



PENSION BOARD

MONDAY, 7 SEPTEMBER 2020

10.00 AM COMMITTEE ROOM, COUNTY HALL, LEWES

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

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

AGENDA

- 1 Minutes (*Pages 3 - 10*)
- 2 Apologies for absence
- 3 Disclosure of interests
- 4 Urgent items
Notification of any items which the Chair considers urgent and proposes to take at the appropriate part of the agenda.
- 5 Pension Board - updates
 - Members Update Training Events/Conferences
 - Pension Board Chair Update
- 6 Pension Committee Agenda (*Pages 11 - 14*)
- 7 Good Governance Review - Second tranche (*To Follow*)
- 8 Response to the McCloud Consultation (*Pages 15 - 24*)
- 9 Pension Administration report (*Pages 25 - 62*)
- 10 East Sussex Pension Fund: 2020/21 Budget, Business Plan and Work Programme (*Pages 63 - 96*)
- 11 Discretions: Death Payments (*Pages 97 - 104*)
- 12 Annual Training Plan 2020/21 (*Pages 105 - 118*)
- 13 Pension Fund Risk Register (*Pages 119 - 134*)
- 14 Any other non-exempt items previously notified under agenda item 4
- 15 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).

- 16 ACCESS Risk Register (Pages 135 - 140)
- 17 Pension Fund Breaches Log (Pages 141 - 162)
- 18 Pension Fund Restructure - Update (Pages 163 - 164)
- 19 Employer Admissions and Cessations Report (Pages 165 - 178)
- 20 Any other exempt items previously notified under agenda item 4

PHILIP BAKER
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28 August 2020

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

PENSION BOARD

MINUTES of a meeting of the Pension Board held at County Hall, Lewes on 8 June 2020.

++Please note that the meeting was held remotely++

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

Cllr Gerard Fox, Chair of the Pension Committee
Cllr Nick Bennett, Lead Member for Resources
Kevin Foster, Chief Operating Officer
Ian Gutsell, Chief Finance Officer
Michelle King, Interim Head of Pensions
Russell Wood, Principal Pensions Officer
Nigel Chilcott, Audit Manager
Danny Simpson, Principal Auditor
Martin Jenks, Senior Democratic Services Adviser
Harvey Winder, Democratic Services Officer
Ian Colvin, Hymans Robertson
Robert McInroy, Hymans Robertson
Sue McKenzie, Hymans Robertson
Richard Warden, Fund Actuary
Daniel Kanaris, Public Sector Senior Consultant

1 MINUTES

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

2 APOLOGIES FOR ABSENCE

2.1 There were no apologies for absence.

3 DISCLOSURE OF INTERESTS

3.1 There were no declarations of interest

4 URGENT ITEMS

4.1 There were no urgent items.

5 PENSION BOARD - UPDATES

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

5.2. The Chair announced that he had completed training and an accreditation process that meant he was now an Accredited Professional Pension Trustee. Councillor Carmen Appich (CA) added that she had undertaken some training provided by the Scheme Advisory Board and had found it interesting.

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

6 PENSION COMMITTEE AGENDA

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

6.2. The Chair of the Pension Committee, Cllr Gerard Fox (GF) advised that the consultant appointed to conduct the review of the East Sussex Pension Fund's (ESPF or "the Fund") approach to Environmental, Social and Governance (ESG) matters was nearing completion. The review had included measuring the carbon footprint of the Fund and could potentially lead to the need to review the Fund's asset allocations, particularly its holdings in passive equities, where the majority of fossil fuel exposure is to be found. A report would be brought to the Pension Committee in September. GF stressed the need for any review to be thorough and any actions well evidenced.

6.3. CA asked whether East Sussex was the lead authority in the ACCESS Pool regarding ESG matters.

6.4. GF said that investments held in the ACCESS pool are allocated via Link to investment managers based on the request of two or more of the participating funds, so there is a need for Funds to collaboratively agree to invest with ESG-focused investment managers. East Sussex representatives are encouraging other pension funds to do so, as well as have ACCESS dedicate more resources to investigating the return of ESG-focused investments.

7 GOOD GOVERNANCE REVIEW

7.1. The Board considered a report providing an update on the Good Governance review of the ESPF.

7.2. The Chair reminded the Board that they had been through the documents in detail at an earlier briefing and were pleased with their content.

7.3. Diana Pogson (DP) requested that a briefing be provided on the documents planned for consideration at the September Board and Committee meetings, preferably in July. Kevin Foster (KF) agreed that it would be a good idea to do so.

7.4. The Chair asked how recruitment was progressing for the new Head of Pensions. Ian Gutsell (IG) explained that interviews were held on 3 June and an offer had been made (subsequent to the meeting IG confirmed that the individual had now accepted the offer). Work is ongoing to develop the new team structure and recruit to roles during the summer. Dave Kellond had been appointed to the Compliance and Local Improvement Partner role and will start on 3 August.

7.5. The Board RESOLVED to:

1) note the report

2) request a joint briefing with the Committee is arranged on the additional documents being produced for the governance review.

8 PENSION ADMINISTRATION UPDATES

- 8.1. The Board considered a report providing an update on matters relating to the Orbis Pension Administration Team (PAT), including an update on the implementation of agreed actions arising from the two internal audit reports
- 8.2. The Chair asked whether the PAT had noticed an increase in the number of deaths of pensioners in the ESPF scheme as a result of COVID-19.
- 8.3. Claire Chambers (CC) confirmed that the number of deaths of pensioners had tripled during one week around a month ago. The Government's new Tell Us Once death certification scheme meant, however, that the PAT was being informed rapidly of deaths and was able to take action, for example, award dependent benefits, without needing to wait for the death certificate.
- 8.4. Stephen Osborn (SO) asked when iConnect – the system used by employers to upload member details electronically to the PAT on a monthly basis – would begin to be available to all employers.
- 8.5. CC said that the first employer it would be available to would be East Sussex County Council and the aim was to finalise testing and training during June to go live in July. There was no date confirmed yet for other employers in the Fund. Nick Weaver (NW) added that iConnect roll out would focus on the employers with the highest volume of scheme members, as 15 employers represent 80% of scheme members. For small employers with only a few members, iConnect would not offer such a significant benefit. It will help identify issues with the data held by employers, however, PAT resources would be required to monitor the quality of data being provided to the Fund.
- 8.6. SO asked when ITM would identify the addresses of the remainder of the deferred records with no address or confirmation of correct address.
- 8.7. CC explained that the initial tracing exercise had focussed on members reaching retirement age or with frozen benefits. The next project being planned would be to expand the scope to focus on other deferred members. The Chair said that it is possible to send the National Insurance number of employees to the HM Revenue & Customs (HMRC) seeking the last known address of that person, however, this is a long and resource intensive process. He suggested that there is an obligation on ex-employees to contact the Fund when they change address and particularly to keep the Fund informed of their address as they approach retirement age.
- 8.8. CA noted that the completion dates of a number of outstanding management actions from the Internal Audit report had passed without the action being completed.
- 8.9. NW accepted this and said he would speak to the owners of the actions to find out what the current status was and suggest more realistic dates, following the impact of COVID-19 on the various workstreams.
- 8.10. The Chair asked for the comments of Internal Audit in relation to the implementation of agreed actions.
- 8.11. Nigel Chilcott (NC) explained that this is Pension Fund management's update to the Board explaining where they are with the implementation of the agreed actions arising from the audit reports, and that it is their responsibility to ensure these are implemented by the agreed due dates.
- 8.12. He explained that we will be completing formal follow-up reviews where Internal Audit seeks evidence that the agreed actions have been implemented. The follow-ups were originally scheduled for June/July, once the originally agreed dates for implementation had passed, but the team was now reviewing when to do these in light of this report by management.
- 8.13. The Chair extended the thanks of the Board to the PAT for the work they had undertaken during the COVID-19 outbreak to maintain strong performance against Key

Performance Indicators (KPIs) and noted the strong positive feedback from scheme members on the self-service system.

8.14. The Board RESOLVED to note the report

9 DATA IMPROVEMENT PROGRAMME AND ANNUAL BENEFIT STATEMENT (ABS) WORKING GROUP UPDATE

9.1. The Board considered a progress report on the Data Improvement Project

9.2. The Chair asked whether the Pensions Regulator is enforcing the 31 August deadline for the Annual Benefit Statement (ABS) this year due to COVID-19.

9.3. Ian Colvin (IC) said that the Regulator has not set a new date for the ABS deadline but has taken a more relaxed view of statutory deadlines. Some pension funds, therefore, are likely to push back the date for issuing their ABS.

9.4. Lynda Walker (LW) asked how incorrect data held by an employer on a scheme member would be corrected, whether this would cause data protection issues, and whether the scheme member is informed.

9.5. Sue McKenzie (SM) said that data held by the Fund on a scheme member, where it was known to be correct compared to the data held by the employer, would be fed back to the employer using a secure portal or encrypted emails. The employee in question would not be informed. The Chair added that there was a presumption that the employer always held correct information and the PAT did not, however, the Data Improvement Programme has shown that this is not always the case.

9.6. The Board RESOLVED to note the report.

10 TRAINING STRATEGY

10.1. The Board considered a report outlining a draft training strategy for the Pension Board, Pension Committee and officers of the ESPF.

10.2. The Chair noted some comments that he and William Bourne, the Independent Adviser to the Committee, had made. These included that there should not be a separate role description for scheme member and employer representatives on the Board, as they did not perform a different role; that there were two Vice Chairs of the Board who alternated their role; and the decision making matrix should be simplified to four columns containing who is responsible for making a recommendation before decision is taken, who is responsible for approving a decision, who is consulted beforehand, and who is informed afterwards. (i.e a RACI model – Responsible, Approve, Consult, Inform)

10.3. DP said a separate table each for the Board and Committee would be helpful so members could focus on their specific training requirements.

10.4. LW added that it would be helpful to include how long it will take to complete each training course to help Board members decide whether they have the capacity to undertake it.

10.5. CA asked whether the training is paid by individual members of the ESPF.

10.6. Michelle King (MK) confirmed that all costs are covered by the ESPF.

10.7. The Board RESOLVED to:

1) Endorse the Training Strategy subject to the decision making matrix being simplified and separate training plans for the Board and Committee included; and

2) request that the revised decision-making matrix is circulated for information.

11 EAST SUSSEX PENSION FUND: 2020/21 BUDGET, BUSINESS PLAN & WORK PROGRAMME AND ANNUAL TRAINING PLAN

11.1. The Board considered a report on the ESPF Budget for 20/21 and on ill-health early retirement risk.

11.2. The Chair noted that the budget of 30k for training had not been spent for 19/20.

11.3. MK agreed that this would not happen again, as it was important the training budget was spent in full each year.

11.4. MK explained that Link is not providing details of management fees for the funds pooled under ACCESS, as they are now deducted at source and the individual LGPS provided with a statement of assets only. This means it is not possible to provide an accurate figure on the cost of Investment Managers to the Fund. She said this was not transparent, but the Scheme Advisory Board's Cost Transparency Code is expected to require them to provide this information. GF agreed with this assessment.

11.5. GF said that the Committee is likely to be recommended to agree additional resources for the pension team as a result of the governance review. This would be 'investing to save', as the current resource is insufficient to provide all services needed to run the Fund effectively, resulting in additional costs incurred hiring consultants. The Chair agreed that budget for the Fund management team of 0.01% of its total assets was exceptionally low. CA added that she would want there to be a competent and able team managing the Fund.

11.6. DP asked for the current Quarter 1 outturn figures for the Data Improvement Programme to see how the costs were progressing.

11.7. MK introduced the matter of the funding of ill-health retirement cases, and Robert McInroy (RM) from Hymans Robertson explained the financial issues employers faced, which would be particularly acute for a small employer, if one of their employees became eligible for an ill-health benefit.

11.8. The Chair asked whether the Committee would be recommended to make a decision in the future about whether ill-health retirement costs should continue to be paid directly by each employer or via a small portion of the contribution rate of all employers covering the cost – or whether external ill-health insurance should be sought.

11.9. MK said that a proposal would be presented to the Committee in the future, after the views of the Board had been sought.

11.10. LW said she would be concerned about leaving the decision whether to insure themselves for ill-health payouts up to the individual employers, as this could lead to them not taking out insurance. This would leave the whole Fund at risk if the employer could not meet the costs of having to pay an employee for ill health early retirement out of current income.

11.11. The Board RESOLVED to:

1) note the report on the 2020/21 Budget, Business Plan, Work Programme and Annual Training Plan;

2) request the quarter 1 outturn figures for the Data Improvement Programme are provided; and

3) Support the review of the ill-health retirement funding by the Pensions Committee.

12 DRAFT EAST SUSSEX PENSION FUND INTERNAL AUDIT STRATEGY

12.1. The Board considered a report setting out the Internal Audit Strategy for the ESPF.

12.2. DP said that strategy looked good but was missing a plan for how it would be implemented.

12.3. NC explained that COVID-19 had somewhat disrupted Internal Audit's resources and timetable, but the team would produce a plan and send it to the Board.

12.4. The Chair asked for confirmation that Internal Audit would focus on major issues identified last year and whether Internal Audit actions were being embedded by management.

12.5. Danny Simpson (DS) confirmed that the first step of the plan would be to revisit the work of the previous audits to ensure actions had been satisfactorily resolved.

12.6. The Board RESOLVED to:

1) endorse East Sussex Local Government Pension Scheme Internal Audit Strategy and Plan 2020/21 subject to the inclusion of a plan to deliver the strategy during 20/21; and

2) request that the plan is circulated to the Board for information.

13 EXTERNAL AUDIT PLAN FOR THE EAST SUSSEX PENSION FUND 2019/20 AND PSAA FEE SCALES 2020/21

13.1. The Board considered a report on the External Audit Plan for the ESPF for 2019/20 and the Public Sector Audit Appointments (PSAA) Fee Scales 2020/21.

13.2. CA asked whether the ongoing negotiations with Grant Thornton, the External Auditor, were still ongoing due to COVID-19.

13.3. IG said that there had been a general increase in public sector audit fees, not just for pension funds, due in part to an increase in the requirements for audit work by the Financial Reporting Council. The process of negotiating the fee via the PSAA was ongoing and last year had resulted in a reduction of the additional fee sought by Grant Thornton from £5k to £3k.

The Board RESOLVED to note the report.

14 PENSION FUND RISK REGISTER

14.1. The Board considered the risk register of the ESPF.

14.2. The Chair observed that COVID-19 had resulted in the biggest change to a risk register he had ever seen.

14.3. CA recommended a report be provided in September on the risks to ESPF from the ACCESS pooled fund.

14.4. The Board RESOLVED to:

1) note the report; and

2) request a report in September on risks to the ESPF from the ACCESS pooled fund.

15 EXCLUSION OF THE PUBLIC AND PRESS

15.1 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).

16 COVID 19 POLICY ON DEFERRAL OF EMPLOYER CONTRIBUTIONS

16.1 The Board considered a report on the proposed policy in relation to the deferral of employer contributions due to COVID-19.

- 16.2 A summary of the discussion is set out in an exempt minute.
- 16.3 The Board RESOLVED to agree actions which are set out in an exempt minute.

17 PENSION FUND BREACHES LOG

- 17.1 The Board considered the Breaches Log of the ESPF.
- 17.2 The Board RESOLVED to agree actions which are set out in an exempt minute.

18 PENSION ADMINISTRATION - SYSTEMS PROCUREMENT

- 18.1 The Board considered an update on Pension Administration System Procurement
- 18.2 A summary of the discussion is set out in an exempt minute.
- 18.3 The Board RESOLVED to agree actions which are set out in an exempt minute.

19 EMPLOYER ADMISSIONS AND CESSATIONS REPORT

- 19.1 The Board considered a report on employer admissions and cessations to the Fund, including a draft Exit Credit Policy.
- 19.2 A summary of the discussion is set out in an exempt minute.
- 19.3 The Board RESOLVED to agree actions which are set out in an exempt minute.

20 DATA IMPROVEMENT PROGRAMME AND ANNUAL BENEFIT STATEMENT (ABS) WORKING GROUP UPDATE - ADDITIONAL INFORMATION (EXEMPT)

- 20.1 The Board considered additional exempt information regarding the Data Improvement Programme and ABS Working Group.
- 20.2 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: 7 September 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 21 SEPTEMBER 2020

10.00 AM COUNCIL CHAMBER, COUNTY HALL, LEWES

++Please note that this meeting will be taking place remotely++

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. Responsible Investment Policy, including response to the notice of motion from Lewes District Council's Cabinet
8. Good Governance Review 2nd tranche
9. Response to the McCloud Consultation
- 10 Pensions Administration Update
- 11 East Sussex Pension Fund: 2020/21 Budget, Business Plan & Work Programme
- 12 Discretions: Death Payments
- 13 Annual Training Plan 2020/21
- 14 Pension Fund Risk Register
- 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 Pension Fund Breach Log
- 18 Outcome of Procurement for Pension Fund Advisors and Actuary
- 19 Outcome of Procurement for Pension Fund Investment Managers
- 20 Pension Team update
- 21 Employers Admission and Cessation
- 22 Any other exempt items previously notified under agenda item 4

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11 September 2020

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Report to: Pension Board

Date of meeting: 7 September 2020

By: Chief Financial Officer

Title: Consultation on changes to the transitional arrangements to the 2015 schemes: McCloud

Purpose: Draft response to the Consultation on transitional arrangements

RECOMMENDATIONS: The Pension Board is recommended to:

- 1) comment and review the draft response to the Consultation on the proposals for transitional arrangements.**
 - 2) note and comment on the proposal to commence the McCloud Working Group.**
-

1. Background

1.1 In 2014 the Government began to introduce extensive reforms to public service pension schemes. As part of those reforms, Local Government Pension Scheme members within 10 years of their normal retirement age on 1st April 2012 received protection against amendments to the scheme regulations, this was known as the underpin. This transitional protection was provided following negotiations with member representatives and was intended to protect and give certainty to people who were close to retirement. In December 2018 the Court of Appeal found that the reforms made in public service pension schemes unlawfully discriminated against younger members of the judicial and firefighters' pension schemes, as transitional protection was only offered to older scheme members. The Courts required that this unlawful discrimination be remedied by the government.

1.2 The government opened its consultation in July 2020 and outlined proposals which apply to all members who were in service on or before 31 March 2012 and on or after 1 April 2014, including those with a qualifying break in service of less than 5 years, across all affected public service schemes. This eligibility applies irrespective of whether the member has submitted a legal claim or not, or whether they are currently an active, deferred or pensioner member. The consultation explains the proposed method for removing the discrimination between scheme members. Under the proposal eligible members will automatically have their benefits assessed against the underpin for the period 1 April 2014 to 31 March 2022 and will not be required to make an election. The consultation also sets out proposals for moving all active members into the reformed scheme after this period.

1.3 The draft response to the consultation is being passed to the Pension Board ahead of the Committee for prior information and comment.

