



PENSION BOARD

MONDAY, 15 FEBRUARY 2021

10.00 AM CC1, COUNTY HALL, LEWES

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

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

A G E N D A

- 1 Minutes (*Pages 3 - 10*)
- 2 Apologies for absence
- 3 Disclosure of interests
- 4 Urgent items
Notification of any items which the Chair considers urgent and proposes to take at the appropriate part of the agenda.
- 5 Pension Committee Agenda (*Pages 11 - 14*)
- 6 Employer Contributions Report (*Pages 15 - 18*)
- 7 East Sussex Pension Fund (ESPF) quarterly budget report and 2021/22 Pension Fund Business Plan and Budget (*Pages 19 - 42*)
- 8 Communications Review Report (*Pages 43 - 68*)
- 9 Governance and Employer Engagement Report (*Pages 69 - 74*)
- 10 Pensions Administration Report (*Pages 75 - 92*)
- 11 Internal Audit Report: Pension Fund: Compliance with Regulatory Requirements 2020/21 (*Pages 93 - 104*)
- 12 Pension Fund Risk Register (*Pages 105 - 114*)
- 13 Work Programme (*Pages 115 - 126*)
- 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 Pension Fund Breaches Log (*Pages 127 - 130*)
- 17 Employer Admissions and Cessations Report (*Pages 131 - 142*)
- 18 Any other exempt items previously notified under agenda item 4

PHILIP BAKER
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5 February 2021

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

PENSION BOARD

MINUTES of a meeting of the Pension Board held at County Hall, Lewes on 16 November 2020.

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

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

ALSO PRESENT Cllr Gerard Fox, Chair of Pension Committee
Ian Gutsell, Chief Finance Officer
Danny Simpson, Principal Auditor
Nigel Chilcott, Audit Manager
Sian Kunert, Head of Pensions
Russell Wood, Pensions Investments Manager
Paul Punter, Head of Pensions Administration
Martin Jenks, Senior Democratic Services Adviser
Ian Colvin, Hymans Robertson
Robert McInroy, Hymans Robertson

39 MINUTES

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

40 APOLOGIES FOR ABSENCE

40.1 There were no apologies for absence.

41 DISCLOSURE OF INTERESTS

41.1 There were no disclosures of interest.

42 URGENT ITEMS

42.1 There were no urgent items.

43 PENSION BOARD MEMBER UPDATES

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

43.2. The Chair said he had attended the Pensions and Lifetime Savings Association (PLSA) annual conference, which had taken place online for the first time. The speakers had been well versed in the issues they were discussing, however, the chat rooms had not worked as well as in-person socialising. Lynda Walker (LW) had also attended and agreed with this assessment.

43.3. Diana Pogson (DP) said she had signed up for the Cyber Security training course by Aon that was offered to Board members.

44 PENSION COMMITTEE AGENDA

44.1. The Board considered a report containing the draft agenda of the Pension Committee meeting for 30th November 2020.

44.2. The Chair asked whether there was anything to update in regards to pension investments.

44.3. Sian Kunert (SK) said that there would be updates at the next Pension Committee meeting on the progress with implementing the Committee's decision in September to reduce exposure to passive equities in favour of 2 active impact managers, 1 smart beta passive like manager and 1 infrastructure equity manager. Due to the ongoing nature of the trades involved, however, the Committee will be recommended to consider the report as an exempt item under the Local Government Act 1972.

44.4. The Board RESOLVED to note the report.

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

45.1. The Board considered a report containing both the draft Independent Auditor's (Grant Thornton) report to those charged with governance on Pension Fund Annual Report 2019/20 and the draft Pension Fund Annual Report.

45.2. Stephen Osborn (SO) asked when the Annual report and accounts will be published, as the University of Brighton's external auditors had asked for a copy.

45.3. SK clarified that the statutory deadline is 1st December 2020 and the draft will be agreed by the Pension Committee on 30th November 2020. A copy of the draft would be available from 20th November 2020 (the date of publication of the Pension Committee agenda and papers) that could be shared with the auditors provided there is the caveat that it is a draft and not yet signed off.

45.4. The Chair asked whether the number of primary pension contributions received late in the financial year 2019/20 was typical, or worse than normal.

45.5. Russell Wood (RW) said the number was similar to previous years and included some of the same employers who crop up year on year. The majority of employers, however, pay on time. SK reminded the Board that the issue of employer contributions would become a standing item on the Board's agenda from February 2021.

45.6. The Chair asked whether the Pension Fund Annual Report was usually this lengthy.

45.7. SK explained that Chartered Institute of Public Finance and Accountancy (CIPFA) guidance was introduced from mid-2019 setting out exactly what must, should and may be included in an annual report. Prior to then, it was at the discretion of administering authorities as to what they included. The CIPFA guidance includes a requirement to have the Funding Strategy Statement and other policies included in full, whereas before there was only a link, resulting in this year's report being longer than previously. SK advised next years' report could be longer still, as the team will review the report with the intention of ensuring they have satisfied the "should" and "may" actions from the CIPFA guidance.

45.8. The Chair asked if any members of the East Sussex Pension Fund (ESPF) had asked for copies.

45.9. SK said she was not aware as normally people would access it via the website, but a copy would be provided on request.

45.10. The Board RESOLVED to note the report.

46 GOVERNANCE AND EMPLOYER ENGAGEMENT

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

46.2. The Chair asked whether the four new investment managers identified to manage the assets taken out of the passive equity fund would be part of the ACCESS pool.

46.3. SK confirmed they are outside of ACCESS because there are no Environmental, Social and Governance (ESG) focussed sub-funds within ACCESS to invest in. The Fund will write to Ministry of Housing Communities and Local Government (MHCLG) advising them of this fact but noting the intention to move them back into ACCESS when a suitable sub-fund is available.

46.4. The Chair asked how the Conflict of Interest Policy applied to Members of the Board.

46.5. SK explained that the Policy described existing codes of conduct within the East Sussex County Council constitution rather than make any changes. The terms of reference of the Board states that the code of conduct for elected members of the Council applies to the Board Members. This includes the requirement to fill out a register of interests that is updated annually (even if with a nil return).

46.6. Councillor Tom Druitt (TD) asked how the Board would know if they had any personal interests relating to the companies the ESPF invests in.

46.7. SK said that a list of the investment managers and the companies that they invest in on behalf of the Council could be provided to Board members.

46.8. The Chair clarified that the Board has no control over who the Fund invests in, as this is done via investment managers, so it is unlikely Members would have a personal interest and it would almost certainly not be considered a prejudicial interest.

46.9. With regard to the ill-health insurance proposal, SO said he was concerned that providing employers in Group 2 the option to opt-out may encourage them to do so for the incremental saving they would make in not paying the ill health insurance premium, but in doing so would expose them and the rest of the Fund to substantial risk in the event of an ill health claim. He said it is vital that the administering authority communicates to employers the importance of signing up to ill health insurance.

46.10. Rory McInroy (RM) clarified that the employers would not pay an additional amount for the ill health insurance compared to what they do now, as it would be around 1% of their own contribution rate and replace the current 1% per annum of employer contributions they pay towards the pooled ill health fund. He added that it was a very complex area that employers are not clear about, which is why smaller employers will be compelled to pay it. Hymans Robertson will also assist with the communications plan.

46.11. SO asked why have the option for any employers to opt-out if an ill health payment was such a high risk issue.

46.12. RM clarified that some employers may have their members spread over several different pension schemes, such as the teachers' pension scheme, or another LGPS. Consequently, they may already have ill health insurance arrangements in place.

46.13. TD asked why the maximum strain costs of ill health retirement were so high.

46.14. RM explained that if someone retired through Tier 1 ill health at the age of 40, they would immediately receive their pension enhancement up to the level it would be at normal retirement age and the employer would need to pay the deficit. This would be a considerable cost to the employer that would currently be paid first out of the pooled ill health fund and then out of the employer's reserves, whereas in future the cost would be covered by the insurer.

46.15. With regard to the Employer Forum, DP asked how many employers will be participating.

46.16. SK said that there will be a full list of attendees after the event and it will be conducted as a live event on Microsoft Teams and recorded. The recording will then be sent to any employers who were unable to attend and wish to view it.

46.17. With regard to the review of communications, the Chair asked whether the communications review is being led by someone not directly impacted by it, i.e., someone outside of the Pensions Team.

46.18. SK confirmed that the Head of Communications at East Sussex County Council is leading on the review.

46.19. The Board RESOLVED To:

1) note the report;

2) thank Hymans Robertson for their work as both the Fund's Investment Consultant and Actuary; and

3) recommend that, in regards to the ill health insurance policy, Group 2 employers should have up to 200 active members so that, except for the very largest all Academy Schools would be treated similarly.

47 PENSIONS ADMINISTRATION

47.1. The Board considered a report providing an update on matters relating to Pension Administration Team (PAT).

47.2. The Chair asked for clarification as to why the Key Performance Indicator (KPI) "Employer estimates provided" was at 49% during July 2020.

