                                             | 9          | <ul style="list-style-type: none"> <li>Current weighting of 5% to index linked, 50% to equities, 3% to infra,9% to real estate all inflation correlated.</li> <li>Increase allocation to infrastructure assets if at acceptable valuation</li> </ul>                                                                                                                                                                                                                                                          | 3               | 3          | 9                                                                                                                                                                         | new                      | Head of Pensions | On-going   |



## EAST SUSSEX PENSION FUND - RISK REGISTER

| EAST SUSSEX PENSION FUND - RISK REGISTER |                                                                                                                                                                                                         |                |            |            |                                                                                              |                 |            |            |                          |            |            |
|------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|------------|------------|----------------------------------------------------------------------------------------------|-----------------|------------|------------|--------------------------|------------|------------|
| Reference                                | Risk                                                                                                                                                                                                    | Pre Mitigation |            |            | Risk Control / Response                                                                      | Post Mitigation |            |            |                          | Risk Owner | Timescales |
|                                          |                                                                                                                                                                                                         | Impact         | Likelihood | Risk Score |                                                                                              | Impact          | Likelihood | Risk Score | Change since last review |            |            |
|                                          | <ul style="list-style-type: none"> <li>Bond yields return to much higher levels</li> <li>Bond-equity correlations rise, and equities also fall in price</li> <li>Fund's solvency level falls</li> </ul> |                |            |            | <ul style="list-style-type: none"> <li>Monitor portfolio sensitivity to inflation</li> </ul> |                 |            |            |                          |            |            |

**Risk Score Change Key –**



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