2. Supporting Information

2.1 The consultation period runs from 16 July 2020 to the 11 October 2020 and can be accessed at this link <https://www.gov.uk/government/consultations/public-service-pension-schemes-consultation-changes-to-the-transitional-arrangements-to-the-2015-schemes> .

3. Conclusion and reasons for recommendations

3.1 The Board is recommended to consider and comment on the draft response to the consultation as set out in Appendix 1 to this report.

IAN GUTSELL

Chief Financial Officer

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Local Government Pension Scheme (England & Wales) – Consultation on changes to the transitional arrangements to the 2015 schemes: McCloud

No	Question	Response
1	Do you agree with our proposal to remove the discrimination found in the McCloud and Sargeant cases by extending the underpin to younger scheme members?	It would seem some one of a moot point to argue with the proposal to remove discrimination identified by The Court of Appeal, despite a legal challenge not having been made specifically in relation to Local Government Pension Scheme (LGPS) benefits. This is now a self-evident requirement on Public Sector pension schemes. Frustratingly, this issue was identified in the Independent ‘Public Service Pensions Commission: Final Report’ dated 10 March 2011, which stated <i>“Age discrimination legislation also means that it is not possible in practice to provide protection from change for members who are already above a certain age.”</i>
2	Do you agree that the underpin period should end in March 2022?	For reasons detailed within the consultation, whilst I would agree that a revised underpin need not apply to service post 31 March 2022, the date on which the underpin comparison can be made should be permitted to be on or after 1 st April 2022, but limited to no later than either normal pension age in the 2008 scheme, or the date of leaving active membership, whichever comes first. Not to do so would result in a revised underpin being disproportionately advantageous to older scheme members and potentially exposing to Scheme to further legal challenge.
3	Do you agree that the revised regulations should apply retrospectively to 1 st April 2014?	Yes – no to do so would not sufficiently address the inequalities that exist between older and younger scheme members. Clearly, doing so comes at a cost both in administration and the cost of the benefits themselves. The administrative burden of revisiting settled cases (i.e. those who have already left active membership) is a complicated matter, and a significant task for each Administering Authority.
4	Do the draft regulations implement the revised underpin which we describe in this paper?	The regulations detailed appear to deliver the policy intent. As in previous Consultations my understanding is that a full analysis of these revisions will be carried out by the Local Government Pensions Committee and identify in detail any areas that may require further consideration or where the policy intent is not delivered.
5	Do the draft regulations provide for a framework of protection which would work effectively for members, employers and administrators?	See response to question 4.

6	Do you have other comments on technical matters related to the draft regulations?	The amending regulations as drafted appear clear and easy to follow and understand.
7	Do you agree that members should not need to have an immediate entitlement to a pension at the date they leave the scheme for underpin protection to apply?	Yes – were the adoption of a policy requiring immediate entitlement to a pension to be applied, it would again be disadvantageous to younger scheme members.
8	Are there any other comments regarding the proposed underpin qualifying criteria you would like to make?	My only concern is in relation to members who may have left with insufficient service for an entitlement to a deferred benefit but who remain in continuous active membership of LGPS by virtue of taking up a post with another Administering Authority. Although, not specifically addressed, I would assume that the underpin could be applied when ultimately leaving the scheme, this may also impact of the inter-fund payment made to the new LGPS Fund.
9	Do you agree that members should meet the underpin qualifying criteria in a single scheme membership for underpin protection to apply?	Yes – the administrative complications resulting from not doing so would be significant. It is important for administrators and scheme members alike that the solution adopted in addressing the issues raised by McCloud and Sargeant are not only effective but as simple and straightforward as is practicable, added complexity generates added confusion and added cost. The confirmation that the Scheme Advisory Board would be involved in producing centralised member communications on this matter is very welcome.
10	Do you agree with our proposal that certain active and deferred members should have an additional 12-month period to decide to aggregate previous LGPS benefits as a consequence of the proposed changes?	The offer of a further opportunity to aggregate would seemingly address the issue. However, although referred to as rare in the Consultation document the exclusion of pensioner members, however uncommon may generate confusion where such cases arise, and therefore it would be better to ensure the provision is comprehensive for all membership types.
11	Do you consider that the proposals outlined in paragraphs 50 to 52 would have ‘significant adverse effects’ in relation to the pension payable to or in respect of affected members, as described in section 23 of the Public Service Pensions Act 2013?	Those affected by the existing underpin arrangements are relatively few in number and I think the proposed mitigation for affected members, in allowing a further period in which benefits may be aggregated, should be adequate in ensuring there are not ‘significant adverse effects in relation to the pension payable to or in respect of members of the scheme’, subject to my previous comments surrounding pensioner members and member communications (Question 9 and 10).
12	Do you have any comments on the proposed amendments described in paragraphs 56 to 59?	The measures described appear to be consistent in ensuring a greater level of equality in application of an underpin, when made available to younger scheme members (Breaks in service of less than 5 years), an improved application of policy intent (Early/late retirement factors) and greater clarity of circumstances in which the policy

		is applicable (Death in service & Survivor Benefits). As such, all would be a welcome addition.
13	Do you agree with the two-stage underpin process proposed?	The two-stage process described appears necessary in order for accurate communications to be available to scheme members post 'underpin date' but prior to the 'underpin crystallisation date' for example in annual benefit statements. Equally, the further check at the 'underpin crystallisation date' allows for differing early/late retirement factors to be applied. Resulting in benefits paid, truly reflecting the more beneficial benefits under either the 2008 or 2014 scheme. A single stage process would either not provide for communications pre 'underpin crystallisation date' to indicate that the underpin may apply or would not allow for early/late retirement factors to be accounted for within the process.
14	Do you have any comments regarding the proposed approaches outlined above?	The most significant concern relating to the implementation, is the significant workload created by the backdating of regulations. This will apply to (but is not limited to) leavers without taking immediate payment, re-joiners, retirements, deaths, transfers and redundancies. This will be a significant amount of work for all administering authorities. With regard to Public Sector Transfer Club transfers both in and out of LGPS Funds, the concept of member choice, whilst on the face of it empowers members to make decisions in relation to their benefits, it may not always be something members are comfortable with. This may increase the anxiety of some members in considering whether they require independent financial advice, while at the same time creating an even greater requirement on administering authorities to ensure comprehensive member communications.
15	Do you consider there to be any notable omissions in our proposals on the changes to the underpin?	Nothing to add.
16	Do you agree that annual benefit statements should include information about a qualifying member's underpin protection?	Yes – providing that pensions administration software providers can adapt systems to easily include this information. It should be provided to members at the earliest opportunity, allowing them to fully understand the underpin and its impacts. However, given the two-stage process detailed in the consultation, it must be made clear to members that the benefits subject to the underpin are subject to change either at the point of the 'underpin date' and/or 'underpin crystallisation date'. This again emphasises the requirement for very clear member communications explaining the two-stage underpin process.

17	Do you have any comments regarding how the underpin should be presented on annual benefit statements?	The statement should show the value of benefits for the relevant period in both the 2008 and 2014 scheme, and where the 2008 scheme benefits are greater, the potential addition to the pension that would be made. This should aid an understanding of the process by scheme members.
18	Do you have any comments on the potential issue identified in paragraph 110?	This is a complicated issue for consideration, the administrative burden is vastly diminished by only accounting for the underpin at the 'underpin crystallisation date'. However, the prospect of an individual having significantly lower 2014 scheme benefits, than would have been provided in the 2008 scheme for the period April 2014 to March 2022 is significantly greater by the widening scope of the underpin. Although, this will likely affect a small proportion of scheme members, where this issue does arise, the impacts could be significant. Arguably, members affected could be frustrated, given that the potential entitlement to the underpin may have been routinely communicated for a significant period by way of their Annual Benefit Statements.
19	Do the proposals contained in this consultation adequately address the discrimination found in the 'McCloud' and 'Sargeant' cases?	On the face of it, these measures do appear to address the age discrimination identified in the McCloud and Sargeant cases adequately and go far enough to minimise the risk of further legal challenge. My concerns rest more in relation to the administrative burden for implementation, which will be significant both in terms of resources and time.
20	Do you agree with our equalities impact assessment?	<p>I am in agreement that it is objectively justifiable for members joining after 1 April 2012 to be outside the scope for the revised underpin, for the reasons given, that they are either moving from the 2008 to the 2014 scheme in full knowledge that this was always going to be the case, or that they have only ever been members of the 2014 scheme and have not transitioned from one scheme to another.</p> <p>Issues relating to age and how this impacts on the revised underpin do appear to have been adequately addressed, and although older and younger members appear less likely to benefit from the revised underpin, leaving those aged between 41-55 the most likely to benefit, this would be an expected outcome, due to the other factors identified.</p> <p>The impacts in relation to gender, do appear to slightly favour male members, but this is again the function of other factors (higher pay growth and lower withdrawal rates) and not as a result of inherent discrimination.</p>

21	Are you aware of additional data sets that would help assess the potential impacts of the proposed changes on the LGPS membership, in particular for the protected characteristics not covered by the GAD analysis (age and sex)?	Nothing to add.
22	Are there other comments or observations on equalities impacts you would wish to make?	Nothing to add.
23	What principles should be adopted to help members and employers understand the implications of the proposals outlined in this paper?	It is in my view of great importance that member communications and also, but to a lesser extent employer communications, where possible are centrally produced in conjunction with MHCLG, the Scheme Advisory Board and the Local Government Association, for a more consistent message and to try and minimise the duplication of effort amongst the 87 administering authorities in England and Wales. Reassurance needs to be given to members that the underpin will be applied fairly and accurately, that it is automatic not applied for, and that it will likely apply in only a relatively small number of cases. The key focus for employers is surrounding the provision of data, to enable the relevant calculations to be performed.
24	Do you have any comments to make on the administrative impacts of the proposals outlined in this paper?	<p>As has already been mentioned the administrative burden this places on Administering Authorities is significant.</p> <p>From a member perspective, the key challenge will be to manage expectations, in relation to both identifying those in scope and managing the process of reviewing cases. The reopening of a 12-month window for aggregation will also require clear and concise communications to ensure members make an informed choice.</p> <p>From an employer perspective the principle challenge is to ensure access and availability to the historic data required (working hours, service breaks etc) for the period April 2014 to March 2022. Until recently, communications with employers were on the basis that this information was not routinely required, but for a handful of cases where the existing underpin applies. Issues may arise where employers have ceased, or payroll providers have been changed.</p> <p>Finally, a significant concern from an administration perspective is that of dealing retrospectively with breaches in Annual and Lifetime Allowance for members who have already crystallised their pension benefits. These cases can be complicated under the current environment and the addition of the revised underpin will only add to the complexity. A key issue being that members may have taken specific actions to mitigate potential tax charges, that may now prove to have been insufficient when</p>

		benefits are reassessed. Consideration should be given to what assistance can be afforded to scheme members in this position.
25	What principles should be adopted in determining how to prioritise cases?	In relation to the prioritisation of cases, in my view those to whom the revised underpin would apply retrospectively and who are in receipt of their pension benefits, transferred benefits from the Scheme or death benefits calculated should be the first cases to be looked at. Given that in these cases, there may be arrears and interest due. This may be an area where administering authorities could benefit from prescriptive central guidance to aid a uniform and consistent approach.
26	Are there material ways in which the proposals could be simplified to ease the impacts on employers, software systems and scheme administrators?	This exercise due to its nature was always going to be a complicated process. However, in order to minimise the additions administrative burden, it will create, there should be early and meaningful engagement with pensions administration software providers, enabling preliminary work to be carried out in anticipation of the likely outcomes following the consultation. Whilst not prejudging the outcome, this work should commence prior to the conclusion of the Consultation, allowing providers as much time as possible for the preparatory work. As already mentioned, clear central guidance for both administering authorities and scheme employers would also aid in minimising the administrative burden. The risk of simplification may be to exclude a number of member groups.
27	What issues should be covered in administrative guidance issued by the Scheme Advisory Board, in particular regarding the potential additional data requirements that would apply to employers?	As already mentioned, central guidance for members and employers alike would be extremely beneficial. Targeted employer communications detailing precisely the information required from them to the appropriate Administering Authority. This can of course be supplemented by locally produced communications, but a consistent centralised approach will aid all parties, particularly employers within multiple funds. A key area that would benefit from central guidance would be details of an approach to take in circumstances where administering authorities are unable to obtain the requisite information from scheme employers.
28	On what matters should there be a consistent approach to implementation of the changes proposed?	In common with the response to question 25, clear guidance should be given on the prioritisation of cases for all administering authorities to follow to ensure that all work to similar schedules. A centralised data template for use by employers and administering authorities may also be useful.
29	Do you have any comments regarding the potential costs of McCloud remedy, and steps that should be taken to prevent increased costs being passed to local taxpayers?	LGPS Fund actuaries are agreed that the impact of the revised underpin will be relatively small at Fund level but do make clear that there may be significant variance from one employer to another within Funds, largely dependent on the maturity and

		<p>size of the workforce. It may therefore be another area in which centralised communications can be produced to inform the relevant employers of the possibility for a further valuation assessment and a revision made to their employer contribution rates.</p> <p>Resources required for the management and implementation of these measures will be a significant cost to administering authorities It will be important that these additional costs are identified, reported and approved by Committee's individually so the cost of these measures is transparent.</p>
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Report to: Pension Board
Date of meeting: 7 September 2020
By: Chief Finance 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 internal audit report (Appendix 5);
 - 3) Note the proposed Pension Administration structure following transition from share service arrangements (Appendix 4).
-

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 July 2020 can be found at **Appendix 1**. As identified by Internal Audit, work is ongoing to review the accuracy and relevance of the data presented.
- 2.2 Under the Good Governance review a lot of work has gone into developing documents covering the Service Level Agreement and Roles & Responsibilities with Orbis as the scheme administrator. The subsequent decision to move the Pension Administration Team back to East Sussex has meant a further review will be necessary. Whilst not finalised **Appendix 2** gives an overview of the proposed all-encompassing high-level insight of the administration service. Whilst incomplete, it is a proposal as a transition towards a more transparent or collaborative overview drawing attention to the key activities that have happened.
- 2.3 The Orbis Pensions Helpdesk was introduced in November 2019 and their performance is shown in **Appendix 3**. The results have been poor since lockdown and appropriately challenged.

3. Pension Administration Transfer and Staffing Update

- 3.1 A number of changes have happened since the last Board meeting:
12/06/2020 Simon Bathurst (Senior Administrator) left

29/06/2020 Paul Punter joined as Head of Pensions Administration
 03/08/2020 Mubu Mubukwanu joined as a Trainee Pensions Administrator
 07/08/2020 Aaron Martin (Administrator) left

3.2 All administration staff are continuing to work from home and none have tested positive for COVID-19. Staff remain in good spirits and have been issued with second monitors, plus keyboard and mouse where required, as it is not anticipated that staff will be coming back to Lewes County Hall before November 2020 at the earliest.

3.3 A Transition Board has been set up to oversee the PAT transfer to East Sussex. A proposed structure is set out on Appendix 4. It will take some time to get to this position as existing staff need to be TUPE transferred from Surrey to East Sussex. The remaining roles will then need to be assessed as to how the requirements are best met. The estimated cost of the proposed structure is £725,000.

4. Annual Benefits Statements as at 1 April 2020

4.1 All identified eligible deferred member statements (29,727) have been prepared and uploaded on 24 July 2020.

4.2 As at 21 August 2020, 20,614 active statements have been run including all Councillors.

4.3 There remains data outstanding which is stopping production of ABS for some members:

Scope	Position as at 30/7/20	Position as at 18/8/20
Employers who did not provided their annual return data	48 (5 Ers)	12 (3 Ers)
Employers completed return but queries raised thereon and not resolved	554 (23 Ers)	189 (? Ers)
Brighton & Hove	1,019	400
East Sussex Colleges Group	192	200
Casual workers	n/a	130
Total	1,813	931

4.4 There will be a verbal update at the meeting as to the position as at 31 August 2020.

5. Internal Audit

5.1 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.

5.2 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.

5.3 **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.

6 **Projects update**

6.1 Data Improvement Project

At the end of the contract the remaining project was handed back to the PAT. A Hymans closure report dated 31 July 2020 is attached at **Appendix 6**. Data was uploaded to the secure website 18 August 2020. The ongoing progress will continue to be tracked by the Working Party. A Phase 2 DIP is expected to be considered in January 2021.

6.2 McCloud Judgement

LGA consultation is underway (see the draft response to the consultation elsewhere on the agenda) – the Government lost the case over age discrimination therefore there will need to be change and about a quarter of the LGPS membership are likely to be in scope. Hymans have been commissioned to prepare a briefing paper:

- Think about who should project manage and who should be on the project working party;
- Who all the stakeholders are to communicate to;
- Who is responding to the consultation paper;
- Identify members impacted to get an idea of the scale of the problem – running reports and doing data analysis;
- Determine what data will be needed to be adjusted and how will it be stored on Altair;
- Is it a standalone project or should it be considered as part of a wider Data Improvement Programme.

6.3 GMP Reconciliation, Rectification and Equalisation

Orbis commissioned JLT (Mercers) to undertake the reconciliation and rectification work. The project has been held up by HMRC provision of final data (received late July 2020). The latest reconciliation update available from Mercer is their report dated May 2020 (**Appendix 7**). The HM Treasury have told LGA that Equalisation does not apply to the Public Sector, but that view is now being questioned and expected to change. The outcome of this debate will impact on the next steps the project takes.

6.4 Pension Administration software tender

The tender closing date was 14 August 2020, the evaluation of which is now underway.

6.5 Overseas pensioners biannual mortality exercise

This year we are issuing to ALL overseas pensioners not just the incapacity and over age 70 members. Letters have been updated and issued on 25 August 2020.

6.6 Annual Allowance statements

Work will commence in September once the ABS are finalised and staff training sessions have been run. For ESPF there are circa 120 staff impacted for whom statements will need to be issued by 6 October 2020

6.7 i-Connect

The implementation plan was disrupted by Covid-19 and the pensions administration software review. The module is ready with Heywoods and the SAP file is being tested by East Sussex (as the main employer) and expected to be completed by the end of September 2020.

6.8 Pension increases as at 1 April 2020

The annual pension increase for April 2020 was completed by Heywood's on 27th April. As reported at the last Pensions Board 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 do 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. There are about 2,500 incidences.

7 Conclusion and Recommendations

7.1 The Pension Board is recommended to note the updates and the progress of management in implementing the agreed actions arising from the internal audit report (Appendix 5). The Board is also recommended to note the proposed Pension Administration structure following transition from share service arrangements (Appendix 4).