47.3. Paul Punter (PP) explained that this was a resourcing issue. During that month there was a number of staff who were on holiday; there were two vacancies; there was a backlog of work accrued during lockdown; there was an unusually high number of complex calculations; and it is a time of year where – due to teacher retirements and the issuing of Annual Benefit Statements (ABS) – there is more contact from scheme members than normal.

47.4. The Chair asked whether there is a plan to retain the shared Orbis help desk after the PAT is bought back in-house.

47.5. PP said a number of options are being explored, including retaining the help desk but with an expectation of an improved contractual service. An alternative would be to bring customer calls in-house, which would require the hiring of an additional 3-4 members of staff to

the PAT. He clarified that the help desk had only been in place two years and currently picks up calls for all pension funds administered by Orbis.

47.6. The Chair asked whether 12 deaths or suspensions from the 478 overseas pensioners was high and whether there were any pensions that had continued following the deaths for a long time.

47.7. PP said that the deaths may have just coincided with the mortality exercise and would have been reported anyway, as they were only a few months old. The size of the exercise also means that more cases have been picked up, as it included all overseas pensioners, not just those in ill health or over 70. Due to Covid-19, it is more difficult to get a signature of a professional witness in English for some of the overseas pensioners. As a result, the pensioners have been given extra time to respond and they are allowed to send it electronically.

47.8. With regards to the new £95k exit cap LW asked how members will be affected by this in future.

47.9. PP confirmed that there would be an effect on scheme members who will take redundancy or voluntary severance termination packages after the new Exit Payment Regulations become law on 4th November, as the LGPS Compensation Regulations have not yet been updated. The conflict is that the LGPS regulations say a member over age 55 who exits on a termination package must have an unreduced pension, but the exit cap regulations may restrict the employer's ability to pay the full strain cost. The administering authority will continue to make payments as normal for those retiring after 55 and who do not breach the cap. A decision, however, is needed around what to pay those who retire early in the interim. The PAT is keen to ensure some kind of payment is made rather than defer the calculation until the Compensation Regulations come into force, but it is not clear how it should be calculated and what factors should be included. He added that multiple judicial reviews of the Exit Payment Regulations could mean that the legislation could end up being quashed.

47.10. LW added that the unions feel that making a payment is the position administering authorities should be in and is preferable to deferring payments until the regulations come into force. She added it was very disappointing how the legislation has been implemented during Covid-19 and without supporting regulations in place.

47.11. The Board RESOLVED to note the report.

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

48.1. The Board considered a report on the outcome of an Internal Audit review of the Pension Fund: Governance, Strategy and Investments 2019/20.

48.2. The Chair asked whether controls were now in place to prevent the transfer of funds between the ESPF and East Sussex County Council bank accounts.

48.3. Ian Gutsell (IG) confirmed that SK and RW now have bank mandates for the Fund's account and so the ESCC Treasury Management team will not be able to loan money to the County Council from the ESPF account in future.

48.4. DP asked why lending money in this manner was not seen by Internal Audit as a major risk.

48.5. Danny Simpson (DS) said that the ESCC Treasury Management Team's access to the Pension Fund bank account was an historical arrangement and access to process transactions

in the future was being withdrawn. Councillor Gerard Fox (GF) said he had seen the report and was satisfied that it was a medium risk, as it had happen only twice, rather than being a pattern of behaviour, and had resulted in a modest gain to the Fund, even if it had been against regulations. He welcomed that it had been picked up by Internal Audit and that controls had been put in place. TD added he was in favour of the actions taken.

48.6. TD asked when the Governance Manual on the management of fund managers would be approved by the ACCESS pool.

48.7. GF explained that it was progressing but had been paused whilst the Inter Authority Agreement, which sits above it, was revised and agreed by each administering authority. There is a chance it will be ready by the time of the February Board and Committee meetings.

48.8. TD asked for clarity on the arrangements of the Investment Working Group.

48.9. GF clarified that the Investment Working Group was set up to oversee the implementation of decisions taken by the Pension Committee in relation to investments (which is a function delegated in the Council's constitution to the Chief Finance Officer, rather than a Committee function). It comprises officers, the Independent Advisor to the Fund (William Bourne), and the Chair of the Pension Committee. A decision has been taken to merge it with the ESG Working Group, due to the importance of ESG to investment decisions.

48.10. GF clarified that the PIRC recommendation that it have published agenda and minutes was advisory. He said that for it to become a formal, decision making sub-committee with an agenda and minutes it would require a decision from the County Council as it would involve amending the constitution. The advantage of it being informal was that it allowed greater flexibility and discussion of issues. GF was open to reviewing the purpose of the Investment Working Group in the future and offered to discuss it more with TD outside the Board meeting.

48.11. SK added that the Investment Working Group will have an agenda at future meetings. The Working Group's actions and any recommendations are reported back to the Pension Committee at each meeting. The Committee is recommended to consider these updates following the exclusion of the public and press due to the report of the Working Group containing information that is the Committee is advised is exempt under the Local Government Act 1972.

48.12. The Board RESOLVED to note the report.

49 EAST SUSSEX PENSION FUND 2020/21 BUDGET QUARTERLY REPORT

49.1. The Board considered a report providing an update on the 2020/21 business plan at Quarter 2 for the ESPF.

49.2. The Chair asked why the cost of investment management fees for the four new investment managers was known and disclosed but was not for those in the ACCESS pool. The result of this was that the investment management fees appeared to increase substantially.

49.3. SK explained the Fund had decided it was more transparent to receive invoices for these managers rather than allow them to deduct their costs at source. This makes the process more transparent and makes it clear what the fund is paying for its investment management. ACCESS however deducts the investment management fees from the investment funds.

49.4. The Board RESOLVED to note the report.

50 ANNUAL TRAINING PLAN 2020/21

50.1. The Board considered the Annual Training Plan for the ESPF.

50.2. The Chair suggested that the Board might like to have single, hour-long training sessions at the rate of around three per quarter. This would ensure high turnout and engagement, which is more difficult when training sessions are all day or take place after a lengthy Board meeting. He suggested initial topics include the McCloud Judgement, £95k cap, and admissions and cessations policy, and he asked that they be recorded in case Members cannot attend.

50.3. The Board RESOLVED to:

1) note the report; and

2) agree to request training sessions are provided at hour-long events approximately three times per quarter.

51 PENSION FUND RISK REGISTER

51.1. The Board considered a report on the ESPF's Risk Register.

51.2. TD asked whether the risk of stranded assets (assets that cannot be sold by a Company in which the fund invests) caused by a failure to divest in good time should be added to the risk register, and asked whether there had been any evidence of success from the policy of engagement with carbon-intensive companies.

51.3. GF said that stranded companies were more of a risk than stranded assets, for example, a company with a stranded asset, like an oil company that own tar sands, may still be viable because of its other operations.

51.4. GF explained that the Committee is reducing the carbon footprint through both engagement and divestment.

51.5. In terms of engagement, the Fund works with The Institutional Investors' Group on Climate Change (IIGCC) and Climate Action 100+ to ensure investment managers, who are shareholders of companies on behalf of the Fund, lobby companies for action on climate change. The IIGCC engages with the 160 largest companies in the world and attempts to get them to commit to reporting their emissions in a transparent way against the IIGCC's carbon benchmark; committing to net zero carbon by 2050; and a 45% reduction from the 2010 baseline by 2030. The IIRCC is developing a Net Zero Investment Framework setting out how sectors should move towards this goal. The IIRCC encourages shareholders to file motions at company's Annual General Meetings (AGMs) to provide evidence they are moving in the desirable direction. BP's commitment earlier in the year towards decarbonisation is an example of the success the IIRCC has had.

51.6. GF said the Fund's biggest exposure to fossil fuels is via the assets invested in the passive equity funds. Passive equity funds simply track certain stock markets, meaning that investors will inevitably own stocks in companies listed on these stock markets that have a high carbon footprint.

51.7. The Committee has made the decision to reduce this exposure by moving £880m of its assets from the passive equity funds into two investment managers that deal in active investments, including increasing the share of the Fund held by Longview, which does not invest in companies that trade in commodities like oil; a smart-BETA manager tilted towards

companies that are aligned to the 1.5C Paris Climate agreement; and an infrastructure equity manager.

51.8. GF said the Fund still needs income to pay pensions and carbon intensive companies tend to be established and so pay dividends to shareholders; therefore alternative sources of income need to be found in the long run as the fund matures. In addition, government guidance says Local Authority Funds should strongly consider investment in passive equity funds due to their low cost.

51.9. The Board RESOLVED to note the report

52 WORK PROGRAMME

52.1. The Board considered the ESPF's work programme.

52.2. The Board RESOLVED to agree its work programme subject to the addition of:

1. A report on the Communications Policy at the February 2021 meeting; and
2. Removal of the action relating to the KPI "Employer estimates provided" (as it had been resolved).

53 EXCLUSION OF THE PUBLIC AND PRESS

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).

54 PENSION FUND BREACHES LOG

54.1. The Board considered an update on the ESPF Breaches Log.

54.2. The Board RESOLVED to note the report.

55 EMPLOYER ADMISSIONS AND CESSATIONS REPORT

55.1. The Board considered the latest admissions and cessations of employers within the Fund.

55.2. The Board RESOLVED to note the report.

The meeting ended at 1.00 pm.

Ray Martin (Chair)

Agenda Item 5

Report to: Pension Board

Date of meeting: 15 February 2021

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 1 MARCH 2021

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. PRI presentation
7. Investment Report
8. Business Plan and Budget 2021/22 and Quarterly Report
9. Communications Review Report
10. Fund Governance and Employer Engagement Report
11. Pension Administration Report
12. Internal Audit Report
13. Pension Fund Risk Register
14. Work Programme
15. Any other non-exempt items previously notified under agenda item 4
16. Exclusion of the Public and Press To consider excluding the public and press from the meeting for the remaining agenda item on the grounds that if the public and press were present there would be disclosure to them of exempt information as specified in paragraph 3 of Part 1 of the Local Government Act 1972 (as amended), namely information relating to the financial or business affairs of any particular person (including the authority holding that information).

17. Investment Report (part 2)
18. Pension Fund Breach Log
19. Employers Admission and Cessation
20. Any other exempt items previously notified under agenda item 4

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19 February 2020

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Report to: Pension Board

Date: 15 February 2020

By: Chief Financial Officer

Title: Employer Contributions Report

Purpose: This report updates the Board on the collection of Employer contributions up to November 2020 which were due on 19 December 2020.

RECOMMENDATION

The Board is recommended to note the report

1. Background

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

1.2 The Employers (scheduled and admitted bodies) are required to pay both employee and employer contributions to the Fund monthly. The contributions rates for members is set out in the LGPS Regulations. The Employer contribution rate is set at the triennial valuation and recorded in the rates and adjustment certificate issued by the Funds actuary.

1.3 The Employers are required by regulations to make the payment of contributions to the Fund be made no later than 19 days of the following month in which the contributions were deducted from payroll (22 days by means of an electronic communication).

2. Supporting Information

2020/21 Contributions

2.1 The ESPF has set the 19 days following the month in which the contributions were deducted from payroll to determine if a payment has been received on time. The below table sets out the number of payments received after the 19 days have elapsed.

Table of Contributions received after the 19th day of the month following contributions deducted up to the 19 December 2020.

	April	May	June	July	August	September	October	November
Total payments due	109	109	109	109	109	109	109	110
Payments received late	9	4	5	3	6	4	5	3

2.2 In total there has been 39 late payments of contributions out of 873 expected payments. This is attributable to 21 different employers in the Fund, 12 of which have been single instances of late payment during 2020/21 to 19 December 2020. 9 Employers have paid late on more than one occasion with 4 of these paying late in consecutive months.

Improvements to the contributions monitoring

2.3 The Fund has undertaken a thorough reconciliation of the current tax year position of contributions owed and paid across by employers in the Fund. Due to historic resourcing issues and COVID-19 implications, the team struggled in the first half of 2020/21 to keep on top of monitoring the accuracy of contributions and to follow up with employers when payments have been received late. After significant work and reconciliation in the last quarter of 2020, the Fund now has detailed information in relation to employer contributions to have a clear understanding of any late or missing payments. The Fund's new Employer Engagement Team will be approaching each employer where it finds there to be missing or inaccurate contributions paid and asking for this to be rectified as soon as possible.

2.4 The Fund will be engaging with employers to understand the issues behind missed payments and providing support in order to reconcile. It is essential the Fund reinforces the statutory obligation of employers to pay contributions on time or they suffer the risk of fines or penalties and any breaches are reported accordingly to the Regulator. This aligns with the work carried out in the latter part of 2020 with the reviewed Administration Strategy coming out of the Good Governance review, which was the focus of the Employer Forum in November 2020. The Fund is also assessing the 'new employer admissions' to the Fund and making sure any backdated contributions have been paid and reconciled, whilst also establishing the expectations of all employer in the Fund.

2.5 Improvements for future reconciliations include the Fund setting up a more robust process for keeping track of employer contributions and identifying quickly where contributions are missing or inaccurate. The Employer Engagement Team will be reconciling contribution payments as soon as they are received, and any missing data or amounts will be chased up immediately to avoid any backlogs occurring. The Team hopes to build up strong relationships with the employers so that any problems can be resolved quickly. Employer can also contact the Team for help.

2.6 The introduction of i-Connect will also help with the contribution reconciliation going forward by negating the need for manual contribution forms to be sent by employers each month. As more employers are inducted onto i-Connect, the efficiency of contribution reconciliation will also improve. A more formal process is being built for new employer admissions, so any new admissions to the Fund are setup quickly where possible and contributions paid in a timely manner once the employer has been formally admitted into the Fund.

3. Conclusion and reasons for recommendation

3.1 The Pension Board is recommended to note this report and the activity of the team in bringing this area back to an acceptable standard and note the engagement work with employers that will result from these findings.

IAN GUTSELL
Chief Finance Officer

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Report to: Pension Board

Date of meeting: 15 February 2020

By: Chief Financial Officer

Title: East Sussex Pension Fund (ESPF) quarterly budget report and 2021/22 Pension Fund business plan and budget

Purpose: This report updates the 2020/21 Quarter 3 budget report and sets out the business plan and budget for 2021/22.

RECOMMENDATION

The Board is recommended to:

- 1) note the revised forecast 2020/21 outturn position; and
 - 2) note the Business Plan and Budget for 2021/22 in Appendix 1
-

1. Background

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

1.2 The business plan and budget 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. Budget and forecast figures may move between this report and the version for approval at Pensions Committee due to more information starting to come through on the costs of the Pensions Administration function, however, this should be immaterial.

1.4 **Appendix 1** sets out the proposed 2021/22 business plan and budget for the Fund that will be considered by Pension Committee on 1 March 2021.

2. Supporting information

2020/21 Investment and Administration Expenses Outturn Report

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

2.2 The forecast outturn for 2020/21 is £6.007m, against a budget of £3.730m resulting in an overspend of £2.277m, an increase of £1.266m from the outturn position reported at the last

meeting. The 2020/21 projected outturn against line items is shown at Table 3 in Para. 3 below. Table 3 also shows the budgeted expenditure and actual spend to Quarter 3.

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

Table 1

	2020/21 Budget	2020/21 Forecast Outturn November	Variance from last reported position	Variance to Budget
Staffing - Para 2.4	385	551	159	166
Custody - Para 2.5	150	67	- 33	- 83
Legal costs - Para 2.6	115	187	72	72
Actuarial - Para 2.7	250	323	73	73
Pensions Administration - Para 2.8	1,080	2,119	1,039	1,039
Other line items – minor variations	1,750	2,760	- 44	1,010
Total	3,730	6,007	1,266	2,277

2.4 Since the last report the Fund has been able to work to provide more up to date figures on the staffing costs for the new structure. This has resulted in an increase of £109,000 from the last report. In addition, for the costs of recruitment, at £50,000, are also included.

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

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

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

2.8 Arrangements around the Pension Administration Team (PAT) being brought back under sovereign control have started to clarify costs, which were previously incurred by the Surrey Shared Service within Orbis. There is still some elements of the final budget requirement to be

worked through, however, it is estimated that the cost for the administration will be £2.119m, which is £1.039m more than the budget of £1.080m. The original budget was based on previous Orbis recharges to the ESPF for the PAT. It is anticipated the Orbis recharge will be £200,000 higher than the previous budget, in addition the Fund now has costs of £350,000 for the staff that were part of the Transfer of Undertakings (Protection of Employment) Regulations (TUPE) to East Sussex. The Fund is also incurring a number of project costs associated with the dissolution from Orbis, such as the data migration project. In addition, there are other direct costs, such as employer portal costs and the roll out of new agile working packs to the new staff through TUPE or establishment expansion. There will also be further costs for i-Connect and other projects undertaken. Budgeting for Pensions Administration has been limited to date, however as Pensions Administration comes further under sovereign control the transparency of costs will increase. Table 2 shows the basis for the revised forecast of £2.119m.