IAN GUTSELL
Chief Finance Officer

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Appendix 1

East Sussex Pensions Administration - Key Performance Indicators 2020/21

Activity	Measure	Impact	Target	Jul-20	Jun-20	May-20	Apr-20	Mar-20	Feb-20							
	Scheme members	Pensioners, Active & Deferred		77706	77429	75196	76851	76885	76762							
	New starters set up			409	358	128	162	283	413							
				Volume	Score	Volume	Score	Volume	Score							
1a	Death notification acknowledged, recorded and documentation sent	within 5 days	M	95%	35	100%	16	100%	33	100%	43	100%	21	100%	26	100%
1b	Award dependent benefits (Death Grants)	within 5 days	H	95%	6	100%	12	100%	6	100%	4	100%	8	100%	7	100%
2a	Retirement notification acknowledged, recorded and documentation sent	within 5 days	M	95%	74	92%	68	98%	46	98%	48	96%	94	99%	70	100%
2b	Payment of lump sum made	within 5 days	H	95%	103	97%	82	97%	88	99%	121	97%	89	100%	75	99%
3	Calculation of spouses benefits	within 5 days	M	90%	12	100%	16	100%	12	100%	16	100%	11	100%	20	100%
4a	Transfers In - Quote (Values)	within 10 days	L	90%	12	92%	12	100%	19	95%	6	84%	21	100%	21	100%
4b	Transfers In - Payments	within 10 days	L	90%	16	88%	12	100%	9	100%	20	95%	28	97%	39	100%
5a	Transfers Out - Quote	within 25 days	L	90%	20	95%	16	100%	10	100%	18	100%	30	100%	33	97%
5b	Transfers Out - Payments	within 25 days	L	90%	11	100%	7	86%	6	100%	11	100%	12	100%	24	96%
6a	Employer estimates provided	within 7 days	M	95%	45	49%	25	72%	7	72%	11	91%	34	92%	24	100%
6b	Employee projections provided	within 10 days	L	95%	18	84%	12	100%	5	100%	5	100%	22	91%	25	100%
7	Refunds	within 10 days	L	95%	31	100%	38	98%	16	100%	12	100%	26	100%	39	100%
8	Deferred benefit notifications	within 25 days	L	95%	160	100%	78	99%	102	100%	139	100%	202	100%	239	100%
TOTAL TASKS COMPLETED				543	394	359	454	598	642							
9	Complaints received- Admin						1			1			0		0	
	Complaints received- Regulatory															
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		Jul-20	June	MAY	APR	MAR	FEB
1b	Award dependent benefits (Death Grants)						
2a	Retirement notification acknowledged, recorded and documentation sent	6 Overdue - Average 2 days		1 task overdue by 16 days			
2b	Payment of lump sum made	9 Overdue - 1 by 348 days		1 task overdue by 17 days			1 CASE OVERDUE 10 DAYS
3	Calculation of spouses benefits						
4a	Transfers In - Quote (Values)			1 task overdue by 1 day	1 case overdue 47 days		
4b	Transfers In - Payments	3 Overdue - Average 9 days					
5a	Transfers Out - Quote						1 CASE OVERDUE
5b	Transfers Out - Payments		1 Task, 5 Days overdue				1 CASE OVERDUE
6a	Employer estimates provided	28 Overdue - Average 8 days	7 Tasks, 4 Days overdue average	2 tasks overdue by 2 days on average		3 TASKS OVERDUE. AVERAGE OF 1 DAY	
6b	Employee projections provided	5 Overdue - 1 by 73 days				2 TASKS OVERDUE. AVERAGE OF 2 DAYS	
8	Deferred benefit (DB5YE)						1 CASE OVERDUE

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Appendix 2 - Quarterly Statistics

Please note the following figures have been extracted from a report which was run at the end of the quarter.

ESPF service levels (1 July to 30 September 2020)		Completed work				Work carried forward Not started (outstanding) pending (reply due)					
Activity	SLA (days)	Total	Within SLA	Outside SLA	Rounded SLA %	Within SLA	1-5 days outside of SLA	6-10 days outside	11 + days outside of SLA	Pending Within SLA	Pending Outside SLA
50/50 membership (reduce conts)	5			0	100%		0	0	0		
AVC (info or payment)	10			0	100%		0	0	0		
Absence contributions (unpaid conts top up)	5			0	100%		0	0	0		
Bulk Communications Exercise (pen increases)	30			0	100%		0	0	0		
Cash Management & Investments	?			0	100%		0	0	0		
Complaints/E&O/Breaches - acknowledgment	2			0	100%		0	0	0		
Deaths – settlements (inc lump sum)	5			0	100%		0	0	0		
Deaths - quotes & enquiries	3			0	100%		0	0	0		
Death – over & underpayments	7			0	100%		0	0	0		
Divorce – initial charges & invoice	7			0	100%		0	0	0		
Divorce – quotation (1 st 3 week fee?)	15			0	100%		0	0	0		
Divorce – settlem't (fees, recalc TV, debit/credit)	25			0	100%		0	0	0		
General Enquiries	10			0	100%		0	0	0		
Leavers – refunds quotation	10			0	100%		0	0	0		
Leavers – refund settlement	5			0	100%		0	0	0		
Leavers – deferred	15			0	100%		0	0	0		
Member Data Updates (eow, address etc)	10			0	100%		0	0	0		
New starters set up	20			0	100%		0	0	0		
Payment of Invoices	?			0	100%		0	0	0		
Pension Increase enquiries	?			0	100%		0	0	0		
Pension Payroll enquiries	?			0	100%		0	0	0		
Retirement – settlements (inc lump sum)	5			0	100%		0	0	0		
Active Retirement E/N/L Triv III or redund quotes & enquiries	5			0	100%		0	0	0		
Deferred Retirement – E/N, Triv or III quotes & enquiries	7			0	100%		0	0	0		
Flexible Retirement – estimate III or redundancy	10			0	100%		0	0	0		

TV-In - quotes & enquiries	10			0	100%		0	0	0		
TV-In - settlements	10			0	100%		0	0	0		
TV-in – aggregation with ESPF (quote & settle)	10			0	100%		0	0	0		
TV-in – LG to LG (quote & settle)	10			0	100%		0	0	0		
TV Out – quotes & enquiries	15			0	100%		0	0	0		
TV Out – settlements	15			0	100%		0	0	0		
TV Out – LG to LG (quote)	15			0	100%		0	0	0		
TV Out – LG to LG (settlement)	25			0	100%		0	0	0		
Total				0	100%		0	0	0		

Appendix 3

Helpdesk performance

Introduced the call centre for ESPF in November 2019 (not taken on managing the corporate email box). Currently about 2FTE allocated to ESPF (team is 13 plus Beth). Table are average for all six funds.

Period	Offered (Calls received)	Handled (Calls answered)	Abandoned (Caller hung up)	Abandoned %	SLA % (75% of calls within 20 seconds)	Queue %	Abandoned Time
01/10/19 to 31/12/19	7,551	7,057	494	6.54%	Oct 24% Nov 37% Dec 42%	Oct 28% Nov 42% Dec 39%	Oct 4.50 Nov 3.31 Dec 2.12
01/01/20 to 31/03/20	8,415*	7,896	519	6.17%	Jan 40% Feb 57% Mar 56%	Jan 59% Feb 43% Mar 45%	Jan 4.32 Feb 22.38 Mar 3.27
01/04/20 to 30/06/20	3,953*	3,381	572	14.5%	Apr 52% May 40% Jun 9%	Apr 42% May 55% Jun 88%	Apr 4.59 May 6.59 Jun 7.10
01/07/20 to 31/07/20	2,223*	1,903	320	14.4%	Jul 22%	Jul 74%	Jul 6.42%

* Since lockdown the telephone service opening has been restricted (with NO back-up). First few months there was no call recording and logging was inconsistent. All staff did not initially have laptops and only got Jaba until June 2020.

Helpdesk - Top five reasons for ESPF calls:

1. 71 – self-service on-line activation
2. 67 – log-in to website issues
3. 45 – guidance with forms
4. 35 – wanting updates on benefit settlements **
5. 31 – member options guidance

** breakdown by type of benefits – 19 retirements, 6 deaths, 4 leavers, 4 refunds, 1 deferred & 1 possible retirement

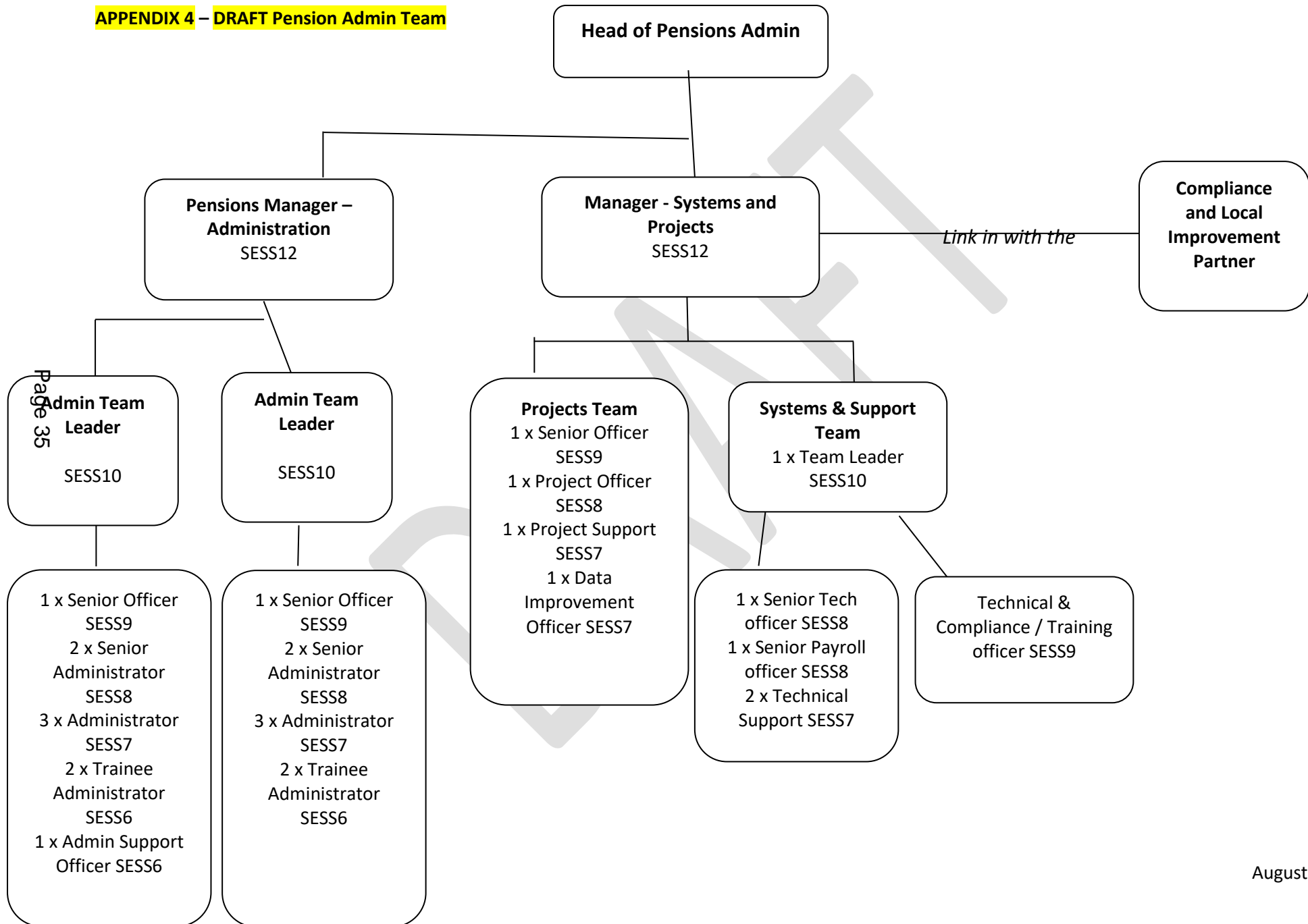
Helpdesk (website) performance

Period	Calls received	Handled	Abandoned	Abandoned %	SLA %	Queue %	Abandoned Time
01/01/20 to 31/03/20	697	574	123	17.64%	Jan 24% Feb 28% Mar 28%	Jan 52% Feb 49% Mar 37%	Jan n/a Feb 5.08 Mar 1.17
01/04/20 to 30/06/20	1,320	871	449	34.02%	Apr 28% May 28% Jun 0%	Apr 43% May 56% Jun 75%	Apr 2.59 May 2.27 Jun 4.13
01/07/20 to 31/07/20	242	216	26	10.7%	Jul 1%	Jul 41%	Jul 4.45

Helpdesk Notes:

- Looking to introduce additional options for the callers including informing them of average waiting time, where they are in the queue & a call back facility.
- Complaints have not been logged, with effect from August 20 will be logged and if not immediately resolved by the helpdesk team they will be passed to operations team to complete.

APPENDIX 4 – DRAFT Pension Admin Team



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Appendix 4

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Appendix 3 OPEN ACTIONS

Audit	Date	Ref	Finding	Risk Rating	Agreed Action	Target Date	Requested Revised Target Date	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	01/10/2020	Nick Weaver	Partial	Heywood's Altair software has the ability to make one-off payments using the "Immediate Payments" module. This can either work in a stand-alone, or fully integrated way. To ensure proper control it needs to be fully integrated, requiring all other software components to be in place and up-to-date. The stand-alone version was implemented from 1st June, integrating it is planned as soon as the core system is up-to-date. We anticipate implementing "Admin to Pay" intergration module for payroll and accounting by 1st October 2020 once the accounting team have signed off the monthly payroll file is posting ok and the current posting differences between SAP pension payroll and Altair pension admin systems have been rectified.
		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	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:	High	1. A technical solution is being developed to remove the need for these calculations to be made by the Pensions Administration Team.	30/06/2020	01/10/2020	Kevin Foster	Partial	Technical solution has been implemented within Surrey. There is a requirement up update SAP in East Sussex due to system configuration; in the meantime a work around have been put in place prior to permanent solution.
		3.2	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)	High	2. A credit adjustment will be made to the annual pension administration charge to compensate the Fund, whilst the technical solution is being developed. The terms of the financial compensation plan will be worked through and presented to the Pension Committee.	01/04/2020	01/04/2020	Ian Gutsell	Yes	Review undertaken and no action no required
Pension Fund Administration, People, Processes and Systems, 2019/20	Jan-20	4	The Administration Service reported to the September 2019 Pension Board that 258 active members and 11,004 deferred members had not received their Annual Benefit Statements (ABS) for 2018/19. However, our testing identified further members who had not been sent their ABS, or had not been provided with written notification that their ABS are available on-line, as required under section 14 of the Public Service Pensions Act 2013. Specifically: 1. 1,780 members held in 'status 2' (undecided leavers) did not received their ABS; 2. 5,631 active members, where no email address was held, did not receive written notification that their statements were available on-line; and 3. New members were not advised in writing that their ABS was available on-line. Additionally: 4. There are 4,500 members held in 'status 9' (frozen refunds), who may also be entitled to an ABS, did not receive one; and 5. There are 9,535 deferred members, for whom we do not hold a current email address, and who did not receive an ABS. At the time of testing, these additional breaches had not been reported to the Pension Regulator.	High	Measures to ensure that all required ABS are issued by the statutory deadline for 2020 will include, but are not limited to: • A series of workshops to plan the end to end process; • The creation of a robust plan which sets out roles and responsibilities, milestones and objectives; • Consultation with key stakeholders and immediate communication of expectations from employers; • The identification of early tasks that need carrying out before 31 March; • The cleansing of data held in Altair prior to 31 March; • Establishing a membership baseline through the creation of a snapshot of the membership database – as at 31 March; • The identification of all members requiring an ABS; • A clear understanding that no assumptions are made in the absence of documentation from employers; • Appropriate communications with members in accordance with LGPS regulations. The final plan will be agreed with the Fund.	30/06/2020	01/10/2020	Mike Lea & Clare Chambers	Partial	Work was progressing with Hymans to incorporate the Data Improvement Plan (DIP) results into the ABS' and to issue them by the agreed 31 July deadline. However, for various reasons (including coronavirus) not all the data was collected from the employers by the extended deadline of 15th June 2020. That collected and forwarded to the Orbis system support team was incorporated into the ABS data. The Pensions Board and Officers asked Hymans to cease work on the DIP and prepare a handover report as at 24 July 2020. The DIP project will be continued by the East Sussex PAT. COVID-19 had an impact on the employers ability to complete their annual returns so the deadline for completing the ABS was pushed back to 31st August 2020. An update report will be provided to the Board & Committee in September 2020.
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.	Medium	1. The Fund has commissioned a data improvement programme to be carried out by Hymans Robertson, who will liaise with employers to correct any missing data or inaccuracies. The data collected will be provided to the Pensions Administration Service which will upload it onto Altair. Any changes between the snapshot provided to Hymans and the data held in the live system at the point of upload will be investigated and resolved.	01/04/2020	31/12/2020	Paul Punter	Partial	See 4 above. Significant data quality improvement work has been achieved by Hymans; the work is being handed back the the East Sussex PAT to finalise by 31st December 2020.
		5.2	• 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	2. The Pension Administration Service will propose procedures and policies to maintain and enhance data quality and seek to obtain the relevant ISO quality accreditation. This will include consideration of capacity and the benefit and cost of establishing a new data quality team.	01/04/2020	01/10/2020	Ian Gutsell	Partial	The East Sussex Compliance Local Improvement Partner (CLIP), started on 3rd August 2020, who will oversee data quality. The PAT has changed the way some Altair status field are used and any misuse of these should be minimal going forwards.
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	Medium	1. The Pension Administration Team will develop an improvement plan and identify specific administration resources to address Status 2 and Status 9 cases. It will share the plan with the Pension Board, to which it will also share progress reports.	01/04/2020	31/12/2020	Mike Lea	Partial	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. The Hymans DIP reviewed and determine the correct status for most of both status 2 and 9 cases. Many have been corrected before the handover to the East Sussex PAT in August 2020. The remaining cases should be completed by 31st December 2020
		7.2		Medium	2. Consideration will be given to the creation of a new role - Compliance and Local Improvement Partner (CLIP), to co-ordinate and oversee improvements.	01/04/2020	01/04/2020	Kevin Foster	Yes	CLIP started on 3rd August 2020
Pension Fund Administration, People, Processes and Systems, 2019/20	Jan-20	9.1	The previous year's audit reported that a data cleansing exercise had been carried out, which had identified 14,000 queries and 67,000 warnings, where data may contain errors or be incorrect. It was agreed that all errors and/or warnings from the membership data cleansing exercise would be investigated and the data would be amended, if it was found to be incorrect. This action has not been carried out and it was noted that the 2019/20 data cleansing exercise for the triennial valuation identified 137,911 warnings.	High	See Action 5, above.	01/04/2020	01/10/2020	Kevin Foster	Partial	See 5 above
		9.2		High	See Action 5, above.	01/04/2020	01/10/2020	Ian Gutsell	Partial	See 5 above
Pension Fund Administration, People, Processes and Systems, 2019/20	Jan-20	10.1	Testing of a sample of deferred pensions found that new deferred tasks are not always allocated to members of the Pensions Administration Team for processing immediately. We found that eight out of 15 cases tested had not been processed promptly, with an average delay of nine weeks before the tasks were allocated in these cases. The KPI for deferred pensions sets a target to process 98% of all deferred cases within 25 days of receipt. The KPI's between November 2018 and July 2019 state that the target has been met. However, the way that the figures are calculated does not take account of the delay in allocating new cases and, therefore, the published KPI for deferred cases is overstated.	Medium	1. This issue will be resolved by the transfer of responsibility for the final pay calculations for ESCC employees to the County Council.	30/06/2020	01/10/2020	Kevin Foster	Partial	The issue is linked to 3.1 above and when that is resolved this item will be fixed.
		10.2		Medium	2. Until such time that final pay calculations are transferred to ESCC, the KPI for deferred pension transactions will exclude ESCC Pension Fund members.	01/02/2020	30/06/2020	Clare Chambers	Yes	Included in KPIs