Table 2 Pensions Administration Forecast 2020/21

Line item	2020/21 Forecast Outturn, February £000	One off or ongoing details
Orbis Business Operations Support services	1,138	Last year of Orbis contract, 2021/22 budget replaces this with ongoing staffing and software licence costs
PAT staffing, post TUPE	349	Direct Staff costs December 2020 to March 2021 as a result of TUPE
One off Data migration costs	75	One off costs, ESCC share to replicate Altair system
Systems and licences	323	Altair BAU support, Employer website, i-Connect
IT equipment	77	One off IT associated costs for data migration including new servers and equipment for staff
Consultancy and project costs	150	Mostly one off projects, including GMP reconciliation, Mortality screening, licence for data access, address tracing
Other general expenditure	7	
Pensions Administration total forecast line	2,119	

Table 3 2020/21 Outturn Report Q3

2019/20 Outturn £000	Item	2020/21 Budget £000	2020/21 Actuals to December £000	2020/21 Forecast Outturn November £000	2020/21 Forecast Outturn February £000	Variance to the last reported Forecast £000
	<u>Pension Fund Oversight and Governance</u>					
345	Actuarial Fund Work	250	245	250	309	59
97	Actuarial Employer Work	150	61	150	90	(60)
(97)	Employer reimbursement	(150)	(20)	(150)	(76)	74
88	Good Governance Program	47	22	47	25	(22)
75	Data Improvement Program	100	40	40	40	-
8	Independent Pension Board Chair	5	9	13	12	(1)
307	Fund Officers*	385	376	392	501	109
	Recruitment Costs	-	-	-	50	50
30	External Audit – Grant Thornton	26	24	30	30	-
-	Democratic Services Support	-	-	18	18	-
17	Internal Audit*	19	28	37	37	-
119	Legal Fees	115	140	115	187	72
11	Subscriptions and other Expenses	70	59	70	96	26
1,000	Sub Total	1,017	984	1,012	1,319	307
	Investment activities					
114	Investment Consultant	120	157	200	182	(18)
-	PIRC ESG Report	11	11	11	11	-
-	EIRIS Carbon Report	24	25	25	25	-
11	Independent Advisor Basic	12	9	12	12	-
5	Independent Advisor Project work	8	5	16	16	-
54	Custodian	150	52	100	67	(33)

2019/20 Outturn £000	Item	2020/21 Budget £000	2020/21 Actuals to December £000	2020/21 Forecast Outturn November £000	2020/21 Forecast Outturn February £000	Variance to the last reported Forecast £000
3,003	Investment Manager Fee Invoices	1,200	1,311	2,167	2,167	-
3,187	Sub Total	1,525	1,570	2,531	2,480	(51)
67	ACCESS	98	98	98	88	(10)
(3)	ACCESS Support Unit	(20)	(2)	(10)	(2)	8
64	Fund Officer Time Rebates	78	96	88	86	(2)
	Sub Total					
-	Pension Board/Committee Training:	30	1	30	3	(27)
-	Training Costs	30	1	30	3	(27)
	Sub Total					
1,106	Pension Administration*:	1,080	1,211	1,080	2,119	1,039
5,357		3,730	3,862	4,741	6,007	1,266

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

2021/22 Business plan and budget

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

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

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

2.11 A draft budget totalling £7.025m (£3.730m 2020/21) to support the business plan is set out in the **Appendix 1**.

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

2.13 The draft budget, set out in the Appendix 1, will be presented to the Pension Committee on 1 March 2021 for its consideration and approval.

3. Conclusion and reasons for recommendation

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

IAN GUTSELL
Chief Finance Officer

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2021/22

Business Plan & Budget

1. Business Plan

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

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

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

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

1.4 A budget totalling **£7,025k** (£3,730k 2020/21) to support the business plan for 2021/22 is detailed below in Table 1:

Table 1 Pension Fund Management Expenses

2019/20 Outturn £000	Item	2020/21 Budget £000	2020/21 Forecast Outturn £000	2021/22 Budget £000
	Pension Fund Staff Costs			
376	Fund Officers ¹	431	850	2,055
-	Recruitment costs	-	50	12
376	Sub Total	431	900	2,067
	Pension Fund Oversight and Governance			
345	Actuarial Fund Work	250	309	250
97	Actuarial Employer Work ²	150	90	100
(97)	Employer reimbursement	(150)	(76)	(100)
-	Training Costs	30	3	10
30	External Audit – Grant Thornton	26	30	30
17	East Sussex County Council recharges	19	55	55
119	Legal Fees	115	187	165
182	Subscriptions and Other Expenses	222	173	125
693	Sub Total	662	771	635
	Investment activities			
130	Investment Advice	140	210	192
-	ESG Advice	35	36	25
54	Custodian	150	67	75
64	ACCESS	78	86	93
3,003	Investment Manager Fee Invoices ³	1,200	2,167	3,313
3,251	Sub Total	1,603	2,566	3,698
	Pension Administration⁴			
999	Orbis Business Operations Support Services	934	1,138	-
-	System Services and License	-	398	282
38	Consultancy & Service Providers - Benefits	100	150	100
-	Other Expenses	-	84	243
1,037	Sub Total	1,034	1,770	625
5,357	Total	3,730	6,007	7,025

¹This is assuming a full team it is in place

²As we are moving away from a valuation year we expect the employer queries to decrease in 2021/22

³The Fund has appointed some new external managers as part of a review of the its ESG and equity positioning which has increased the estimated invoiced fees amount for 2021/22.

⁴The Pension Administration team is moving to sovereign control some costs have not been fully agreed a prudent estimate has been applied

Key budget assumptions

1.5 The key budget assumptions are set out below

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

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

Table 2 Business plan deliverables by key theme

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

Theme	Tasks	2020/21 activity	Action Update
	Public Sector Exit payments	The introduction of the £95k cap on exit payments has created a conflict in legislation which needs to be monitored as a resolution is sought.	
	GDPR review	Review of GDPR compliance and assessment of the level of communication from the Fund	
	Policy review	Review of policies to ensure all up to date and on a cycle for regular refresh	
	TPR COP14 compliance	Review of COP14 to ensure compliance to the Pensions Regulator checklist built into the funds practices	
Investment activities	Review investment strategy	<p>Implement any strategic changes agreed at the Q1 2020 equity strategy review.</p> <p>Implement any investments into the Fund's private markets programme.</p> <p>Review the Income generation of the Fund's investments. Review the credit portfolios of the Fund.</p> <p>Discuss strategy at the 2 strategy day meetings.</p>	
	Develop the Fund's ESG credentials	<p>Consider requirements under the UK Stewardship Code with a view to the Fund becoming a signatory.</p> <p>Complete reporting of Fund Activities to PRI as part of requirements of being a signatory.</p> <p>Undertake a review of the ESG credentials of all managers and develop appropriate analytic metrics to monitor the Fund.</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>	
ACCESS	<p>ACCESS Support Unit</p> <p>Actively managed listed assets</p> <p>Alternative / non listed assets</p> <p>Passive assets</p>	<p>The implementation of the increased ASU will be completed.</p> <p>Launch of Tranche 5b</p> <p>Launch of Tranche 6</p> <p>Determine, approval & launch of Tranche 7</p> <p>Ensure sub-funds meet Link's due diligence requirements and ACCESS Authorities' Value for Money criteria (including transition activity). Manager search and selection activity where required. Work with Link to submit applications to the FCA for approval of the set-up of subfunds. Launch.</p> <p>A process for transitioning between sub-funds is established.</p> <p>Scheduled BAU evaluation</p> <p>Implementation of approach to pool illiquid assets.</p> <p>Following work undertaken in 2020/21 to consider the needs and implementation options.</p> <p>Ongoing monitoring of assets managed on a passive basis.</p>	

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

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

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

2. Significant Workstreams Analysed by Stream

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

1. Pension Fund Oversight and Governance activities:

- Governance and compliance reviews
- Data Improvement
- Communications implementation

2. Investment activities:

- Investment Strategy
- UK Stewardship Code 2020
- Principals of Responsible Investment
- Investment Governance

3. ACCESS activities:

- Sub Fund transition management
- Investment Governance

4. Pension Board/Committee Training:

- Relevant Training
- CIPFA Knowledge and Skills Framework

5. Pension Administration:

- Performance Management Group
- McCloud Work Plan

1. Pension Fund Oversight and Governance activities:

Good Governance Review

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

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

Data Improvement

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

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

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

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

Communications Implementation

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

2. Investment activities:

New Investment Strategy

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

UK Stewardship Code 2020

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

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

The investment market has changed significantly since the publication of the first UK Stewardship Code. There has been significant growth in investment in assets other than

listed equity, such as fixed income bonds, real estate and infrastructure. These investments have different terms, investment periods, rights and responsibilities and signatories will need to consider how to exercise stewardship effectively in these circumstances.

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

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

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

PRI (Principle of Responsible Investment)

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

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

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

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

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

3. ACCESS activities:

Sub Fund transition management

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

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

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

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

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

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

Investment Governance

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

4. Pension Board/Committee Training:

Relevant Training

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

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

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

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

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

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

Addressing the ESPF Business Plan

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

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

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

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

Acquiring, Reviewing and Updating Knowledge and Understanding

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

Flexibility

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

The Pensions Regulator E-learning toolkit

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

- Conflicts of Interests;
- Managing Risk and Internal Controls;
- Maintaining Accurate Member Data;
- Maintaining Member Contributions;
- Providing Information to Members and Others;
- Resolving Internal Disputes;
- Reporting Breaches of the Law.