Pension Fund Administration, People, Processes and Systems, 2019/20	Jan-20	13	During testing, we found evidence of correspondence having been sent to a member threatening to suspend their pension unless they responded to the letter to confirm that they were still alive. In this case, correspondence had previously been returned marked 'Unknown at this address'. However, at the date of testing, which was a month past the specified deadline, the pension was still in payment. We understand that the reason why the pension was still in payment was because the Pension Administration Team had not sought or received approval from the Governance Team to suspend the member's pension benefit.	Medium	A process, including clearly defined roles and responsibilities, between the Pension Fund and the administration will be developed and agreed with the Pension Fund.	31/03/2020	01/10/2020	Michelle King & Clare Chambers	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. The decision to move the administration back in-house means there will be a more holistic approach and joined up processes. The East Sussex head of pensions administration is in September undertaking a review of the existing "suspended" pensioners (278).
Pension Fund Administration, People, Processes and Systems, 2019/20	Jan-20	16	The previous audit (2018/19) found that five out of 32 users who had access to Altair had left the Council. It was agreed that the users' accounts would be deleted and that a review of user access to Altair would be undertaken, at least on an annual basis. We found that the five users' accounts identified during the last audit had been deleted. However, the review of user accounts had not been completed.	Low	A review of user access to Altair will be undertaken annually and evidence of the review will be maintained.	31/05/2020	01/10/2020	Clare Chambers	Partial	Systems and Support Team to document a process for maintaining system access and levels to Altair and all support systems by providing East Sussex head of pensions administration a quarterly report of users and their access rights for review and approval. The primary responsibility for informing IT and systems of joiners and leavers resides with HR. The quarterly checks are a safety net.
Pension Fund - Compliance with Regulatory Requirements 2019/20	Jan-20	3	There is currently no Service Level Agreement in place between the East Sussex Pension Fund and Business Operations, which provides its Pension Administration Service. The only document that sets out the service to be provided, is a Statement of Requirements, which is dated 2013, and does not cover more formal responsibilities in the event that service provision falls below the expected standard.	High	Aon, Eversheds Sutherland and Hymans Robertson to produce three Service Level Agreements which sit under the umbrella of the current Inter-Authority Agreement (IAA). Eversheds are updating the IAA to ensure compliance with GDPR provisions and to determine the roles and responsibilities of the Data Owner, Data Controller and Data Administrator. The following Service Level Agreements (SLAs) are sub sections of the IAA agreement. Aon are preparing a SLA between the Fund and the Administrator which will be performance managed through the Performance Management Group which is a newly formed governance vehicle to conduct oversight of the operational requirement. A separate SLA for actuarial services to determine performance between Orbis and the actuary is commissioned to ensure that information is provided to the actuary in a timely, accurate and complete manner. All SLAs will form appendices to the IAA and will be ratified by the Pension Committee on 16th March 2020. The IAA will be further, retrospectively, ratified by the Pension Committee on 16th March 2020.	16/03/2020	01/07/2020	Michelle King	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.

Appendix 3

CLOSED ACTIONS

Audit	Date	Ref	Finding	Risk Rating	Agreed Action	Target Date	Requested Revised Target Date	Responsible Officer	Implemented?	Comments
Pension Fund Administration, People, Processes and Systems, 2019/20	Jan-20	2.1	The Altair system calculates pension benefits for new pensioners. However, during testing, we found that in two out of 15 cases, the benefits had been calculated manually by the Pension Administration Team. We understand that this was because of delays in receiving documentation from the employer, in one case, and the employee in the other case. It is further understood that the Altair system cannot calculate benefits retrospectively. In reviewing these two cases, whilst we found evidence of signed checklists, the manual calculations were not completed using a formal template to aid consistency and there was no clear evidence that the calculations had been checked, for example by the signature of the checker at the foot of each page where system generated figures had been overwritten by manual calculations. Furthermore, there is no clear governance process to support the over-writing of data held in Altair with manual figures because the supporting checklist does not adequately demonstrate that each step in the process has been completed and then checked. Testing of an additional 15 new pensions found a further four pension benefits that had been calculated manually. This suggests that around 20% of pension benefits involve a manual calculation although no errors were found during testing. A pension calculation is a longstanding calculation so an error at inception would pervade 20-30 years after the calculation was committed. This would affect all other calculations derived from that initial calculation.	Medium	1. Aquila Heywood will be commissioned to implement system functionality to resolve the retrospective calculation issue together with relevant system controls and sign off controls.	01/04/2020	30/06/2020	Nick Weaver	Yes	Further investigation with the Internal Audit identified a misunderstanding about the functionality capabilities of the Heywood Altair system. It does calculate the member pension benefits at the normal retirement date. Under the LGPS Regulations if the member, for whatever reason, does not forward the completed acceptance forms in a timely manner the benefits are backdated for a number of months or years the Altair system is unable to determine the current benefits. The administrator uses a template spreadsheet to take the Altair calculated benefits at the original normal retirement date to determine the subsequent annual pension increases between then and the actual first payment date plus the arrears for the first pension payment. To ensure the template spreadsheet is clear that it has been checked four new boxes have been added to show the name of the doer and checker and the date they performed and check the work. These names and dates should then be able to be crossed checked against the retirement calculation checklist to provide a clear audit trail that the work was checked. East Sussex follow the same process as Surrey.
		2.2		Medium	2. Until a system-based solution is achieved, we will implement a template for recording manual calculations in order to aid consistency, reduce the risk of error and to provide a clear audit trail to demonstrate how the figures and the final benefit award were derived.	01/02/2020	30/06/2020	Nick Weaver	Yes	ESCC have adopted the Surrey version of the template spreadsheet.
Pension Fund Administration, People, Processes and Systems, 2019/20	Jan-20	6	We understand that Status 8 is used in Altair for records that have been created in error. However, we reviewed a sample of six cases and found two records where members had opted out and had received a refund of contributions via payroll. These records had been moved to Status 8 in error and we understand that they have now been moved to Status 0 (opt Out) following the queries raised by Internal Audit.	Low	The Pension Administration Team will develop an improvement plan and identify specific administration resources to address Status 8 cases. It will share the plan with the Pension Board, to which it will also share progress reports. Consideration will be given to the creation of a new role - Compliance and Local Improvement Partner (CLIP), to co-ordinate and oversee improvements.	01/06/2020	01/06/2020	Mike Lea	Yes	Periodically a report of status 8 cases will be run to ensure it is being used correctly. Historical cases were reviewed by Hymans and the East Sussex head of administration has in August 2020 been given the Heywoods Altair system supervisor status to "delete" records where appropriate.
Pension Fund Administration, People, Processes and Systems, 2019/20	Jan-20	8.1	We understand that there is no process in place to update addresses for employees who opt out and defer their pensions, even though employers hold this information.	Low	1. The Pension Administration Team will develop an improvement plan and identify specific administration resources to capture changes of address for all deferred members. It will share the plan with the Pension Board, to which it will also share progress reports.	01/06/2020	01/06/2020	Clare Chambers	Yes	This will be part of the standard deferred benefit process.
		8.2		Low	2. Consideration will be given to the creation of a new role - Compliance and Local Improvement Partner (CLIP), to co-ordinate and oversee improvements.	01/06/2020	01/06/2020	Kevin Foster	Yes	CLIP started on 3 August 2020.
Pension Fund Administration, People, Processes and Systems, 2019/20	Jan-20	11	The Pension Administration send out an annual return at the end of each year relating to members' annual allowances. For new members transferring into the fund, this information needs to be collected from the previous employer. We tested a sample of transfers into the Pension Fund. We found that, in one out of five cases, the member's annual allowance information had not been received from the previous employer but that the checklist had been approved as complete, despite the step to obtain the annual allowance information being left blank. Further enquiries confirmed that there were five other transfers in where the annual allowance was missing. In three of these cases, checklists had been marked to show the transactions as complete. The remaining checklists differed and did not cover the receipt (or not) of annual allowance information. The closing of transfer-in cases before all steps have been completed also has a positive and misleading impact upon the KPIs.	Low	We will review the process and the Transfer In checklist to ensure that the most efficient use is made of our resources. We shall review the KPI report to ensure all relevant information is included and that reports provided to the Board and Committee are clear.	01/06/2020	30/06/2020	Clare Chambers	Yes	The Annual Allowance (AA) statements are produced for about 120 ESPF members who exceed the annual monetary amount. In trying to determine the correct AA information you can account for any unused allowance for the previous three years. For members who have completed an interfund transfer during the year the data may not be easily assessable (for members with no Altair member print from the previous employer). East Sussex administration team tried to obtain a note of the AA used in the current year as part of the TV-in process. As the provision of this data is not mandatory or statutory and does not impact the calculation of the transfer of benefits it is not chased at the time of transfer. If later, it is discovered the member is actually exceeds the AA, then the administrator will as part of that task request the AA data from the previous employer.

Pension Fund Administration, People, Processes and Systems, 2019/20	Jan-20	12	Testing revealed that 80% of complaints to the Pensions Administration Team were not responded to within 10 days, in accordance with Orbis service standards, increasing the risk of reputational damage. It was also noted that there is a lack of information recorded within the Complaints Log, with some fields being left blank. Furthermore, some members' feedback, which could reasonably be considered to be complaints, is recorded as comments, thus avoiding the need to include them in the statistics. In addition, we found that some complaints had not been recorded within the KPI figures presented to the Committee or Board, whilst all commitments, 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 administrator's performance.	Low	KPI statistics will be checked to ensure that they are complete and only include data relating to the East Sussex Pension Fund. Accompanying narrative on the cause of each failure will be provided together with proposals to rectify any failures.	01/05/2020	30/06/2020	Clare Chambers	Yes	Action undertaken and only complaints for the East Sussex Fund are reported as part of the KPI reporting. A
Pension Fund Administration, People, Processes and Systems, 2019/20	Jan-20	14	The Pensions Regulator expects pension administrators to maintain complete and accurate records and has published guidance on the minimum data that it expects trustees and scheme managers to hold. Of the eleven common data fields specified by the Regulator, nine are mandatory in Altair. Although we did ask for clarification from management about the other two mandatory fields, no response was forthcoming and it remains unclear why the 'Address' and 'Post Code' Fields are not mandatory.	Low	We will approach the software vendor (Aquila Heywood) to investigate the possibility of making the address fields mandatory, including any potential cost implications.	31/05/2020	30/06/2020	Nick Weaver	Yes	The address and postcode fields are not mandatory on any pension software suppliers. East Sussex does have policies in place to undertake missing address tracing exercises biannually. In addition for individuals approaching retirement where an address is missing address tracing is performed three months beforehand. East Sussex PAT will produce TPR validator common and conditional reports annually for the Pensions Board to track the data quality scores.
Pension Fund Administration, People, Processes and Systems, 2019/20	Jan-20	15	The previous audit (2018/19) identified an employer, which had left the Fund, but could still access the employer portal (Pensions Web). It was agreed that the employer's account would be deleted and all employers with access to Pensions Web would be contacted to confirm their employees who need access to the system on an annual basis. We found that that the employer account referred to above had been deleted. However, there was no record to confirm whether all employers had been contacted to confirm who needed access to Pensions Web.	Low	We will write to all employers with access to Pensions Web to confirm the employees who need access to the system on an annual basis.	31/05/2020	30/06/2020	Clare Chambers	Yes	Systems and Support Team will document a process for maintaining access to PensionsWeb for scheme employers. There is an employer database which holds the employer key contact details - name, address, email, plus authorised signatories etc. These will be updated as part on the annual data return for the ABS process. CLIP will have oversight of the quality of this work.
Pension Fund Administration, People, Processes and Systems, 2019/20	Jan-20	17	The previous audit (2018/19) found that the Pensions Regulator requires each scheme to have developed a set of scheme specific data items that should be present for each member. No scheme specific data set has been defined.	Medium	The Pension Administration Team will develop a set of scheme-specific data, including considering guidance from outside bodies, as necessary. This will be presented to the Board for approval.	31/03/2020	31/03/2020	Mike Lea	Yes	Will be captured by East Sussex PAT
Pension Fund Administration, People, Processes and Systems, 2019/20	Jan-20	18	The previous audit (2018/19) found that Surrey County Council (as the pension administration service provider within Orbis) is responsible for developing an annual schedule of tasks that will be agreed by East Sussex County Council. The annual schedule sets out a timetable of key pension activities that should be completed by the service provider, including statutory activities such as submitting tax returns and issuing annual benefit statements. However, the annual schedule for 2018 was not developed, despite requests from the Council. It was agreed that an annual schedule of key pension activities would be presented to the Council for approval by the start of each calendar year. Whilst a schedule has been produced for 2019, it has not been shared with, and approved by, the Pension Fund.	Medium	We shall develop and submit an annual schedule of key pension activities to the Council for approval by the start of each calendar year. We shall ensure that the schedule includes all statutory returns and reports.	31/03/2020	31/03/2020	Clare Chambers	Yes	The 2020 Annual Schedule has been drafted and being submitted to the 8 June Local Pension Board.
Pension Fund - Compliance with Regulatory Requirements 2019/20	Jan-20	18	All breaches or potential breaches should be recorded in a log which should be used to inform the Pension Board and Pension Committee on a regular basis. Our testing found two versions of the breaches log, neither of which appeared to be complete. The log does not always record: <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	Agreed by the Pension Committee on the 22 June 2020.
Pension Fund - Compliance with Regulatory Requirements 2019/20	Jan-20	2	The Reporting Breaches Policy states that breaches or likely breaches should be reported to the Pension Committee, Pension Board and, where necessary, the Pension Regulator. Despite the incomplete nature of the breaches log (see ref 1, above), the entries that had been made indicated that few breaches had been reported to the Pension Committee or Pension Board. As previously mentioned, the log does not record whether breaches have been reported to the Pension Regulator.	High	All officers will be reminded to comply with the Breaches Policy and Procedures to be agreed at Pensions Committee on 16 March 2020. This policy will ensure that the reporting of breaches complies in full with the provision of the Regulator's Code of Practice.	01/04/2020	01/04/2020	Michelle King	Yes	Agreed by the Pension Committee on the 22 June 2020.

East Sussex Pension Fund

Data Improvement Project Closure Report

July 2020

Susan McKenzie
Project Manager
For and on behalf of Hymans Robertson LLP

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Appendices

- Appendix 1 – RAID - Final
- Appendix 2 - Plan Summary - Final
- Appendix 3 – Handover - Final

1 Document Control

Version	Date	Author	Change Description
V0.1	13 July 2020	Susan McKenzie	Initial draft
V0.2	30 July 2020	Susan McKenzie	Comments on initial draft

2 Document Sign Off

The creation of a project closure report is a formal process. Once the document is finalised the intention is that it be reviewed by various groups involved in the project and signed off accordingly.

Group	Names	Sign off date
Hymans Robertson (Hymans)	Susan McKenzie Peter Riedel Richard Warden	
Orbis Administration	Nick Weaver Sarah Spence	
East Sussex Pension Fund Officers	Ian Gutsell Michelle King Paul Punter	
ABS Working Group & Pension Committee Chair	Councillor Gerard Fox	
ABS Working Group Members	Ray Martin Diana Pogson Stephen Osborne	For Review Only
East Sussex County Council – Internal Audit	Russell Banks Danny Simpson	For Information Only

3 Document Purpose

This project closure report is the final project document providing full and objective assessment of the East Sussex Pension Fund Data Improvement Project delivery.

To formally close the project this report will document:

- Delivery to the project objectives
- Key achievements and challenges
- Highlights and best practice for future projects
- Lessons learned and recommendations
- Confirm outstanding tasks/issues and owners of those

This document is intended to be used internally and to aid any similar exercises in future.

4 Executive Summary

Following a workshop in October 2019, which included attendees across Hymans, AON, Orbis and the Fund, a scoping paper was agreed, detailing data cleansing work for East Sussex Pension Fund. The Data Improvement Project was approved at the Pension Committee in November and communicated to Employers at the Fund's November Employer Forum.

A kick off meeting in January set the scene for the project and work commenced with more detailed communications to Employers, articulating what was expected of them during the project.

The ABS Working Group were given delegated decision-making authority from the Pension Committee to oversee the project. Monthly meetings were held from February 2020. During March as the COVID-19 situation emerged, the Working Group meetings moved to twice monthly to facilitate more regular formal communication of progress and escalation and resolution of issues.

It was acknowledged early in the project that success was highly dependent on employer engagement and action and this was raised as a risk.

The project successfully delivered on key objectives; however, the project's success was hampered by the COVID-19 pandemic and the impacts of employers who were forced into unplanned remote working and furlough of their staff. This resulted in more challenging employer engagement and ultimately more time taken to resolve the queries.

5 Background & Objectives

5.1 Background

The primary purpose of the Fund is to pay the correct pension benefits to its members when they become due. It is therefore imperative that the East Sussex Pension Fund (ESPF) achieves and maintains the highest possible standards of member data quality, in order to comply with its core functions and to ensure the cost-effective use of resources. High quality member data is also at the heart of all fund valuations and employer work, and facilitating effective decision making linked to them.

Keeping and maintaining high quality member data is, however, becoming increasingly difficult due to:

- the continual expansion of the Fund in terms of number of participating scheme employers, and the differing needs of each type of employer;
- the increasing number of payroll providers being used by the scheme employers;
- the continuing increase in membership; and
- the administrative complexity inherent in the scheme's design.

Added to this is the increased overriding legislative requirements and external scrutiny that is being applied to all public service pension schemes, including the Local Government Pension Scheme (LGPS). In order to avoid adverse publicity and criticism it is important for the ESPF to continually consider how it meets its regulatory requirements, including the quality of its member data, and to take the appropriate steps to address any concerns as they are identified.

Given the above, the ESPF has a duty to ensure accurate records are maintained in respect of its scheme members, as well as communicating all information in an accurate, timely and secure manner. In order to achieve this, it is imperative that scheme employers are clear on their individual responsibilities and have the required support from pension administrators in fulfilling their duties. 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.

5.2 Objectives

The Pensions Regulator (TPR) has set accuracy 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

5.3 Scope

High level deliverables in scope as follows:

Scheme employer communication – creation and issue of employer communication introducing the data cleanse project and preparing scheme employers for the introduction of i-Connect during 2020;

High level data analysis – undertaking a high-level analysis of the ESPF active member data set versus the Heywood Altair common and scheme specific data reports in order to quantify the number and significance of the data issues requiring attention and reporting on the results;

Data cleanse (common data items) – undertake a cleanse of common data items for all active members (including those currently held under “status 2” (unresolved leaver) and “status 9” (frozen refunds)” on Altair) against scheme employer payroll records;

Data cleanse (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;

Data cleanse (agreed scheme specific data items) – high level consistency check of agreed scheme specific data items, to ensure accuracy of active member data sets;

31 March 2020 year end – preparation, in collaboration with Orbis, for the 2019/20 year-end reconciliation exercise ahead of Orbis completing the 2020 annual benefit statement exercise.