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

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

Risk

Risk Management

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

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

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

Budget

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

5. Pension Administration:

Pension Administration Transfer

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

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

McCloud Work plan

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

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

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

Report to: Pension Board

Date of meeting: 15 February 2020

By: Chief Financial Officer

Title: Communications Review Report

Purpose: This report informs the Pension Board on the outcomes of the Communications review completed by the Head of Communications and Marketing

RECOMMENDATION

The Board is recommended to consider the recommendations laid out as a result of the Communications review and agree feedback to the Pension Committee

1. Background

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

2. Supporting information

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

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

Table 1

Topic	Recommendation
Strategic Objectives and messaging	Draft and agree a single-sentence statement that summarises the Fund's objectives to act as a thread running through ESPF communications. Draft and publish short statements to describe the strategy for key areas of operation, including investment, ESG, offer to employers. Make these easy to find
Branding	Set a process and timescale for creating and implementing a new brand and allocate resources accordingly.
Website	Make links to My Pension portal much more prominent on the website, on all main pages. Site content should make it clearer

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

	Identify a small number of communication metrics (probably no more than three initially) for regular evaluation.
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2.3 In addition to recommendations above, the review set out on page 17 of **Appendix 1** a timeline for the delivery of the key priorities; this is duplicated in table 2 below:

Table 2 Priorities

Immediate action
Draft, agree and publish a single sentence which captures the fund's purpose.
Draft, agree and publish short position statements on key areas of business, including policy and action on fossil fuel investment.
Scope and resource a brand review
Procure a newsletter software as the main tool for all updates to members, employers and other stakeholders (<i>ensuring compatibility with Altair and data security</i>)
Design and initiate a survey of members
Prepare 'launch' communication: <ul style="list-style-type: none"> • First post-April newsletters to announce the fund's new arrangements. • Redesign of portal (already in hand). • Signpost correspondence policy in conjunction with online positioning statements • Make essential website updates
Within six months
Carry out brand review
Analyse member survey
Agree an initial selection of communications metrics and targets (<i>align with helpdesk data</i>)
Develop forward content plan (frequency, formats and types of content)
Within 12 months
Implement revised brand (including redevelopment and updates of website and portal, updates to newsletters and publications)
Trial and evaluate newer formats of communication (e.g. 'lifestyle' content in newsletters, video webinars for members)
Carry out employer survey
Evaluate communications metrics and adjust communications activity accordingly.

Correspondence Policy

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

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

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

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

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

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

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

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

Potential costs and resources

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

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

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

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

3. Conclusion and reasons for recommendation

3.1 The Pension Board is recommended to consider the Communication Review and the recommendations within and consider any feedback that it would like to make to Pension Committee.

IAN GUTSELL
Chief Finance Officer

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East Sussex Pension Fund – communications review

Summary

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

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

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

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

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

- 1. Establish a clear brand for the East Sussex Pension Fund to give it a distinct identity to help build the relationship with members, employers, and other stakeholders.**

A distinctive identity will capture what people value about the ESPF and express that through tone, language, visuals and style of communication. This identity might draw on the key themes of security (the advantages of a defined benefit scheme) and lifestyle (how regular engagement with your pension plan shapes your quality of life). The fund should invest effort and resources in developing its brand to dictate its design and other communications. All main ‘badging’ should be of ESPF, removing references to Orbis or other local authorities.

- 2. Invest in, and integrate, digital communication tools, especially email newsletter software, to manage and target different audiences effectively and help drive self-service.**

Online transaction, if it’s done well, is easier for both customers and for the fund. Buy email

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

3. Tell a strong and clear story about the fund's actions on environmental, social and governance issues.

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

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

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

Part One - Review of current communications

Strategic objectives and messaging

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

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

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

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

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

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

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



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

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

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

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

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

The ESPF brand

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

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

Distinctiveness

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

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

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

Customer-focus

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

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

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

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

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

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

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

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

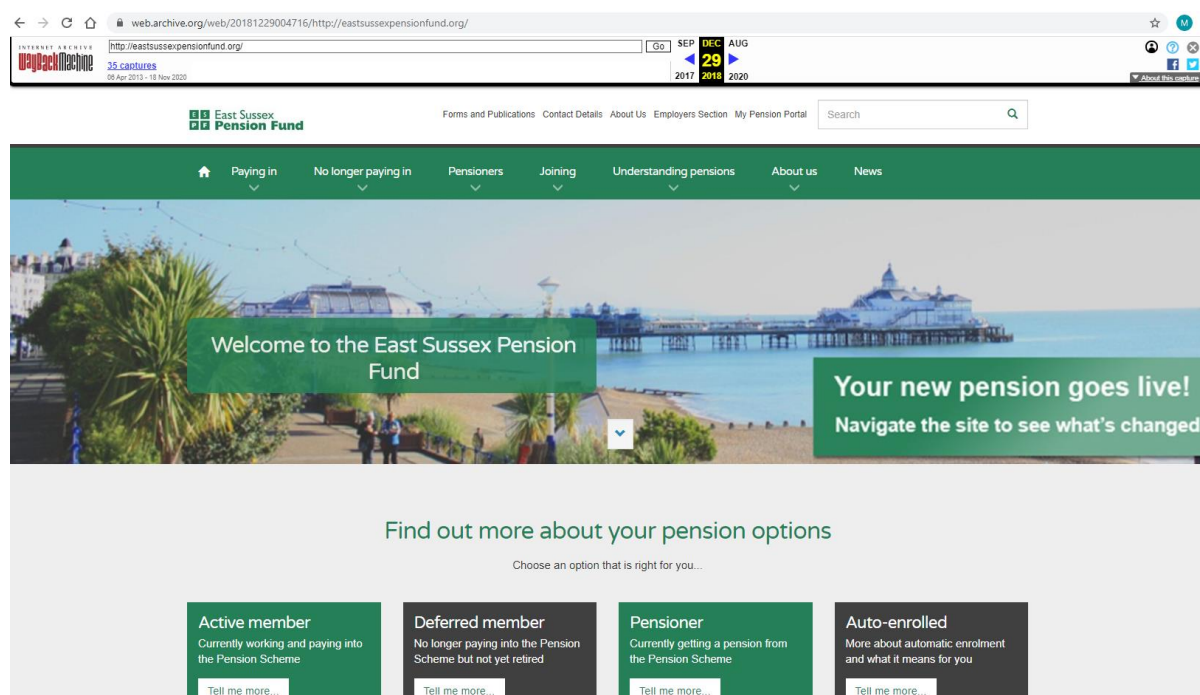
Recommendation: Set a process and timescale for creating and implementing a new brand and allocate resources accordingly.

Website

<https://www.eastsussexpensionfund.org/>

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

Design-wise, the site is responsive (resizing correctly for different screen sizes like mobile & tablet) though the look and feel are dated. According to the [Wayback When internet archive](https://web.archive.org/web/20181229004716/http://eastsussexpensionfund.org/) the homepage looks exactly the same as it did in Dec 2018.



East Sussex Pension Fund website December 2018

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

Accessibility

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

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

Analytics (Jan 2020-Dec 2020 – visitor behaviour)

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

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

Content

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

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

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

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

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

Keywords and search

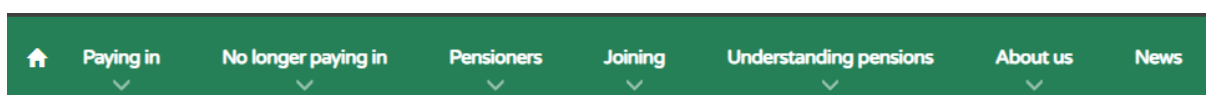
On a positive note, the keywords that bring users to the website are all on-point – strong keywords associated with East Sussex Pension Fund which also echo the domain name.

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

Keywords for ESPF site

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

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



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

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

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

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

Section introduction - what function does this content perform?

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

Tasks

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

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

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

Digital newsletters and emails

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

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

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

Dear Colleague,

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

COVID-19 Update

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

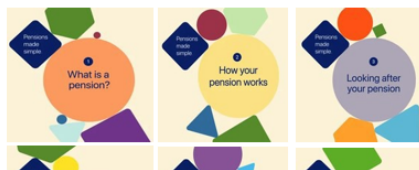
Orbis Pensions remains operational and our aim is to ensure we can maintain vital services during this time. For current information regarding our services, and for other queries you may have regarding how this outbreak may affect your pension, please visit: www.eastsussexpensionfund.org

'Pension Made Simple' Videos

Would you like to know more about your pension?

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

These videos are short, simple and packed with



Autumn 2020 Active Employee Newsletter

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

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

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

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

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

Letters and printed publications

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

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

Communications content mix

An audit of a year's activity (2020)

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

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

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

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

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

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

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

Content effectiveness

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

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

Readability Consensus

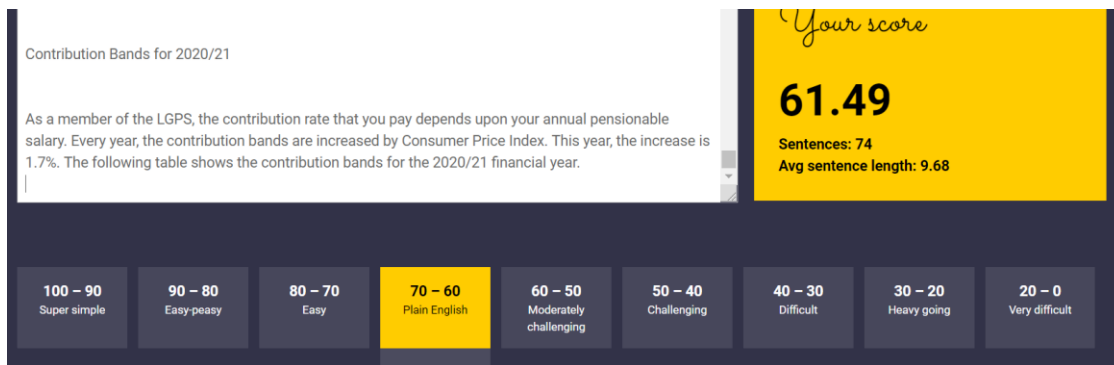
Based on (7) readability formulas, we have scored your text:

Grade Level: 9

Reading Level: standard / average.

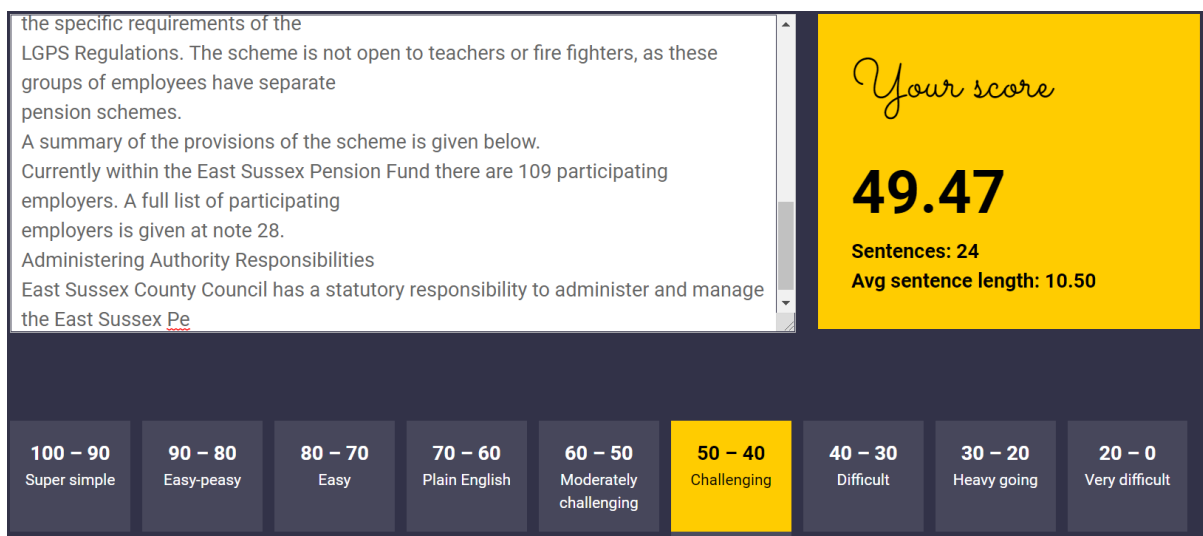
Reader's Age: 13-15 yrs. old (Eighth and Ninth graders)

Guide to annual benefit statement



Newsletter to active employees

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



Introduction to annual report

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

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

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

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

News and media-handling

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

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

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

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

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

Social media

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

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

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

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

Handling controversy, campaigns, and questions

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

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

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

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

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

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

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

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

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

Evaluation and analytics

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

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

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

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

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

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

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

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

Part Two - A structure for future communication

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

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

Priorities

Immediate action
Draft, agree and publish a single sentence which captures the fund's purpose.
Draft, agree and publish short position statements on key areas of business, including policy and action on fossil fuel investment.
Scope and resource a brand review
Procure a newsletter software as the main tool for all updates to members, employers and other stakeholders (<i>ensuring compatibility with Altair and data security</i>)
Design and initiate a survey of members
Prepare 'launch' communication: <ul style="list-style-type: none">• First post-April newsletters to announce the fund's new arrangements.• Redesign of portal (already in hand).• Signpost correspondence policy in conjunction with online positioning statements• Make essential website updates
Within six months
Carry out brand review
Analyse member survey
Agree an initial selection of communications metrics and targets (<i>align with helpdesk data</i>)
Develop forward content plan (frequency, formats and types of content)
Within 12 months
Implement revised brand (including redevelopment and updates of website and portal, updates to newsletters and publications)
Trial and evaluate newer formats of communication (e.g. 'lifestyle' content in newsletters, video webinars for members)
Carry out employer survey
Evaluate communications metrics and adjust communications activity accordingly.

Costs and resources

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

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

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

Staffing models

Three possible models for delivery of communications are suggested.

Option A – permanent communications manager

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

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

Option B – existing ESPF staff commission all communications need

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

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

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

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

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

29 January 2021

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Report to:	Pension Board
Date of meeting:	15 February 2021
By:	Chief Finance Officer
Title:	Governance and Employer Engagement Report
Purpose:	To provide an update on various governance and employer engagement work completed and changes effecting the LPGS and Fund

RECOMMENDATIONS

The Pension Board is recommended to :

- 1) Note the Terms of Reference for the Investment Working Group (Appendix 1);**
 - 2) Note the update on the McCloud Working Group;**
 - 3) Note the update on ill health insurance for employers; and**
 - 4) Note the update on Employer Engagement**
-

1. Background

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

1.2 This report provides a few updates on work in progress and draft terms of reference for the Investment Working Group for approval at Pensions Committee.

2. Supporting information

Investment Working Group Terms of Reference

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

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

2.3. During an extensive review of the governance arrangements of the Fund and reorganisation of the Pension Fund Team during 2019 and 2020, it was agreed that elected members of the Pension Committee could also sit on the working group to monitor the

effectiveness of implementation of investment decisions and provide a forum to ask questions of the investment strategy or investment managers outside of the main Committee to increase confidence in the administration of the Pension Fund. An Environmental, Social and Governance (ESG) Working Group was also created at the time.

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

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

McCloud Working Group

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

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

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

- oversee the McCloud project, drive the delivery and receive project updates;
- tackle employer related issues that become or continue to be a barrier to the effective collection and use of data; and
- be aware of and manage dependencies across third parties.

2.8. The Group discussed the data gathering processes required for implementation of the possible scheme remedies required to the statutory underpin in response to the McCloud judgement. The collective view of the group that this process will need to be carefully managed, in tandem with a number of other interlinked workstreams such as the data improvement project, Guaranteed Minimum Pension (GMP) Reconciliation/Rectification and Annual Allowance. All of which to varying extents will impact on member benefit entitlements.

2.9. The Group determined it should delay any decisions on how/when to request data from scheme employers until after the Pensions Manager for Employer Engagement was in post. It was felt vitally important that we adopt a co-ordinated data gathering process from employers, incorporating where possible all data required for the various projects, and not to be repeatedly asking for a number of differing data sets.

2.10. A further meeting of the working group will take place in February 2021.

III Health Insurance

2.11. 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) and a proposed categorisation of scheme employers.

2.12. At the September and November Pension Board and Committee meeting papers were received and discussed in detail, resulting in the Pensions Committee on 30 November approving an approach to roll out ill health insurance in line with recommendations of Pensions Board.

2.13. The roll out of ill health insurance has been agreed with employer's allocation to one of three categories where they are included, they can opt out or they can opt into the insurance cover. There is no new cost to the employer of the insurance, the insurance is funded through existing contribution rates and provides security to smaller employers against the risk of high ill health strain costs.

2.14. The project has now started to be rolled out. Employers have been sent letters explaining the insurance and what is required of them to opt in or out if relevant. Any opt in or opt out decisions are due by the 28 February 2021. Hymans Robertson, as part of the roll out project, are coordinating responses and are available to all employers if they have any questions or concerns. Fund officers will also be advised of any questions or apparent training requirements arising from the roll out to help support employers and improve the service we provide to them.

Employer Engagement

2.15. The new Employer Engagement Team within the new fund structure is starting to have a presence with the introduction of the new Pensions Manager for Employer Engagement, Tim Hillman, who started in early January 2021. The new Team has been focusing on establishing a complete list of employer contacts for all employers within the Fund, using both previous internal contact information as well as the active Orbis administration team list of active contacts. This list will then be used going forward and updated when employers join or leave or any changes in staff within the individual employers.

2.16. The Employer Engagement Team has already started to reach out to employers with an initial introductory communication. The aim is to help build engagement with all employers across the Fund and provide a first point of contact if they require any support or assistance. This initial communication contained a link to the LGPS payroll guide which gives a comprehensive breakdown of what is expected of employers in the Fund.

2.17. The i-Connect project was also referenced in the introductory email to employers and one of the main focuses for the Employer Engagement Team in the next quarter is to roll out the i-Connect system to some of the larger employers in the Fund alongside the Pensions Administration team. The Fund will be communicating with all employers on this very shortly to provide background and estimated staging dates for when they can expect the Team to facilitate their joining of the i-Connect system.

2.18. The Team will also focus on building a project plan to establish what the priorities are for the next 6 months and for the rest of the year. Within the next quarter we will establish good governance on two pressing priorities of admissions and cessations along with a more robust contribution reconciliation process.