6 Structure and Control

Following an initial planning workshop in October 2019 a regular meeting and reporting schedule was established. This consisted of:

- The creation of the ABS Working Group, Terms of Reference were approved by the Pensions Committee who also delegated decision making powers to this group
- Monthly meetings of the ABS Working Group, Hymans and Orbis were established. This was the project's decision-making forum; twice monthly meetings were initiated from April, following COVID-19 impact on the project
- Pension Board and Pension Committee reporting;
- Weekly progress emails were issued initially, however these were superseded by more regular ABS Working Group meetings
- Adhoc meetings as required; and
- Bi- weekly meeting of Hymans and Orbis was set up moving to weekly as data corrections were being collated for Orbis to update and as key Annual Benefit Statement preparation and planning evolved.

A project plan was created to capture granular detail on each workstream.

A high-level summary project view of workstreams and milestones was shared at each ABS Working Group meeting.

7 Summary of Workstreams

7.1 Project Management and Stakeholder Engagement

The purpose of this workstream was to:

- Scope and plan the activities within the project
- Provide structure and a framework to track progress
- Identify and address risks and issues and document key decisions
- Communicate within and outside the project

A detailed project plan was created to identify and manage all activities across all stakeholders and a RAID log was created and maintained throughout the duration of the project. Regular ABS Working Group packs were issued to the Fund and regular project meetings kept stakeholders informed and engaged.

7.2 High Level Analysis

A data extract was required from Altair, the administration system to obtain a starting position. This extract formed the basis of the data cleanse and was taken as at 30 January 2020.

This allowed an initial high level analysis to be shared with the ABS Working Group and was used to inform the project approach.

Initial findings indicated that:

Membership

- 11 Employers accounted for 88% of the membership – this group of employers was designated “Annex A”
- 112 Employers accounted for the remaining 12% of the membership – these remaining employers were designated “Annex B”

Status 2 (Unresolved Leavers)

- 15 Employers accounted for 88% of Status 2 cases, all of which had more than 10 cases – this population was agreed as the primary focus for resolution.
- 27 Employers accounted for the remaining 12%
- 71 Employers had no Status 2 cases

Status 8 (Incomplete Joiners)

- 20 Employers accounted for all Status 8 cases

Status 9 (Frozen Refunds)

- 11 Employers accounted for 90% of Status 9 cases
- 46 Employers accounted for the remaining 10%
- 66 Employers had no Status 9 cases

7.3 Employer Communications

The project was heavily reliant on positive employer engagement. Communications with employers occurred at various points in the project

- Advanced notice of the project was communicated at the November Employer Forum

- Email communication was issued to all employers on 28th January 2020 by the Fund to introduce the project and the Hymans team
- The employer communication was then split across the 2 annexes: Annex A covered 11 larger employers with over 200 members and Annex B covered the remaining 112 employers with less than 200 members.
- Initial requests for data were tailored to these annexes, with requests for payroll information and status 2 & CARE pay information requested separately from Annex A employers. Annex B data requests were combined. These communications contained explanations, worked examples and contact points at Hymans for assistance.
- Regular reminders were issued to non-responding employers with escalation to the ABS Working Group as required.
- Annex A responses received
 - 8 out of 11 (72%) Annex A Payroll responses were received
 - 3 out of 11 (27%) Annex A Status 2 & CARE pay responses were received
- Annex B responses received
 - 89 out of 112 (79%) responses were received
- Contact details from the Fund and Orbis as the Administrator were used to identify contact points. Any new contact points advised to Hymans were passed to Orbis.
- Project transition will be communicated to Employers by Orbis.

7.4 Unresolved Leavers (Status 2)

Opening position for Status 2 cases as at 30 January 2020: 977 cases

The workstream dealt with resolving as many status 2 cases as possible, which was reliant on employer engagement and ability and desire to respond:

- Identifying employers with higher volumes of cases – 15 Employers accounted for 859 status 2 cases (88%), with the remaining 118 cases (12%) split across 37 employers
- Communicating with employers, including educating employers on which cases to prioritise
- Contacting employers to confirm request received by correct contact point and chasing responses from employers' multiple times
- Passing leaver forms to Orbis for processing
- 532 cases were resolved during the project.
- 117 cases are with Hymans to validate and forward to Orbis to resolve

Closing position for Status 2 cases: 323 cases are to be passed to Orbis to resolve – see appendix for detail

- 8 Employers account for 282 cases (87%)
- 16 Employers account for the remaining 41 cases (13%)

7.5 Frozen Refunds (Status 9)

Opening position for Status 9 cases as at 30 January 2020: 4,650

This workstream dealt with:

- Validating that all status 9 cases were in fact true status 9's
- All were found to be genuine, with the exception of 6 cases which were discussed with Orbis
- An ageing analysis was carried out to allow Orbis to focus on oldest refunds first – see appendix for detail

This workstream culminated in action agreed at the ABS Working Group of 30 April 2020 for Orbis to issue refund payments and to undertake a member tracing exercise where required.

7.6 Incomplete New Starter (Status 8)

This workstream dealt with incomplete new starter records. These cases were unlikely to impact the Annual Benefit Statements and investigations were planned towards the end of the project.

Opening position for Status 8 cases in May 2020: 287

- Removal of duplicated members removed 40 cases: 247
- Investigations carried out resulted in the following findings:
 - 67 cases appear to be errors from system notes
 - 123 cases investigated by Hymans Robertson and appear to be errors. Findings shared with Orbis as part of the project closure handover
 - 57 cases to be investigated by Orbis

Deletion of records were discussed with the ABS Working Group; however, a decision was not reached.

To close this workstream Orbis should agree an approach on deletion of records with the Fund and review current processes to avoid recurrence.

7.7 Common Data

This workstream focussed on comparing payroll data and pension fund data across key data items, detailed in appendix 3. A key assumption made early in the project was that payroll data was correct, however this proved to be flawed, which resulted in additional Hymans effort to validate data for correction. Following comparison of payroll and pension administration data, a number of anomalies were investigated by Hymans and categorised under 3 error points as follows:

- 1 Pension Administration system updates required.
 - 42 Employers records had corrections applied to their pension record by Orbis. The total number of adjustments required was 8,630
 - The largest volume of changes related to forenames, job title and payroll references
- 2 Payroll corrections required
 - 25 Employers records had corrections returned to them. We are not able to validate that corrections have been made. The total number of adjustments required was 1,730
 - The largest volume of changes related to forenames and joining dates
- 3 Unable to conclude which record was correct
 - Across 40 Employers Hymans were unable to confirm if payroll or pension records were correct. The total number of anomalies identified were 3,148
 - The anomalies were reported on titles, surnames, addresses and post codes, job titles

- Corrections were identified across 49 Employers
 - 21 Employers were reported across all 3 error points
 - 16 Employers were reported across 2 error points
 - 12 Employers were reported across 1 error points

7.8 CARE Pay

Following discussions with Orbis and a sample of Employers, we provided comfort to the Fund and the ABS Working Group that the process of calculating CARE pay and the accuracy of CARE data on the Pension Admin system was robust.

This workstream focussed on 2 elements of CARE pay

- 2019/20
 - As part of the data improvement project return we asked Employers to provide their member's most recent pensionable pay information. This was compared with the pensionable pay held by the Pension Fund for the 2018/19 scheme year, to see if it highlighted any significant changes (increases or decreases) in any individual's pensionable pay that may be worthy of further investigation.
 - Members were highlighted where it appeared that a member's pensionable pay during the 2019/20 scheme year had increased or decreased to an extent that suggested further investigation might be required. We were not suggesting that the pensionable pay information was inaccurate, the purpose of this exercise was to provide an advanced warning ahead of the Fund's year-end exercise and help the employer in pre-empting queries from the Fund.
- 2014 - 2019
 - During the course of our data improvement work we identified a number of cases where it appeared individuals had missing CARE pay, some going back to the 2014/15 scheme year when the CARE accrual was introduced. We sent employers an email setting out each instance where a CARE pay amount was either missing or significantly lower than expected. We further advised that it was likely that missing or low CARE pay arose as a result of a member being on parental leave or long-term sickness absence and an assumed pensionable pay figure was required to be calculated. We provided additional information on assumed pensionable pay with our communication to assist with calculations.

7.9 Annual Benefit Statements (ABS)

The purpose of this workstream was to coordinate across the data improvement project and the ABS run, targeting 30 June completion date. This date moved to 31 July following the impact of COVID-19 on the project, specifically the ability of employers to respond to the Year End request for data and the ability to run statements remotely.

Remote production of the statements was trialled by running employers separately and this was deemed successful and gave the ABS Working Group confidence that running statements remotely was possible.

Following detailed checking, issues were identified with the content of the statements and risks were raised as any fixes for Altair were reliant on Heywood, who would be working to the industry deadline of 31 August for statement production.

As at the transition of the project to Orbis, the Heywood calc fixes has been implemented. The ABS run was confirmed as targeting 31 August 2020 for completion

7.10 Handover to Pensions Administrator

The purpose of this workstream was to formalise a handover to Orbis following the closure of the project.

- Employer Communication
 - Email advising Employers that project is now transitioned to Orbis and contact point provided
 - Employers may advise of further changes following our review of their common data return
- Status 2 (unresolved leavers)
 - 323 outstanding cases passed to Orbis to resolve
 - 117 Employer returns to be passed to Orbis to update Altair
- Status 8 (incomplete joiners)
 - Agree deletion approach with the Fund
 - 190 cases to be validated and deleted
 - 57 cases to be investigated
 - Current processes which allocate members to status 8 to be reviewed
- Status 9 (frozen refunds)
 - Refund of member contributions, with member tracing as required.
- CARE pay 2014 - 2019 gaps and queries
 - Responses received prior to 30 June reviewed and forwarded to Orbis for update to Altair
 - Responses received by Hymans post 30 June to be forwarded to Orbis for review
 - ESPF may choose to chase outstanding responses from employers, following final Hymans chaser.
- Annual Benefit Statements
 - Risks relating to the fixes required to run the statements are being managed by the Orbis project team
 - Production of the Annual Benefits Statements remains an Orbis responsibility

8 Lessons Learned

8.1 What went well on the project

- The application of overarching project management worked well and provided structure and discipline for the project. Frequency of meetings was appropriate.
- Sharing project updates with the Pension Board and Committee gave confidence that the project was well controlled and on track.
- High level of engagement across the project and a desire to work together was evident.
- Some of the employers responded positively to the project engagement and benefited from the education and examples provided in the data packs and supporting email and phone contact.
- Updated contact points provided to Hymans were passed on to Orbis
- The Orbis Year End team processed the common data corrections with no impact to the year end processes, using overtime approved by the Fund
- Insight provided to the Fund and the ABS Working Group on the member population and the employer engagement, highlighting areas for attention.
- Altair access was a real benefit to the Hymans team
- Any new contact points notified to Hymans were shared with Orbis

8.2 What didn't go well on the project

- Some of the employers did not respond positively to the project and a higher level of engagement was required with these employers than had been anticipated. Escalations from the ABS Working Group did not always have a positive impact.
- COVID-19 negatively impacted the ability of the employers to respond to the project, due to remote working and furlough. This delayed the project and impacted their ability to resolve status 2's. At times employers seemed to have to choose between DIP and Year End.
- An early assumption that payroll data was correct proved flawed which resulted in more effort to check common data than was anticipated
- Additional resource required for data corrections was not fulfilled early enough to be onboarded before COVID-19 impact hit
- Some contact points provided to Hymans were out of date
- A data breach was reported to the ABS Working Group

8.3 What could be done differently

- Future data cleanse projects would benefit from being distanced from the year end processes, which may increase the likelihood of employer engagement. Use of high level analysis is key to focus attention on areas of concern.
- Suggest Orbis liaison point for Employers to assist with employer engagement and relationships

9 Reliance and Limitations

The analysis in this report and recommendations are built on the cumulative work done to date for East Sussex Pension Fund Data Improvement Project, supported by Hymans Robertson LLP.

References throughout the report to “we” or “us” refer to the project team.

The purpose of this report is to provide a summary of the work undertaken in respect of the East Sussex Pension Fund Data Improvement Project, identify the highlights, challenges and issues that arose, as well as suggesting a number of recommendations that the project sponsor and other key parties may wish to consider. This document is intended to be used internally and to aid any future similar exercises.

Hymans Robertson accept no liability to any third party relying on the advice or recommendations in this paper. Any associated documentation, standard materials or templates that were developed for the project and referred to within this document are shared for information only. East Sussex Pension Fund shall take full responsibility for the future use of such materials for other projects. Hymans Robertson accepts no liability of any nature in respect of their future use or reliance.

Prepared by:-

Susan McKenzie

31 July 2020

For and on behalf of Hymans Robertson LLP

Appendices

Appendix 1 - RAIDs Final


Appendix 2 – Plan Summary Final

Appendix 3 – Handover Final


See attached items

Appendix 1 - RAIDs Final

Risks

EAST SUSSEX PENSION FUND - [Risk log as at 31/07/2020														
Next risk no. is 13														
HYMANS  ROBERTSON														
Risk No.	Notified by & when	Owner	Workstream	Deliverable	Description of risk	POSSIBLE MITIGATION: Prevention, reduction, acceptance, contingency	Impact	Probability	Risk level	When is it likely to	Last review date	Next review date	Progress / risk level update	Date closed
1	22/10/19	Hymans Robertson (PR/AMK/IC)	Comms & Employer Engagement	Data Cleanse	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 - creation of a tracker to identify non-responders and allow escalation where required	High	Medium	High	from Feb onwards	12/06/20	25/06/20	21/07 - 6 YE returns are outstanding. Risk closed as being managed by Orbis 23/06 - YE returns are slowing arriving. One DIP return since last meeting. Final push for DIP responses planned for July 12/06 - the number of YE returns has increased however as not all top 15	21/07/2020
3	22/10/19	ESPF (MK)	Data Cleanse	Data Cleanse	There is a risk that there is no Single Point of Contact at Employers as a result of limited resource or experience leading to limited traction on data fixes	MITIGATE - contact points received from East Sussex and Orbis to widen contact points.	Medium	Medium	Medium	from Feb onwards	12/06/20	25/06/20	13/07 - closed due to end of project and no further contact details will be received - contact list issued to Orbis 23/06 - contact point knowledge being	21/07/2020
4	22/10/19	ESPF/Orbis (MK/NW)	Data Cleanse	Data Cleanse	There is a risk that Orbis Resource will not be available to support the DIP as a result of other priorities leading to limited traction on DIP deliverables	MITIGATE - Good engagement so far	Medium	Low	Low	from Jan onwards	12/06/20	25/06/20	13/07 - closed - summary of remaining activities advised to ABS Working Group 23/06 - common data corrections well underway. Data cut off date now passed. Any	21/07/2020
11	22/06/20	Orbis	ABS Planning 2020	ABS Run	There is risk that Heywoods known calc errors will not be fixed in time to hit the targetted ABS run of 31 July leading to the a delay in the ABS run.	ACCEPT: Heywoods is an LGPS standard system and it is unlikely that the fix will not be made, however this may impact the targetted run date The population impacted by the errors is low volume	Medium	Low	Low	01/07/2020	22/06/20	25/06/20	21/07 - closed as now an issue. Heywood fix received by Orbis mid July however will impact targetted ABS run date of 31/07 23/06 - the Status of the Heywood fix will be discussed at the weekly Orbis meeting	13/07/2020
12	22/06/20	Orbis	ABS Planning 2020	ABS Run	There is a risk that the recent 14/19 corrections required will not be carried out in time to hit the 2020 ABS Run leading to incorrect statements being issued.	ACCEPT: The statements could be re-run and issued to the member Any 14/19 amends will be done on a best endeavours basis given the date cutoff date has passed	Medium	Low	Low	01/07/2020	22/06/20	25/06/20	13/07 - closed as will be managed up by Orbis 23/06 - Currently the volume of amends is low and a sample are being reviewed by Orbis to validate action to be taken	13/07/2020

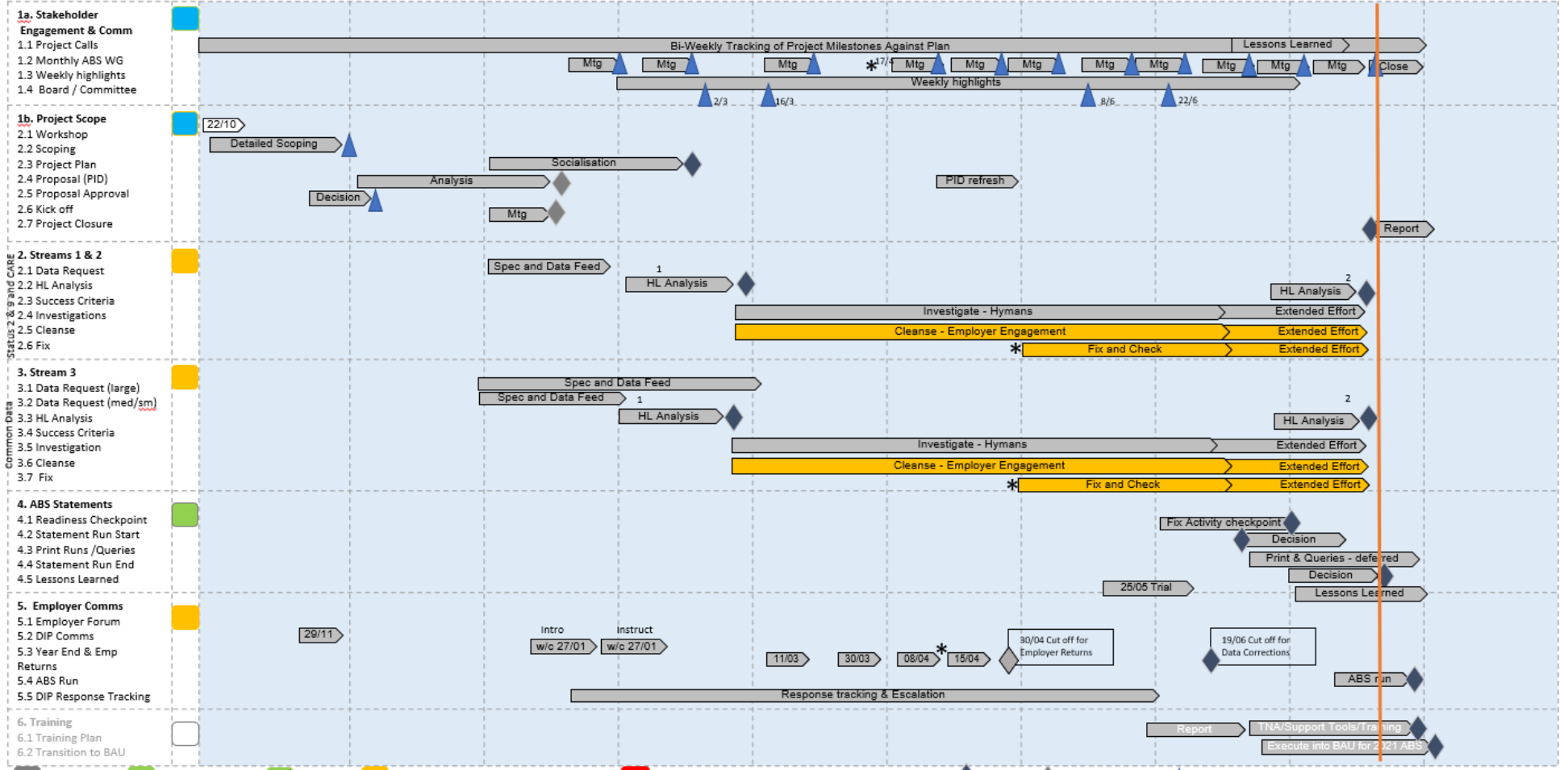
Actions

EAST SUSSEX PENSION FUND - [Action log as at 31/07/2020									
Next action no. is									
HYMANS  ROBERTSON									
Action No.	Notified by & when	Description / level	Action	For	Deadline	Update	Date closed		
58	ABS Working Group - 30/04/20	East Sussex College Group only have payroll information from 1 April 2018 when merger took place and cannot confirm final salary figures, alternative is using P35 or P60 for the members affected	Pete to request P60/P35 information from East Sussex College Group to assist in clearing status 2's where final salaries cannot be confirmed	Pete	15/05/2020	13/7 - closing action PR to send email to ESCG and Hastings Academies Trust 12/06 - Hymans have had no response as yet, Pete will chase with ESCG 28/05 - no response has been received, this action will remain open to monitor progress 15/05 - update given earlier in the meeting			
68	ABS Working Group - 28/05/20	Diana noted a number of Academies were on non-responders and it was agreed that when contacting the Academies, the letter should be sent to the Principal to ensure they are aware of the non-engagement	Pete to draft letter of information required to be issued to Principals of the Academies/College	Pete	28/05/2020	13/7 - closing action PR to send email to ESCG and Hastings Academies Trust 12/06 - Pete is drafting the letter and will send to Michelle for review			
71	ABS Working Group - 12/06/20	It is common at the end of a project to produce a 'lessons learned' document on points that have gone well and points that could have gone better or where a different approach could have been taken	All to feedback any points to Susan by email or by telephone	ALL	26/06/2020	13/7 - closed - no items received from ABS WG 23/06 - chaser for replies and on agenda for 25/06	21/07/2020		

Appendix 2 Plan Summary – Final

EAST SUSSEX DATA IMPROVEMENT PROJECT 30 JUNE 2020

Overall Status
Project complete



■ Not yet started
 ■ Ongoing and on track
 ✔ Complete
 ■ Ongoing – some slippage: action plan in place
 ■ Ongoing and now behind
 ◆ Milestone
 ◆ Milestone achieved
 ▲ KEY Meeting Dates
 | Report Date
 ✱ Checkpoint

Appendix 3 – Handover Final

Items 2-5 will be loaded to the East Sussex Focalpoint site, Orbis Folder

1. Employer Communication
 - a. Email advising Employers that project is now transitioned to Orbis and contact point provided.
 - b. Employers may advise of further changes following our review of their common data return.
2. Status 2 (unresolved leavers)
 - a. 323 outstanding cases passed to Orbis to resolve.
 - b. 117 Employer returns to be passed to Orbis to update Altair.
3. Status 8 (incomplete joiners)
 - a. Agree deletion approach with the Fund.
 - b. 190 cases to be validated and deleted.
 - c. 57 cases to be investigated.
 - d. Current processes which allocate members to status 8 to be reviewed.
4. Status 9 (frozen refunds)
 - a. Refund of member contributions, with member tracing as required.
5. CARE Pay 2014 - 2019 gaps and queries
 - a. Responses received prior to 30 June reviewed and forwarded to Orbis for update to Altair.
 - b. Responses received by Hymans post 30 June to be forwarded to Orbis for review.
 - c. ESPF may choose to chase outstanding responses from employers, following final Hymans chaser.
6. Annual Benefit Statements
 - a. Risks relating to the fixes required to run the statements are being managed by the Orbis project team.
 - b. Production of the Annual Benefits Statements remains an Orbis responsibility.

ESCC PENSION FUND

Guaranteed Minimum Pension (GMP) Reconciliation Project Update

We have now completed your GMP reconciliation and have reached an agreed position on all members. This report details our findings and the next steps that will be taken to start the necessary Rectification of records.

Since the outset of the project in August 2018 we have had 15 team members working on your project full time, including substantial management oversight and strategic review to ensure we have got you the best position possible. This has included regular liaison with the Orbis team to help resolve queries and discuss decisions to be made. The summary position detailed below sets out the final position following these investigation and the Fund Decisions that were made for the members where the position could not be agreed with HMRC following the exhaustive reviews and checks carried out.

Summary of detailed final position

Below are details of the final position following the review and queries raised with HMRC:

Category:	Cleared	Matched	In Tolerance	No Further Action	Fund Accepted No Liability	Total
Total members	9,394	47,471	4,852	169	2,138	64,024
Overall Percentage of cases:	14.7%	74.1%	7.6%	0.3%	3.3%	

Definitions:	
Cleared	Cases where the review has confirmed the member to have no liability
Matched	GMP amounts have been agreed and matched with HMRC value, or the existing value held on the Administration database. Note that these cases could still require rectification
In tolerance	Differences in GMP amounts are within agreed tolerance levels set (£2 tolerance)
No Further Action	Cases where Fund Decisions have been applied – see Appendix A
Fund Accepted No Liability	Cases where Fund Decisions have been applied – See Appendix A

Mercer (JLT) actions completed:

- All membership and GMP value queries have been reviewed, amounting to over 35,000 queries.
- Fund Decisions agreed on any cases where an agreed position with HMRC could not be established – see appendix A.
- The majority of your queries have been resolved with manual review of files, which means our team of 15 are constantly reviewing the data from HMRC against the Altair record to ascertain the correct membership and GMP.
- Referred queries to you where we have been unable to resolve and taken action on your responses.

- Applied bulk rules to our data from experience to resolve ‘types of cases’ (and applying experience from your fund data).
- Refer cases to you for Fund Decisions (see Appendix A).
- Settlement of outstanding CEP payments under the Scheme Financial Reconciliation process.
- Finalised the data gathering phase.

Mercer (JLT) next steps:

1. Analysis of HMRC final SRS data cut

The HMRC are producing a final data cut from their records, which we will look to compare to our findings from the GMP Reconciliation work we have undertaken. From this we will look to produce a report detailing any discrepancies in the data held by HMRC, and any decisions on this which need to be made by the Fund.

Timescale: as it stands the HMRC have not yet confirmed when these data cuts will be available but this is currently expected to be by the end of June.

2. Analysis of latest System data against the GMP Reconciliation findings

Once the above is completed, we will look to prepare the data ready for the data rectification process. To do this we will analyse our GMP Reconciliation findings against the very latest Administration data to take account of any data movements since the original extract was taken. For example, this will enable us to identify members who will have retired or left the scheme, and also any other member data updates that have taken place. This will give us the complete details of all data to be rectified.

Timescale: the completion of this work will follow step one above.

3. Fund Calculations Review

We will look to undertake a review with Orbis to understand the specifics of the fund to allow us to complete the rectification calculations in line with how the fund data is administered, and how the calculation routines are undertaken. We will also require details of the historic retirement factors and a full pension increases history for the fund.

4. GMP Rectification Calculations

We will then look to undertake the calculations for those members whose GMP values require amendment, and advise the Fund of the revised pension amounts, together with any under or overpayment values. From this the Fund will need to make a decision on how to deal with these under and over payment cases. For example, whether to recover any overpaid amounts, or just look to correct the level of pension going forward for these members. Guidance from the LGA is available to help with these type of decisions.

5. Amendment to members records and communications

Records will be updated to capture any required changes in benefits and pension amounts and payroll will implement revisions to pensions in payment on the next payment date. Updates will include capturing missing data on the member record which has been captured during the Reconciliation process. Agreed communications will also be issued to members confirming the changes being made.

Appendix A

Fund Decisions:

Not on Admin – Members on HMRC records but not active on Fund records

Background	Recommended Resolution
<p>Refunds – members who according to the administration received a refund of contributions. CEPs may or may not have been received by NISPI and may be paid as part of the Fund Financial Reconciliation</p>	<p>Accept the Fund data as correct and validate through the Financial reconciliation process with HMRC which will confirm whether the CEPs have been allocated.</p> <p>NB, to note that following the reconciliation of CEPs, funds may have received a refund or payment request from HMRC to clear these liabilities.</p>
<p>Transfers out – members who according to the administration record have transferred out of the Fund. NISPI may not have received or not processed the CA form</p>	<p>Accept the Fund data as correct</p> <p>The fund will be passed details of the data gathering providing information where it is held on the Altair record. Where full information is not held on Altair (and is held on back files it would be prudent for the fund to source the information in case of any future claim)</p>
<p>Trivial commutation – members who according to the administration trivially commuted their benefits and extinguished the GMP liability</p>	<p>Accept the Fund data as correct</p> <p>HMRC do not log Trivial Commutations, as the member is still classed as contracted out for the period. As such, the Fund records will always differ from HMRC.</p>
<p>Unable to Trace – NISPI hold a record and in some cases a GMP liability but there is no trace on the Fund</p>	<p>Accept the Fund data as correct i.e. no liability; and hold information on these cases centrally for any future claims that may arise. Consideration should be given to GDPR requirements for holding this data.</p>

Not on NISPI – Members on the administration record but not on NISPI records

Background	Recommended Resolution
<p>Cases where the Fund has a record for a member but NISPI has no record. Which can include:</p> <ul style="list-style-type: none"> - Dependent’s pensions in payment that NISPI have been unable to link with the original member - NISPI believe the liability lies with another Fund but no evidence on the record to suggest this is correct (ie Teachers) - Any member for whom the Fund has a service period but NISPI do not - GMP values differ and there is no evidence to agree the NISPI figure 	<p>Accept the Fund data as correct</p>

May 2020

Stephen Jones

Principal, Mercer
 stephen.w.jones@mercer.com

Report to: **Pension Board**

Date: **7 September 2020**

By: **Chief Financial Officer**

Title of report: **2020/21 Pension Fund Business Plan and Budget**

Purpose of report: **This report updates the 2020/21 business plan at Quarter 1 for the East Sussex Pension Fund.**

RECOMMENDATION – The Board is recommended to

- 1. note the updated business plan;**
 - 2. note the Forecast outturn position;**
 - 3. note the report of the actuary on ill Health Management and the Legal & General Illustration**
-

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 (Appendix 1) 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 November 2020.

2. 2020/20 Investment and Administration Expenses Outturn Report

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

2.2 The forecast outturn for 2020/21 is £3.702M, against a budget of £3.730M resulting in an underspend of £0.028M.

2.3 The attribution of the underspend, in the main relates to ending of the data improvement programme. These are set out in below in Para. 2.4 to 2.6.

2.4 Since the last report the decision was taken to end the data improvement programme as the benefits of the project were substantially met. The original budget to complete all aspects of the original scope was £100k for 2020/21 when the project ended costs of £40k had been incurred leaving an underspend on this item of £60k.

2.5 The Internal audit forecast has been increased to be in line with the increased activity that internal audit is required to do for the Fund based on the findings in previous internal audit reports. The overspend on this item is £18K from an initial budget of £19K.

2.6 The Income expected on Fund officer rebates has been reduced as the work that time that officers have been able to provide ACCESS has reduced during the Covid 19 Pandemic. This income has been reduced by £10K for an initial budget of £20K.

2.7 Two items are not included in the revised budget and forecast outturn position as there is still uncertainty around these activities. They are detailed below in Para 2.8 and 2.9.

2.8 A restructure of the Pension Fund Team was launched in August the estimated budget requirement for 2021/22 to fully resource the proposed structure will be £687K an increase of £302K on the agreed budget of £385k for 2020/21. It is expected that recruitment to these posts will begin in September. When appointments are made, to the new structure we will update the forecast outturn figure.

2.9 Arrangements around the Pension Administration Service provided by Orbis Business Operations. The delivery of this service is currently undergoing a review the final position will not be known until later in the year when this has been concluded.

2.10 The 2020/21 outturn against line items is shown at Table 1 in Para. 3 below. The table also shows the budgeted expenditure the budgetary performance to Quarter 1.

3. Table 1 2020/21 Outturn Report

2019/20 Outturn £000	Item	2020/21 Budget £000	2020/21 Actuals to July £000	2020/21 Forecast Outturn £000
	<u>Pension Fund Oversight and Governance</u>			
345	Actuarial Fund Work	250	56	250
97	Actuarial Employer Work	150	8	150
(97)	Employer reimbursement	(150)	(3)	(150)
88	Good Governance Program	47	25	47
75	Data Improvement Program	100	40	40
8	Independent Pension Board Chair	5	4	5
307	Fund Officers*	385	13**	385
30	External Audit – Grant Thornton	26	(7)	30
17	Internal Audit*	19	-	37
119	Legal Fees	115	19	115
11	Subscriptions and other Expenses	70	40	70
1,000	Sub Total	1,017	195	1,341
	Investment activities			
114	Investment Consultant	120	29	120
-	PIRC ESG Report	11	-	11
-	EIRIS Carbon Report	24	25	24
11	Independent Advisor Basic	12	-	12
5	Independent Advisor Project work	8	4	8
54	Custodian	150	-	150
3,003	Investment Manager Fee Invoices	1,200	104	1,200
3,187	Sub Total	1,525	162	1,525
	ACCESS			
67	ACCESS Support Unit	98	35	98
(3)	Fund Officer Time Rebates	(20)	(2)	(10)
64	Sub Total	78	33	88
	Pension Board/Committee Training:			
-	Training Costs	30	1	30
-	Sub Total	30	1	30
1,106	Pension Administration*:	1,080	-	1,080
5,357		3,730	390	4,064

* These costs are invoiced to the Fund from ESCC and Orbis currently this is done annually but we are working with the finance officer for ESCC and Orbis to do this quarterly going forward.

** These are costs for temporary staff paid directly by the Fund

4. Ill Health Risk Management

4.1 The ill health risk management workstream was added to the Fund's 2020/21 business plan as part of the June Board and Pension Committee meetings. This has since been progressed by Officers working alongside the Fund Actuary to investigate the potential risk management options (including obtaining a range of indicative insurance quotes from Legal & General). For your consideration, this information is set out in the paper prepared by the Actuary within Appendix 2 and Appendix 3. The Board is asked to consider its preferred option for passing to the Pension Committee.

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.

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 decision was taken since the last meeting to bring the East Sussex Pension Administration team into East Sussex County Council. The negotiations for this have started and the transition of staff over to East Sussex is expected to begin in the third quarter of the year. The Budget and cost for this move have not been agreed at this point.

1.5 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 July 2020

2019/20 Outturn £000	Item	2020/21 Budget £000	2020/21 Actuals to July £000	2020/21 Forecast Outturn £000
	Pension Fund Oversight and Governance			
345	Actuarial Fund Work ¹	250	56	250
97	Actuarial Employer Work ²	150	8	150
(97)	Employer reimbursement ²	(150)	(3)	(150)
88	Good Governance Program	47	25	47
75	Data Improvement Program ³	100	40	40
8	Independent Pension Board Chair	5	4	5
307	Fund Officers ⁴	385	13	385
30	External Audit – Grant Thornton	26	(7)	30
17	Internal Audit	19	-	37
119	Legal Fees ⁵	115	19	115
11	Subscriptions and other Expenses	70	40	70
1,000	Sub Total	1,017	195	979
	Investment activities			
114	Investment Consultant	120	29	120
-	PIRC ESG Report	11	-	11
-	EIRIS Carbon Report	24	25	24
11	Independent Advisor Basic	12	-	12
5	Independent Advisor Project work	8	4	8
54	Custodian	150	-	150
3,003	Investment Manager Fee Invoices ⁷	1,200	104	1,200
3,187	Sub Total	1,525	162	1,525
	ACCESS			
67	ACCESS Support Unit ⁸	98	35	98
(3)	Fund Officer Time Rebates ⁸	(20)	(2)	(10)
64	Sub Total	78	33	88
	Pension Board/Committee Training:			
-	Training Costs ⁹	30	1	30
-	Sub Total	30	1	30
1,106	Pension Administration:	1,080	-	1,080
5,357		3,730	390	4,064

¹Due 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.

²As we are exiting a valuation year we expect the employer queries to decrease in 2020/21

³This 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.

⁴Due to Vacancies in the current team it is anticipated that more expensive temporary staff will be need until the Good Governance Project is completed.

⁵There 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.

⁶New budget items determined after procurement of services.

⁷The 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.

⁸As 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.

⁹A dedicated training budget has been created to ensure the Board and Committee get the training they require to perform their functions.

¹⁰To ensure of deferred pension data is accurate a tracing services project is being undertaken in 2020/21

Key budget assumptions

1.6 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 Schrodgers 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.

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

Table 2 Business plan deliverables by key theme

Theme	Tasks	2020/21 activity	Action Update
Fund Oversight and Governance activities	Fund/Employer actuarial work	<p>2019 Valuation close-off/</p> <p>Employer accounting reports/Employer requests/ Bulk Transfers calculations</p> <p>Regular meeting attendance / Officer Support</p> <p>Employer asset tracking (HEAT)</p> <p>Benefits Consultancy and Governance support/Club Vita longevity analysis/</p>	<p>Actuarial Valuation completed by the 31 March 2019 and submitted by the Actuary to MHCLG.</p> <p>SLA between Orbis and Pension Administration awaiting agreement by Orbis.</p> <p>Actuary attendance on 8 June 2020 and 22 June 2020</p> <p>Employer FRS102 and IAS 19 reporting generated through HEAT with returns due by (July 2020)</p> <p>Actuary consultancy undertaken in regard to errors in Pension Increase calculation and to agree the deferral of contributions policy and exit credit policy.</p>
	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.

Theme	Tasks	2020/21 activity	Action Update
	Pension Fund Annual Report and Accounts	Statutory documents produced once a year providing information on the Pension Fund activities over the past year.	Draft Accounts are with Grant Thornton the Annual report is still outstanding.
	External audit	External Audit: statutory audit of the 2019/20 Pension Fund accounts.	External Audit by Grant Thornton has commenced expected to complete in September 2020.
	Internal audit	Internal Audit: delivery of the 2020/21 Internal Audit Plan	Internal Audit update of management actions expected at November 2020 meeting
	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 at September 2020 meetings.
	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. There were 3 Bidders for the Investment tender and 2 for the Actuarial evaluations are taking place for decision by Pension Committee in September 2020. The evaluation committee Michelle King, William Bourne, Russell Woods.