2.19. Alongside the communication review, the Fund will assess the current Employer communications held on the Fund website and implement any changes that it is felt may be required. The Fund will continue to monitor the documentation and information held on the website and add any resources or communications which will help the employers to engage with the Fund.

2.20. There is still a vacancy in the Employer Engagement Team for a Pensions Employer Engagement officer which will be advertised shortly.

2.21. Other vacancies across the Fund are in varying degrees of progress, with some advertised and others due to begin shortly. The new Pensions Manager for Governance and Compliance is due to begin with the fund on 15 February.

3. Conclusion and reasons for recommendations

- 3.1. The Pension Board is recommended to note the updates provided in the report.

IAN GUTSELL
Chief Finance Officer

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Pension Fund Investment Working Group (IWG)

Terms of Reference

Objectives

The IWG has an advisory role. Its purpose is to:

1. oversee the implementation of decisions by the Pension Committee by the Chief Finance Officer in relation to investments.
2. undertake detailed reviews requested by the Pension Committee on future strategic asset allocations, including relating to Environmental, Social and Governance (ESG) matters, and report back with recommendations.
3. consider investment manager activity and performance throughout the year and advise the Chief Finance Officer of any manager concerns, reporting this to the Pensions Committee.
4. carry out research and consider investment options as part of the direction of travel of the Investment strategy, taking forward recommendations or research pieces to the Pension Committee where appropriate.

Exclusions

The IWG is not a sub-committee of the Pension Board or Pension Committee. No functions of the Pension Board or Pension Committee are delegated to the IWG.

The IWG will not:

1. take decisions in relation to investment matters that are the responsibility of the Pension Committee
2. take decisions in relation to investment matters or the appointment of investment advisers, actuaries, or independent pension advisers that are delegated to the Chief Finance Officer under the Scheme of Delegations.
3. oversee or advise on any decisions taken by the Pension Committee other than in relation to investment strategy.

Membership

The IWG is an officer-led group chaired by Head of Pensions.

Membership comprises:

- Head of Pensions
- Pensions Manager – Investments and Accounting
- Independent Adviser
- Investment Consultant

Chair of Pension Committee or substitute Pensions Committee member is also invited to attend the working group.

The IWG is not a committee or sub-committee established under the Section 101 of the Local Government Act 1972, so political proportionality rules under the Local Government and Housing Act 1989 do not apply.

Meetings

The IWG meets at least quarterly between Pension Committee meetings, or more as required to implement investment strategy decisions as directed by the Pension Committee

Reporting

Where the Pension Committee requests the IWG undertakes a review, recommendations of the IWG may be reported to the Pension Committee for consideration within the Investment Report.

The IWG is not a committee or sub-committee established under the Section 101 of the Local Government Act 1972, so access to information regulations do not apply.

Report to: Pension Board

Date of meeting: 15 February 2021

By: Chief Finance Officer

Title: Pension Administration Report

Purpose: To provide an update to the Pension Board on matters relating to Pensions Administration activities

RECOMMENDATIONS

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 4); and
 - 3) Make any comments for feedback to the Pensions Committee.
-

1. Background

1.1. The Pensions Administration Team (PAT), based partly in-house (since 1 December 2020) and partly within Orbis Business Services, carries out the operational, day-to-day tasks on behalf of the members and employers of the East Sussex Pension Fund (ESPF) and for the Administering Authority. They also lead on topical administration activities, projects and improvements that may have an impact on members of the Local Government Pensions Scheme (LGPS).

2. Supporting Information

Key Performance Indicators (KPI)

2.1. The Performance Report, for the period February to December 2020 can be found at **Appendix 1**. The PAT has continued to produce some excellent performance numbers with over 98% of key tasks completed within the Orbis service levels for December 2020. It should be noted that the number of tasks relating to deaths for January 2021 is looking a lot higher. In February and March 2021 resources will have to be diverted to supporting the data migration project with much work required around User Acceptance Testing and two Parallel Runs of pensioner payroll. This will certainly see a fall in Business As Usual performance numbers.

2.2. Under the Good Governance Review documents were developed and updated covering the Service Level Agreement and Roles & Responsibilities of the future “in-house” PAT rather than one provided through Orbis Business Services. An overview of the proposed all-encompassing high-level insight of the administration service was shared at the last Board meeting. New performance measurements will go live in the new East Sussex Altair database, in the meantime, the KPI’s presented continue to be from the shared Altair database.

Note – the hardest task to achieve in 2020 has been the “Employer estimate provided” as this has a 7 days target whilst under the new proposed SLA the target is 10 days, same as “Employee projections provided”. In early October 2020 redundancy quotations ceased to be provided, as a consequence of the uncertainty of information to be given under the £95k Exit Regulations. Estimates were reinstated in January 2021 when ESPF presented a temporarily solution to the £95k Exit Regulations dilemma.

2.3. The Orbis Pensions Helpdesk was introduced in November 2019 and their performance is shown in **Appendix 2**. Management of the service recognise the results have been poor since lockdown and are actively working to improve resourcing, telephony tools, staff training, back-up plans, smoothing peaks & troughs and ultimately the quality of the customer experience.

Note – the helpdesk will continue to be delivered by Orbis post April 2021. The details outlined in Appendix 2.

Pension Administration Transfer and Staffing Update

2.4. 17 staff transferred to East Sussex on 1 December 2020 through Transfer of Undertakings (Protection of Employment) regulations (TUPE). All administration staff are continuing to work from home, and none have tested positive for COVID-19. Staff remain in good spirits and their wellbeing is closely monitored. It is not anticipated that staff will be returning to Lewes County Hall before April 2021 at the earliest.

2.5. A Transition Board has been set up to oversee the PAT return to East Sussex. The East Sussex plan has a target transfer date of 1 April 2021 but recognising this is an ambitious target. The key milestones are:

- Project governance & reporting – the principles of disaggregation, regular meetings
- Pension Admin budgets & recharges – reconciliation will take place as at 31 March 2021
- Design of Pen Admin function in East Sussex – structure and processes
- Staffing – TUPE transfer, implementation of team structure, recruitment & training
- Systems – re-procurement, new system approach, hosting, data configuration, data migration, user testing & pensioner payroll
- Projects – support where required
- Communications
- Regulatory & Compliance
- Helpdesk
- Post go live – ongoing support, Internal Audit review, lessons learnt

2.6. The migration project key achievements since the last meeting:

- 17 staff TUPE to East Sussex on 1 December 2020.
- All staff in County Hall to collect new laptops on 11 December 2020.
- Approval of the 5 years Aquila Heywood contract is finalised and signed off in January 2021.
- Work progressing with Aquila Heywood and first test data cut successfully migrated to ES servers in January 2021.

2.7. The proposed structure for the East Sussex PAT is set out in **Appendix 3**. Job descriptions and person specifications have been written and will shortly be put through the East Sussex Job Evaluation process. Three roles are due to be advertised on 1 February 2021.

Internal Audit

2.8. **Appendix 4** updates the Pension Board on the progress of implementing the Management Actions agreed for the 2019/20 Pension Administration Audit on Compliance with Regulatory Controls.

2.9. The Internal Audit team have now begun the equivalent 2020/21 Pensions Administration Audit and this with both review and evidence the completed 2019/20.

Projects update

Data Improvement Project

2.10. Since the handover from Hymans to PAT progress has continued to be tracked by the Working Party. The vast majority of the targeted work is completed and at the Working Group meeting on 16 December 2020 it was agreed to rollover any items outstanding into Phase 2 that formally started in 2021. The keys areas of focus are:

- Pension differences <£100 that were put on hold.
- Annual Benefit Statement (ABS) 2019/20 outstanding actions:
 - (a) Identify and act upon 809 new status 2 cases.
 - (b) Investigate the 67 deferred that never got a statement.
 - (c) Investigate the 366-544 actives that never got a statement (200 ESCG cases underway)
- Outstanding or incomplete items from Phase 1.
- Common Data report findings that are deemed very high or high risk, namely:
 - (a) 36 false National Insurance Numbers
 - (b) 7 blank Date Joined Fund
 - (c) 15 false Date Joined Fund
 - (d) 521 Status & Invalid Data View – Exit Details
 - (e) 904 Status & Invalid Data View – Deferred Details
 - (f) 441 Status & Invalid Data View – Pension Details
 - (g) 178 Status & Invalid Data View – Dependant Details
 - (h) 1 Status & Valid Data View – Missing Deferred Details
- Any urgent aspects of the Conditional Data report may be considered in Q2, 2021.