Theme	Tasks	2020/21 activity	Action Update
	Ill Health review	At the committee meeting in June an Ill Health review was agreed to be added to the work plan	Hymans have commenced this work stream.
Investment activities	<p>Review and implement agreed changes to the Fund's equity structure</p> <p>Review and implement new investment strategy</p> <p>Develop the Fund's ESG credentials</p>	<p>Implement any strategic changes agreed at the Q1 2020 strategy review. Review the Fund's private markets programme. 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>The review of the asset liability model in May 2020 has lead to a revised passive/active mix; equity structure; private markets; infrastructure, protection and ESG assets. Revised strategic asset allocation. Work has taken place with the Investment Working Group to determine options for the revised equity structure to be presented to the Committee in September 2020.</p> <p>Due to Covid 19 the strategy day was cancelled and this work passed to the Investment Working Group and incorporates the changes above that will be going to the Committee in September.</p> <p>Investment strategy and revision to ISS to be details of the strategy during August will be discussed in September 2020.</p> <p>This action was combined into the Carbon foot printing analysis that went to the June Committee</p>

Theme	Tasks	2020/21 activity	Action Update
	Assistance with annual accounts completion	<p>Collate quarterly analysis of fossil fuel exposure and voting & engagement records.</p> <p>Prepare the usual information for the Report & Accounts, including performance and private markets summary</p>	<p>Q1 Report to June 2020 Committee</p> <p>Action completed July 2020</p>
ACCESS	<p>ACCESS Support Unit</p> <p>Actively managed listed assets</p> <p>Alternative / non 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>The initial implementation of pooled alternative assets.</p>	<p>Work has commenced with reports commenced.</p> <p>15 sub-funds launched to date End of June values £24.3bn Plans for August sub-fund launches paused due to placement of sufficient insurance Link dialogue underway with FCA on potential for transition sub-funds</p> <p>In June Authority engagement recommences with bfinance at OWG. In July individual Authority discussions were held with bfinance and outline recommendations for each sub-asset class:</p> <ul style="list-style-type: none"> - Private Debt - Private Equity - Infrastructure - Real Estate <p>Each Authority asked to provide priority order OWG considering results</p>

Theme	Tasks	2020/21 activity	Action Update
	<p>Passive assets</p> <p>Governance</p>	<p>Ongoing monitoring and engagement with UBS.</p> <p>The application of appropriate forms of governance throughout ACCESS.</p>	<p>Workstream not commenced yet.</p> <p>Revised Inter Authority Agreement (IAA) – Circulated to Monitoring Officers (MO) in June 2020 Revisions to Schedule 5 (Cost Sharing) shared at July s151 meeting. Awaiting confirmation from all MOs expected by the end of August note on progress for 7 September Joint Committee</p>
Pension Board/Committee Training	<p>3 joint Training days</p> <p>2 Investment Strategy days</p> <p>Third party training</p>	<p>Provision of speakers to deliver East Sussex Pension Fund lead training.</p> <p>Commissioning work to examine the current investment strategy</p> <p>Identifying useful third party provided session that will be useful for ESPF to attend.</p>	<p>Training strategy presented in June 2020. Annual Training Plan update to be presented in September</p> <p>In place in section on ALM.</p> <p>Training strategy presented June 2020. Annual Training Plan update to be presented in September.</p>
Pension Administration	<p>Performance Management Group</p> <p>Maintaining Member Data / Data /</p>	<p>Overseeing the activities of the administration service.</p> <p>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.</p>	<p>Workstream planned to commence in July 2020</p> <p>Data Improvement Programme underway - report in this agenda</p>

Theme	Tasks	2020/21 activity	Action Update
	Improvement Plan 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.

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

1.9 ACCESS maintains its own risk register and highlights the red and amber risks to the Joint Committee; risks are kept under constant review by Section 151 Officers and the Officer Working Group (OWG) - supported by the ACCESS Support Unit (ASU). Key risks are those with an amber or red rating. An overview of the current (as proposed) and previous quarter's risks is set out below:

	June 20	September 20
Red	2	2
Amber	16	15
Green	5	7

1.10 A List of websites that provide training and useful information are provided below:

- <https://www.thepensionsregulator.gov.uk/en/public-service-pension-schemes/understanding-your-role/learn-about-managing-public-service-schemes> The Pensions Regulator public service schemes toolkit
- <https://www.cipfa.org/training?tab=date&filters=%7b8ADDC910-A1F1-455D-B8A5-0CBD9725EEAD%7d#filters> Cipfa training courses
- <https://www.thepensionsregulator.gov.uk/en/public-service-pension-schemes> The Pensions Regulator Public service schemes
- <https://www.lgpsmember.org/more/Videos.php> The Local Government Pension Scheme Videos - Pensions Made Simple
- <https://www.lgpsmember.org/> The Local Government Pension Scheme members site
- <https://www.local.gov.uk/our-support/workforce-and-hr-support/local-government-pensions/local-government-pension-scheme> LGA website
- <http://www.lgpsregs.org/index.php> LGPS Regulations and Guidance
- <http://lgpsboard.org/> The Local Government Pension Scheme Advisory Board

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 schemes³ ("TPR Code of Practice")
- CIPFA's Administration in the LGPS: a guide for pensions authorities⁴ ("CIPFA Administration Guide")

Data Improvement

The recent issues noted by 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.

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 and 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 sessions 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 the 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 financial advice to support a recommended option 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

A summary of the overall experience across the whole of the fund is set out in Appendix A.

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 liabilities 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 mitigation 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 employee 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.

We have been working with Fund officers to investigate two possible policy options:

- Compulsory 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, and prevents the employer from effectively “paying twice” for ill health costs.

Since discussion at the June Pension Committee, indicative insurance quotes have been obtained from Legal & General. The premiums are set out below for context:

- “Partial Fund” insurance
 - *All employers excluding Councils and Fire – 0.9% of pay*
 - *All employers with less than 150 active members - 1.4% of pay*
- Employer “Choice” insurance – 1.6% of pay

Letting employers decide under the “Choice” option might be attractive. However, there is some concern that employers 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.

The “Partial Fund” approach could remove this concern by compelling or automatically opting-in employers into using the insurance to manage the risk.

However, 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.

(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, we 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.

We would be happy to 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.

Summary

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.

The following table summarises the main considerations under the three options:

	Contribution rates adjustments (Current approach)	Internal cost sharing	External insurance
Risk to Fund	No external risk transfer or protection against poor experience.		Full control of risk but may cost more depending on experience
	Strains could lead to failing employers with total deficits ultimately falling to other employers.	Like external insurance but no risk reduction from being able to pool experience outside the Fund.	
Risk / Cost to employers	Potentially unaffordable strain costs (particularly for small to medium size employers).	Reduces affordability & liquidity concerns	
		Likely lower but more volatile costs than external insurance due to pooling of experience across Fund only.	Premium depends on extent of coverage chosen (partial fund to single employer)
		Additional costs for actuarial work including valuations, accounting reports and employer work	Profit share / premium refunds available for good experience.
Cross subsidies	None – employers left to meet own strain costs	Cross subsidies between employers due to sharing costs	Overall fund and wider LGPS experience could impact premium
Administration	No change to current arrangements	Additional administration requirements e.g. establishing and monitoring ill-health “reserve”, more governance	Fund needs to calculate strain costs.

Next steps

- 1 Consider preferred approach to manage ill health cost risk
- 2 If insurance is being considered, conduct procurement exercise for further insurance quotes
- 3 Conduct employer consultation exercise
- 4 Report final recommendation to November 2020 Pensions Committee for approval
- 5 Implement risk management approach
- 6 Regular review and monitoring of approach going forward

Reliances and limitations

This paper has been commissioned by East Sussex County Council. It intended for 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 Standards¹ are applicable in relation to this report and have been complied with where material:

- TAS 100; and
- TAS 300.

Prepared by:-

Robert McInroy FFA Richard Warden FFA

August 2020

For and on behalf of Hymans Robertson LLP

¹ Technical Actuarial Standards (TASs) are issued by the Financial Reporting Council (FRC) and set standards for certain items of actuarial work.

Appendix A – Whole of Fund experience

Year	No. of IHERs	Strain (£m)	Estimated Strain as % of pay ¹
2012/13 ²	34	2.9	0.76%
2013/14 ²	41	3.6	0.84%
2014/15	23	1.8	0.42%
2015/16	35	3.2	0.72%
2016/17 ³	37	2.9	0.67%
2017/18 ³	32	2.9	0.63%
2018/19 ³	32	2.4	0.52%

¹ Calculated using payroll derived from accounts and contribution data

² Figures have been re-based on to 2014 Scheme equivalent costs (i.e. 22% increase due to change in accrual)

³ Estimated using the Fund's 2019 valuation data

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III Health Liability Insurance Plan for Local Government Pension Schemes - quotation



Plan name: **East Sussex Pension Fund**
 Quotation reference: GRP/K/GPE0465450
 Date of quotation: 10th August 2020

Costing details

Unit Rate	:	Partial Fund – all employers excluding Scheduled Bodies (G59518)	£0.90 per £100 of the employer's salary roll (Plan Earnings)
		Partial Fund – compulsory to all employers with less than 150 employees (G59519)	£1.40 per £100 of the employer's salary roll (Plan Earnings)
		Employer Choice (G59517)	£1.60 per £100 of the employer's salary roll (Plan Earnings)
Plan Start Date	:		1 st October
Commission	:		10% of premium
Annual Renewal Date	:		1 st April
Guarantee Expiry Date	:		31 st March 2021
Quotation guaranteed?	:	Partial Funds	NO
		Employer Choice	YES until 10 th November 2020

Scheme details

Employer eligibility:	All employers who are members of the administering authority's pension fund within the Local Government Pension Scheme (LGPS)
Employee eligibility ages:	Not less than 16 years but less than later of 65 and their state pension age
Qualifying service:	Nil
Benefit Termination Date:	When the member reaches later of 65 or their state pension age
Benefit:	An amount equal to the tier one or tier two strain on the pension scheme (see question 1.3 of the technical guide)
Entry Date:	Daily
Benefit Alteration Date:	Daily

Ill Health Liability Insurance Plan for Local Government Pension Schemes - quotation



Plan name: **East Sussex Pension Fund**
Quotation reference: GRP/K/GPE0465450
Date of quotation: 10th August 2020

At the Plan Start Date

We will not pay benefit in respect of any employee who has already been considered for Ill Health Early Retirement by their employer's occupation health advisers prior to the Inception Date. For avoidance of doubt, this will be a definite date that can be established from any relevant case notes, files or correspondence.

Employer Choice

The following terms will apply to employers joining the plan:

- Employers can join the **plan** within six months of the **plan start date** (or within six months of the **annual renewal date** in the second and subsequent years) or within six months of them becoming a member of the LGPS.

Cover in respect of individual employees is subject to them being **actively at work** before cover starts.

- For employers joining the **plan** at any other time, individual cover will be subject to a **pre-existing condition exclusion**. This means we will not pay benefit in respect of an employee who, in our opinion, already qualified for benefit at the date his or her employer's cover starts under the **plan**.

The contract

- All payments made to or by us under the **policy** will be in sterling, in the United Kingdom.

We can change the policy terms at the **annual renewal date** immediately following a Guarantee Expiry Date as long as we give (except in the case of a rate review) two months advance notice.

Setting up the policy

If you decide to join the **plan**, please advise us before cover is needed so that we can agree a date from which cover is to start. The cover will be on the basis set out in the quotation.

You must then send us:

- a) The completed Proposal Form for the **partial fund**, otherwise for **employer choice** one for each employer to be included
- b) A cheque for the first years premiums or, if premiums are to be paid monthly, a Direct Debit Instruction in respect of subsequent premiums and
- c) Any other items specified in this quotation.

We must receive the completed Proposal Form and first premium within 14 days of the date we agree to provide cover.

Assumptions

- There are no changes to the plan eligibility or benefit structure or to any other details or information used to prepare the quotation

We've based our quotation on the specification and member data supplied to us. Our premium has been worked out using membership data as at 31st March 2019 and claims data as at 5th March 2019.

This quotation forms part of the contract of insurance. The other terms of the contract are in the plan document and policy document, which we will issue after we have gone on risk. The plan document and policy document contain provisions relating to the calculation of premiums, the payment of benefits, termination of cover,

III Health Liability Insurance Plan for Local Government Pension Schemes - quotation



Plan name: **East Sussex Pension Fund**
Quotation reference: GRP/K/GPE0465450
Date of quotation: 10th August 2020

notification of eligible members, the provision of data, limitations on the payment of benefits and amendments to the policy. If you would like to see a copy of the plan document and policy document, please ask us.

This quotation should be read with the III Health Liability Insurance Plan for Local Government Pension Schemes Technical Guide 05/15, which explains in more detail the general features of the product and the options available. The Technical Guide does not form part of the contract although this quotation may refer to it for a fuller explanation of certain terms used in the quotation.

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Report to: Pension Board

Date of meeting: 7 September 2020

By: Chief Financial Officer

Title: Discretionary Policy for Death Payments

Purpose: Annual Review of Discretionary Policy for Death Payments

RECOMMENDATIONS: The Pension Board is recommended to:

1) consider and comment on the Discretionary Policy for Death Payments prior to reporting to the Pension Committee.

1. Background

1.1 This report outlines the approach that East Sussex County Council (“ESCC”), acting in its capacity as administering authority to the East Sussex Pension Fund exercises its discretion over who should receive a death grant in a way that is compliant with the Local Government Pension Scheme (“LGPS”) Regulations, in accordance with acknowledged best practice and consistent with precedence established by The Pensions Ombudsman. These policies are subject to annual review, and this report presents the latest update of Discretionary Policy relating to Death Payments, to be formally noted by the Board.

1.2 The report is being passed to the Pension Board ahead of the Committee for prior information and comment.

2. Supporting Information

2.1 This policy is necessary to ensure that the death benefit process is fair and transparent for all potential death grant recipients and to provide a robust process that mitigates the risks of successful appeals under the Internal Dispute Resolution Procedure.

3. Conclusion and reasons for recommendations

3.1 The Board is recommended to consider and comment on the policy as set out in Appendix 1 to this report.

IAN GUTSELL

Chief Financial Officer

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East Sussex Pension Fund

Local Government Pension Scheme: Policy on the exercising of discretionary powers in relation to the payment of death grants

Objectives of this policy

1. To ensure that the East Sussex County Council (“ESCC”), acting in its capacity as administering authority to the East Sussex Pension Fund exercises its discretion over who should receive a death grant in a way that is compliant with the Local Government Pension Scheme (“LGPS”) Regulations, in accordance with acknowledged best practice and consistent with precedence established by The Pensions Ombudsman.
2. To ensure that the death benefit process is fair and transparent for all potential death grant recipients.
3. To provide a robust process that mitigates the risks of successful appeals under the Internal Dispute Resolution Procedure.

Background

Payment of death grants under the LGPS is discretionary which means that when paid to an individual beneficiary they will not form part of the deceased’s estate and so will not be subject to inheritance tax. Death grants are also paid free of other taxes in most circumstances.¹, recognising that if this goes into Probate the Estate will be subject to Inheritance Tax.

The LGPS Regulations 2013 permit payment of death grants to beneficiaries following the death of an active, deferred and pensioner member. In all cases the definition of who receives the death grant is the same;

The appropriate administering authority may, at its absolute discretion, pay the death grant to or for the benefit of the member's nominee, personal representatives or any person appearing to the authority to have been a relative or dependent of the member.

General Principles

The key phrase is “absolute discretion”. While the administering authority should seek to establish the intentions of the deceased member and may consider the views of other relevant parties in reaching its decision, they are not bound by anyone else’s will and the sole responsibility of the decision lies with the administering authority.

However, there are well established principles that public bodies should follow when exercising a discretion². These are summarised below;

¹ A special lump sum death charge is payable when the death grant is not discharged within 2 years of the date of death, or within 2 years of the date on which the administering authority could reasonably be expected to have become aware of the member’s death and the payment is made to the personal representatives, as required by the LGPS regulations

² Associated Provincial Picture Houses Ltd v Wednesbury Corporation (1948)

- In making a decision, the decision maker must ask itself and others the correct questions and direct themselves correctly in law (in particular, they must adopt a correct construction of the relevant regulations).
- It is for the decision maker to decide how much weight to attach to any piece of evidence. The only requirement is that the evidence is considered, and the decision maker takes account of all relevant matters and disregards any irrelevant matters.
- The decision maker must not arrive at a perverse decision, i.e. a decision which no reasonable person, properly directing themselves, could arrive at in the circumstances.

Experience of Pensions Ombudsman decisions underlines these principles. It is possible for reasonable people, faced with identical circumstances, to reach different decisions about the payment of a death grant. The Pensions Ombudsman will not overturn or second guess decision where it can be evidenced that the above principles have been properly applied.

The decision-making process

In reaching a decision ESCC operates a process based on the following principles;

Gathering the relevant information

An information gathering exercise will be carried out. This involves contacting the next of kin, personal representatives and/or family and friends of the deceased to obtain relevant documentation and information. On occasion legal advice may also be sought.

Identifying all possible beneficiaries

Using the information obtained, the full list of individuals with a beneficial claim to a death grant will be established.

Considering all relevant factors and disregarding irrelevant factors

There are a number of factors to consider in deciding who should receive a death grant, some will be relevant, and some will need to be disregarded as irrelevant. The Administering Authority has the absolute discretion to attach whatever weight to a factor as it chooses, nor is it bound by any single factor.

The ESCC process requires a note to be made of each factor, whether that factor has been considered or disregarded, the reasons why and the extent to which any factor has been relied upon.

Reach a reasonable decision

In making a final determination ESCC will start from the position that the member's wishes, where they can be identified, and reasonably be upheld. However, this will not always be the case and there may, on occasion, be sufficient reason for the death grant not be distributed in accordance with the member's wishes.

Where it exists, one of the prime factors in determining who should receive a death grant will be an Expression of Wish Form, completed by the member.

The presence of an Expression of Wish Form is not definitive. It is merely one piece of evidence to be considered alongside others.

Summary of the process

Where the member **has completed** an Expression of Wish Form, the process can be summarised as follows;

1. The death grant can be paid to or for the benefit of the member's nominee(s) or for the benefit of the personal representatives or any person who was a relative or dependent of the deceased member.
2. Establish whether Expression of Wish is still valid?
 - Is/are the nominee(s) alive?
 - If a spouse/civil partner is named, were they still married/in the civil partnership and living together at the time of death?
 - If a partner is named, were they living together at the point of death?
 - If children are named, are there any other children born after the Expression of Wish was made?
 - Are there any other factors that would suggest not following the Expression of Wish Form, for example, the nominee was involved with the member's death or evidence of fraud. Has there been any other evidence provided that would challenge the members expression of wish form? If so, has that been investigated?
3. Are there any other individuals with a beneficial claim to a share of the death grant?
4. Is there a will and if it has been seen, who are the beneficiaries, and does it give any cause to question the Expression of Wish? The will does not override an Expression of Wish Form, but it can provide an indication of a member's intentions.
5. Is further information required from the nominee(s)/next of kin or other parties to assist with the decision?
6. Having considered the above, is there any reason why payment should not be made in accordance with the Expression of Wish?
7. Where the Expression of Wish is no longer valid or it is not considered payment can be made to the nominee(s), the case will be treated as if an Expression of Wish is not held.

Where an Expression of Wish Form **does not exist** or has been **discounted for a valid reason**, the process can be summarised as follows;

1. The death grant can be paid to or for the benefit of the personal representatives or any person who was a relative or dependant of the deceased member.
2. Establish the next of kin. What is their relationship to the member?

3. Are there any other people who it is considered might have or make a claim to a share of the death grant? If they are not relatives, they must be dependent on the member in some way.
4. Is there a will and, if so, who are the beneficiaries?
 - Is the main beneficiary the next of kin?
 - If there are other beneficiaries what is their relationship to the deceased member?
5. Is further information required to assist with the decision? Such information could come from, next of kin, family, friends or any individual or body that can provide information about the late member's situation and intentions.
6. Payment will typically be made to one or a combination of the spouse/partner, eligible child(ren) and/or other dependents.
7. Where there is no next of kin, beneficiary or other party to consider, payment will be made to the legal representative of the deceased member.

Note that the above scenarios are for illustrative purposes only and each case must be considered based on its own merits and evidence provided.

The decision maker

East Sussex County Council has delegated the power to determine the recipient of a death grant to officers. This is consistent with the principle that officers should make operational decisions and it also prevents delays that can occur where such decisions are delegated to committees of the council, which meet infrequently.

ESCC, categorises decisions on death grants into 2 levels, according to the complexity and, therefore, risk that they pose.

Level 1

These cases are the most straightforward and may display some additional areas of complexity;

1. An up to date, valid Expression of Wish Form / or alternatively there is no Expression of Wish Form or there is evidence to suggest that the Expression of wish might be invalid
2. There is no evidence from other sources that the Expression of Wish form should be disregarded
3. There is no evidence of an alternative claim from any individual or organisation
4. Either, there exists a spouse/partner, eligible child(ren) and/or other dependent(s), or; There is no person appearing to the authority to have been a relative or dependent of the member, but there is a personal representative.
5. There is no evidence of an alternative claim from any individual or organisation

Level 1 cases can be decided by the Head of Pension Administration.

Level 2

These cases are the most complex and will typically exhibit one or more of the following characteristics.

1. There is no Expression of Wish Form or there is evidence to suggest that the Expression of wish might be invalid.
2. The late member's domestic circumstances are unclear or complicated.
3. There is conflicting or contradictory evidence.
4. The entitlement of one or more of the potential beneficiaries is disputed by another party.
5. There is an involvement by agencies such as the Police, social workers or similar.
6. There is suggestion of fraud or other impropriety.

Level 2 cases will be decided by the Head of Pensions, who make seek advice from the ESCC monitoring officer and/or s151 officer as appropriate.

Policy details

Policy Owner	Head of Pension Fund
Current Version	Version 1
Date	24 August 2020

This policy will be reviewed on an annual basis and updated where relevant.

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Report to: **Pension Board**

Date: **7 September 2020**

By: **Chief Financial Officer**

Title of report: **Annual Training Plan and Training Strategy**

Purpose of report: **Annual Training Plan & Training Strategy for the East Sussex Pension Fund**

RECOMMENDATION – The Board is recommended to:

- 1. Note the Training Strategy; and**
 - 2. Note the issues regarding the delay in the production of the Annual Training Plan.**
-

1. Background

1.1 In June 2020, the Pension Committee resolved to put in place a comprehensive training strategy and programme to support its efforts in embedding good governance and continuous improvement. The Pension Committee agreed a programme of action with Hymans Robertson to ensure that key individuals within the governance and management of the Fund have the appropriate level of knowledge and understanding to carry out their duties effectively.

1.2 It is a requirement of Administering Authorities to publish a Training Strategy and maintain an approach to the delivery, assessment and recording of training plans to meet the requirements of the Scheme Advisory Board.

1.3 The findings of the Good Governance Review continue to be adopted by the Pension Committee and the Training Strategy (Appendix 1) seeks to progressively embed good governance into the culture of the East Sussex Pension Fund.

2. Supporting Information

2.1 It was agreed at the meeting of the Pension Committee in June 2020 that each individual with a requirement to attain knowledge and skills under this Training Strategy has to ensure completion of 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.

2.2 It was further agreed that 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.

2.3 It was expected that the individual Training Plans would be ready for review by the Pension Committee in September 2020. However, this will not be possible due to the low number of returns.

2.4 In order to ensure the development of the Annual Training Plan, it is requested that members of the Pension Board complete their Training Needs Assessment by the end of September 2020.

3. Next Steps

3.1 The Pension Board members who have not completed a training needs analysis are requested to do so to enable the development of individual learning plans and the annual training schedule.

4. Conclusions and recommendations

4.1 The Pension Board is requested to note the delay in production of the Annual Training Plan and ensure that all members of the Pension Board complete their TNA by the end of September 2020

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 II¹, 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

¹ 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)

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Report to: Pension Board

Date of meeting: 7 September 2020

By: Chief Finance Officer

Title: Pension Fund Risk Register

Purpose: To consider the Pension Fund Risk Register

RECOMMENDATIONS: The Pension Board is recommended to:

1) Review the Pension Fund Risk Register.

1. Background

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

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

2. Supporting Information

2.1 **The Risk Register** at Appendix 1 has been updated since the last meeting for the circumstances outlined below.

2.2 The onset of Coronavirus and Covid-19 continues to place significant pressures on both Employers to the Fund, the Pension Administration Service and increasing turbulence in the Financial Markets with continuing pressures on cashflow and liquidity. The Fund continues to place focus and emphasis on supporting high risk employers and ensuring that employers are continually covenant assessed and monitored for risk of business failure.

2.3 Since the last meeting, the following risks have materialised:

2.4 The Pension Administration Service commenced its immediate payment function and this has given rise to transition risks, and which resulted in a breach on the pensioner payroll payment to HMRC. The mitigations currently in progress with Surrey include commissioning and implementing a new interface report from Heywood, and the administrator conducting further reconciliations on the tax calculation for July. This has increased the risk indicator for Item 2 Inadequate Delivery of Pensions Administration by the Service Provider. Given the transition to an in-house function, it is further proposed that at the end of the transition period, this indicator is renamed to reflect the in-house nature of the service.

2.5 A new risk has been added to the Risk Register at item 19 for Environment Social and Governance (ESG) Risk. This has been added due the intention of the Fund to focus more on responsible investment and its beliefs that ESG items can have an impact on the Pension Fund.

2.6 The Fund initiated the first part of its revised equity structure by increasing the investment in its current active manager this has given rise to transition risks. Due to restrictions in the prospectus around this investment it needed to split into two transfers which was highlighted to the Fund late in the process. This is included within the rebased risk indicator for Item 16 LGPS Investment Pooling & Sub Fund Issues.

3. Assessment of Risk

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

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

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

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

	1 NEGLIGIBLE (No noticeable Impact)	2 MINOR (Minor impact, Some degradation of non-core services)	3 MAJOR (Significant impact, Disruption to core services)	4 CRITICAL (Disastrous impact, Catastrophic failure)
PEOPLE (Loss of life, Physical injury, Emotional distress)	No injuries or discomfort.	Minor injuries or discomfort. Feelings of unease.	Serious injuries. Traumatic / stressful experience. Exposure to dangerous conditions.	Loss of life Multiple casualties 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		
Pensions Administration (Orbis -Business Operations)											
Page 124	Pension contributions: <ul style="list-style-type: none"> • Non-collection • Miscoding • Non-payment If not discovered results inaccurate: <ul style="list-style-type: none"> • employer FRS17/IAS19 & Valuation calculations • final accounts • cash flow 	3	3	9	<ul style="list-style-type: none"> • Employer contribution monitoring • Additional monitoring at specific times • SAP / Altair quarterly reconciliation • Annual year end checks • Fines imposed for late payment and late receipt of remittance advice. 	3	2	6	↔	Head of Pensions	On-going
2	Inadequate delivery of Pensions Administration by service provider <ul style="list-style-type: none"> • Members of the pension scheme not serviced • Statutory deadlines not met • Employers dissatisfied with service being provided + formal complaint • Complaints which progress to the Pensions Ombudsman 	4	3	12	<ul style="list-style-type: none"> • Insource the Pension Fund from Orbis Surrey to an inhouse provision. • Internal Audit • Reports to Pension Board / Committee • Service Review meetings with business operations management • Awareness of the Pension Regulator Guidance • Transition programme enacted by Orbis Surrey to manage a number of workstreams impacting service delivery 	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 Page 125	Loss of key/senior staff and knowledge/ skills <ul style="list-style-type: none"> Damaged reputation Inability to deliver and failure to provide efficient pensions administration service; major operational Disruption and inability to provide a high quality pension service to members. Concentration of knowledge in a small number of officers and risk of departure of key and senior staff. 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. 	3	3	9	<ul style="list-style-type: none"> Diversified staff / team Attendance at pension officers user groups Procedural notes which includes new systems, section meetings / appraisals Succession planning Robust business continuity processes in place around key business processes, including a disaster recovery plan. Knowledge of all tasks shared by at least two team members and can in addition be covered by senior staff. Training requirements are set out in job descriptions and reviewed annually with team members through the appraisal process. 	3	2	6		Lead Pensions Manager	On-going
4	Paying pension benefits incorrectly <ul style="list-style-type: none"> Damaged reputation Financial loss Financial hardship to members 	3	3	9	<ul style="list-style-type: none"> Internal control through audit process Constant monitoring / checking In house risk logs SAP / Altair reconciliation Task management Vita cleansing 	3	2	6		Lead Pensions Manager	On-going
5	Guaranteed Minimum Pension (GMP) reconciliation <ul style="list-style-type: none"> Members of pensions scheme exposed to financial loss Inaccurate record keeping Damaged reputation 	3	3	9	<ul style="list-style-type: none"> Internal Audit Key performance indicators Reports to Pension Board and Committee 	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>Failure to issue Annual Benefit statements 31st August</p> <ul style="list-style-type: none"> • Reputational risk and complaints • Fines and enforcement action by The Pension Regulator <ul style="list-style-type: none"> • Covid 19 has reduced the ability of employers to participate in the data cleansing due to lockdown. 	3	3	9	<ul style="list-style-type: none"> • Regular contact with employers to get data. • Monthly interfacing to reduce workload at year end • Statements to employers in time to allow time for distribution to staff. • Considerations of employer take up of monthly interfaces system. Many leavers are not being notified until year-end. • Pension Committee letter to employers requesting their participation and joint working between Hymans and Pensions Administrator on end of year returns. 	3	2	6	↓	Lead Pensions Manager	Initial project deadline was 31 March 2020 this has been moved to 30 June
7	<p>Data Cleansing – failure to provide timely and accurate member data.</p> <ul style="list-style-type: none"> • Risk of financial loss and damage to reputation. • Incorrect employer’s contribution calculations • Delays to triennial actuarial valuations process. • Fines and enforcement action by The Pension Regulator • Covid 19 has reduced the ability of employers to participate in the data cleansing due to lockdown. 	3	3	9	<ul style="list-style-type: none"> • Administration Strategy in place; • Employing authorities are contacted for outstanding/accurate information; • Regular meeting with administration services re updates, when required. • A data cleansing plan is expected to be agreed with Business Operations. • Business Operation has been given authority to recruit 4 additional FTE for an initial period of 6 months to focus on data deficiencies. 	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		
Pensions Investment and Governance											
8	Required returns not met due to poor strategic allocation <ul style="list-style-type: none"> • Damaged reputation • Increase in employer contribution • Inability to Pay Pensions 	4	2	8	<ul style="list-style-type: none"> • Investment Advisors • Triennial review • Performance monitoring • Annual Investment Strategy Review • Reporting to Pensions Committee and Board • Compliance with the ISS/FSS 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	Employers unable to pay increased contributions / contributions <ul style="list-style-type: none"> • Lower funding level • Increase in employer contributions • Employer forced to sell assets • Employer forced into liquidation • Increase in investment risk taken to access higher returns Lockdown and Halted Economy Covid 19 Impact	3	3	9	<ul style="list-style-type: none"> • Valuation • Regular communication with Employers • Monthly monitoring of contribution payments • Meetings with employers where there are concerns 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"> • ESCC may incur penalties • Damaged reputation • Legal issues • Members of the pension scheme exposed to financial loss / identity theft • Members of the pension scheme data lost or compromised 	4	3	12	<ul style="list-style-type: none"> • ICT defence-in-depth approach • Utilising firewalls, • Email and content scanners • Using anti-malware. • ICT performs penetration and security tests on regular basis 	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"> Covid-19 Cybercrime Spike 			8							
11	Cyber Security of third party suppliers <ul style="list-style-type: none"> Damaged reputation Financial loss Inability to trade Lower funding level Increase in employer contribution Increase in investment risk taken to access higher returns 	4	2	8	<ul style="list-style-type: none"> Service level agreement with termination clause Regular Meetings Regular reports SAS 70/AAF0106 Investment Advisors Global custodian 	3	2	6	↔	Head of Pensions	On-going
Page 128 12	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: <ul style="list-style-type: none"> Financial loss, and/or failure to meet return expectations. Increased employer contribution costs. Changes to the regulatory and legislative framework within which the Fund operates. 	4	2	8	<ul style="list-style-type: none"> Diversification of the Fund's investments across the world, including economies where the impact of "Brexit" is likely to be smaller. The long-term nature of the Fund's liabilities provides some mitigation, as the impact of "Brexit" will reduce over time. The Govt. is likely to ensure that much of current EU regulation is enshrined in UK law. Officers receive regular briefing material on regulatory changes and attend training seminars and ensure any regulatory changes are implemented 	3	2	6	↔	Head of Pensions	On-going
13	2019 Triennial actuarial valuation outcome	3	2	6	<ul style="list-style-type: none"> The triennial actuarial valuation review focuses on the real returns on assets, net price and pay increases. 	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 129	<ul style="list-style-type: none"> An increase in liabilities that is higher than the previous actuarial valuation estimate. The level of inflation and interest rates assumed in the valuation may be inaccurate leading to higher than expected liabilities. Significant rises in employer contributions due to increases in liabilities or fall in assets. 			6	<ul style="list-style-type: none"> The Committee receiving training on understanding liabilities Hymans Robertson commission to produce an Asset Liabilities Model. Life expectancy assumptions are reviewed at each valuation. Reviewing of each triennial valuation assumptions and challenge actuary as required. Funding Strategy Statement and Investment Strategy Statement updated and approved, Actuary attendance at Pension Fund Committee to cover triennial valuation issues and expectations 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; 			6			
	<p>Accounting - Failure to comply with CIPFA new pension fund accounting regulations.</p> <ul style="list-style-type: none"> Risk of the accounts being qualified by the auditors. 	3	2	6	<ul style="list-style-type: none"> Pensions Officers are kept up to date with changes to legislative requirements via network meetings, professional press, training and internal communication procedures. Pension Fund financial management and administration processes are maintained in accordance with the 	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	CIPFA Code of Practice, International Financial Reporting Standards (IFRS), and the ESSC Financial Regulations. <ul style="list-style-type: none"> Regular reconciliations are carried out between in-house records and those maintained by the custodian and investment managers. Internal Audits - carried out in line with the Pension Audit strategy. External Audit review the Pension Fund's accounts annually 			4			
LGPS Pooling - ACCESS Pool											
15	Asset transition costs <ul style="list-style-type: none"> Asset transition costs are greater than forecast. Failure to control operational risks and transaction costs during the transition process An increase in the initial set-up costs forecast by the pooling proposal. 	3	3	9	<ul style="list-style-type: none"> Consultant has analysed the creation of sub-funds and transitioning of our current assets into the pool, under a variety of scenarios. There may also be the opportunity to transfer securities in 'specie'. A transition manager will be appointed, with the objective of preserving asset values, managing risk and project managing the transition process to ensure that costs are monitored and controlled. 	2	2	4		Head of Pensions	On-going
16	LGPS Investment Pooling & Sub Fund Issues <ul style="list-style-type: none"> Increase in investment risk taken to access higher returns There can be size restrictions on certain investments. 	3	3	9	<ul style="list-style-type: none"> ACCESS Support Unit function to provide support. Officers have agreed Link should be allowed a reasonable time period to resolve issues, e.g., until ending of August. The ACCESS Contracts 	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
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	<ul style="list-style-type: none"> Weaker control leading to poorer governance. 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. 				Manager will monitor Link's progress closely. If Link cannot resolve issues in a reasonable timeframe then alternative options may be considered, e.g. Funds may continue to hold the sub fund outside the ACS						
Page 131 17	Coronavirus and Covid 19 <ul style="list-style-type: none"> Employers unable to pay employer contributions Ceding Employers unable to find additional funds to support outsourced operations Revised dividend policies reducing income to pension funds Remote working presenting data protection risks Administration service unable to service demand Increased criminal activity from cyber scams and phishing investment environment changes radically, and Fund is slow to respond, leading to lower solvency 	4	4	16	<ul style="list-style-type: none"> investment working group created to actively review investment strategy on an ongoing basis 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. Covenant reviews underway and review of all high risk employers in the fund. Contribution deferral policy submitted to committee for consideration in June 2020. 	4	3	12	new	Head of Pensions	On-going
18	Pay awards higher than expected <ul style="list-style-type: none"> Inflation rises faster than the actuarial assumption as a result of Govt. response to COVID-19 	3	3	9	<ul style="list-style-type: none"> Current weighting of 5% to index linked, 50% to equities, 3% to infra, 9% to real estate all inflation correlated. 	3	3	9	new	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"> Liabilities are higher than expected. Bond yields return to much higher levels Bond-equity correlations rise, and equities also fall in price Fund's solvency level falls 					<ul style="list-style-type: none"> Increase allocation to infrastructure assets if at acceptable valuation Monitor portfolio sensitivity to inflation 			
Page 132 19	<p>Environmental, Social and Governance Issues</p> <ul style="list-style-type: none"> Increase in investment risk taken due to unassessed ESG issues Weaker control leading to poorer governance. Decisions being made on incorrect assumptions leading to poorer outcomes Reputation issues around how the Fund is progressing the move to a decarbonised global economy. Revised dividend policies reducing income to pension funds investment environment changes radically, and Fund is slow to respond, leading to lower solvency 	3	3	9	<ul style="list-style-type: none"> Responsible Investment Policy Restructuring the equity portfolio to be able to avoid high risk companies and exploit opportunities Produce regular reports on the carbon footprint of the Fund Examine the transition pathway of companies our managers hold Challenge managers on their holdings Signing up to the Institutional Investors group on climate change Signing up to the Climate action 100+ Engaging via managers and investor groups with companies 	3	2	6	New	Head of Pensions	On-going

Risk Score Change Key –



= Reduced



= No Change



= Increased

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