GMP Reconciliation, Rectification and Equalisation

2.11. Orbis commissioned JLT (Mercers) to undertake the reconciliation and rectification work. The project has been held up by HMRC provision of final data. Mercers provided the final reconciliation report to Orbis in January 2021. The results of the reconciliation will be presented to the Working Group in February to revisit the decisions made about rectification before proceeding. If proceeding, will need to be after the April 2021 pension increases.

i-Connect

2.12. The Heywoods module is has been tested by East Sussex (as the main employer) and the December payroll data being loaded in January 2021. This was a key topic of discussion at the Employers Forum webinar on 20 November 2020 and was presented to some members of the Board following the last meeting in November 2020. The PAT's new Employer Engagement Manager has a clear roll-out plan which ensures the employers remain engaged and supportive:

- The Fund has written to the next 3 biggest employers asking them to provide details on the i-Connect project and how the Fund will be looking to implement this with them in the next few months. The PAT anticipates running test data uploads on these employers for March and if these are successful, the Fund would expect to get live uploads starting from April 2021.
- Employers who are currently using the old Pensions Web data transfer have been notified that this will be switched off later this year and that i-Connect will provide a much easier and efficient method of data transfer going forward.
- An initial i-Connect communication will be sent out to the rest of the employers by the end of February making sure they are aware of the project and allow them to ask questions and request further information if needed. Within this communication, the Fund will facilitate the demonstration of i-Connect that was provided in the November Employer forum available for reference.
- A phasing of the onboarding process will be done based on the size of employer, starting with the largest and working down. However, any employers that have requested or shown an interest in onboarding earlier will be highlighted and the opportunity to implement and start using i-Connect will be offered regardless of size. It is understood that some employers have had experience of i-Connect through other payrolls so are aware of the benefits of the system and how it functions.

- By 31 December 2021, the Fund expects to have onboarded a minimum of 50% of employers onto i-Connect, with the anticipation that all employers will be setup and using i-Connect by the end of March 2022. This will allow all end of year data to be provided by employers via i-Connect for the 2022 Annual Benefit Statements.
- Feedback from employers already onboarded will be collected used to help the ongoing roll out and improve our implementation process.

Pension increases as at 1 April 2021

2.13. The April 2020 supplementary pension increases were processed by Heywood's as at October 2020 and records/pay updated.

2.14. The April 2020 increases uncovered a number of non-critical errors and warnings and these will be addressed in February 2021 as part of the preparation for the 2021 increases. It should be noted that many of the errors or warnings do not indicate an error or an issue with the individual's record or the amount of pension or compensation they are being paid simple a statement of fact such as a new joiner.

2.15. East Sussex staff have been trained by Heywoods to undertake the 2021 Pension increases and a project plan is now in place.

£95k exit cap

2.16. On 5 October 2020 the Orbis PAT paused the provision of early retirement termination estimates with immediate effect so as to not provide incorrect figures for pension benefits and strain costs.

2.17. On 4 November 2020 the Exit Payment Regulations become law but the Ministry of Housing, Communities and Local Government decisions on Compensation Regulations where not finalised and the LGPS Regulations will now not be updated until three Judicial Reviews have been heard (commencing in late March 2021). The resulting conflict between the two sets of Regulations is causing much confusion, concern and the calculation position remains uncertain.

2.18. The Adminstrating Authority has taken the following position:

- To adopt the Government Actuaries Department (GAD) unisex strain factors early rather than create a new set of Fund specific unisex factors.
- To allow members to have a partially actuarially reduced retirement package where the value of the exit package exceeds £95k.

2.19. The Fund then worked with Barnett Waddingham to create a new strain cost calculator. The Fund finally created a new letter template for the over £95k cases which is full of caveats and saying the figures cannot be guaranteed. The PAT began issuing redundancy quotations in mid-January 2021.

3. Conclusions and reasons for recommendation

3.1. 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 4); and
- 3) Make any comments for feedback to the Pensions Committee.

IAN GUTSELL
Chief Finance Officer

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APPENDIX 1

These are Orbis internal targets and the ESCC targets agreed in Sept 20 as a result of Good Governance review cannot commence until April 21 or until we go live with a separate database.

East Sussex Pensions Administration - Key Performance Indicators

	Activity	Measure	Impact	Target	Dec-20		Nov-20		Oct-20		Sep-20		Aug-20		Jul-20		Jun-20		May-20		Apr-20		Mar-20		Feb-20	
	Scheme members	Pensioners, Active & Deferred			78448		78426		77,920		77,944		77,619		77,706		77,429		75,196		76,851		76,885		76,762	
	New starters set up				232		530		299		239		205		409		358		128		162		283		413	
					Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score
1a	Death notification acknowledged, recorded and documentation sent	within 5 days	M	95%	20	100%	28	100%	34	100%	29	100%	17	100%	35	100%	16	100%	33	100%	43	100%	21	100%	26	100%
1b	Award dependent benefits (Death Grants)	within 5 days	H	95%	11	100%	7	86%	18	100%	9	89%	8	100%	6	100%	12	100%	6	100%	4	100%	8	100%	7	100%
2a	Retirement notification acknowledged, recorded and documentation sent	within 5 days	M	95%	43	94%	56	97%	63	96%	52	97%	73	91%	74	92%	68	98%	46	98%	48	96%	94	99%	70	100%
2b	Payment of lump sum made	within 5 days	H	95%	84	99%	85	97%	140	94%	114	94%	127	94%	103	97%	82	97%	88	99%	121	97%	89	100%	75	99%
3	Calculation of spouses benefits	within 5 days	M	90%	8	100%	11	100%	23	100%	13	100%	10	100%	12	100%	16	100%	12	100%	16	100%	11	100%	20	100%
4a	Transfers In - Quote (Values)	within 10 days	L	90%	18	95%	17	100%	21	96%	37	100%	20	95%	12	92%	12	100%	19	95%	6	84%	21	100%	21	100%
4b	Transfers In - Payments	within 10 days	L	90%	5	100%	19	90%	22	100%	10	90%	15	60%	16	88%	12	100%	9	100%	20	95%	28	97%	39	100%
5a	Transfers Out - Quote	within 25 days	L	90%	22	96%	27	97%	33	100%	41	91%	18	100%	20	95%	16	100%	10	100%	18	100%	30	100%	33	97%
5b	Transfers Out - Payments	within 25 days	L	90%	8	100%	20	90%	11	100%	13	85%	8	100%	11	100%	7	86%	6	100%	11	100%	12	100%	24	96%
6a	Employer estimates provided	within 7 days	M	95%	9	89%	12	100%	10	100%	12	84%	54	73%	45	49%	25	72%	7	72%	11	91%	34	92%	24	100%
6b	Employee projections provided	within 10 days	L	95%	9	100%	22	96%	31	94%	19	79%	17	94%	18	84%	12	100%	5	100%	22	91%	22	91%	25	100%
7	Refunds	within 10 days	L	95%	21	100%	32	100%	39	100%	23	100%	32	100%	31	100%	38	98%	16	100%	12	100%	26	100%	39	100%
8	Deferred benefit notifications	within 25 days	L	95%	150	100%	150	98%	146	100%	122	100%	117	100%	160	100%	78	99%	102	100%	139	100%	202	100%	239	100%
	TOTAL TASKS COMPLETED				408	98.28%	486	97.53%	591	98.31%	494	95.34%	516	92.64%	543	92.63%	394		359		454		598		642	
	Missed target cases				7		12		10		23	5>3days	38		40											
9	Complaints received- Admin				0		0		2		0		6		0		1		0		1		0		0	
	Complaints received- Regulatory				0		0		0		0		0		0		0		0		0		0		0	
13	Compliments received				0		0		0		0		1		0		0		0		0		0		1	

OVERDUE CASES				Dec-20	Nov-20	Oct-20	Sep-20	Aug-20	Jul-20	Jun-20	May-20	Apr-20	Mar-20	Feb-20
RED-AMBER														

1b	Award dependent benefits (Death Grants)				1 Overdue by 13 days		1 overdue - 2 days							
2a	Retirement notification acknowledged, recorded and documentation sent							7 overdue - average by 12 days	6 Overdue - Average 2 days		1 task overdue by 16 days			
2b	Payment of lump sum made				8 Overdue by average of 7 days			9 overdue - average by 3 days	9 Overdue - 1 by 348 days		1 task overdue by 17 days		1 case overdue by 10 days	
3	Calculation of spouses benefits													
4a	Transfers In - Quote (Values)										1 task overdue by 1 day	1 case overdue 47 days		
4b	Transfers In - Payments							8 overdue - average by 32 days	3 Overdue - Average 9 days					
5a	Transfers Out - Quote												1 case overdue	
5b	Transfers Out - Payments									1 Task, 5 Days overdue			1 case overdue	
6a	Employer estimates provided			1 Overdue by 3 days			1 overdue - 7 days	15 overdue - average by 3 days	28 Overdue - Average 8 days	7 Tasks, 4 Days overdue average	2 tasks overdue by 2 days on average		3 tasks overdue on average by 1 day	
6b	Employee projections provided				2 Overdue by average of 6 days	4 overdue - average 2.5 days	1 overdue - by 37 days	5 Overdue - 1 by 73 days					2 tasks overdue by average of 2 days	
8	Deferred benefit (DB5YE)													1 case overdue

Summary for failed cases						Half the late lumpsums are where retirements returned paperwork early. Redundancy quotes stopped early October.	More intense training. TV in/out activity high. Projects - DIP, overseas mortality, ABS queries.	39 days holiday = 288 hours. Retirements & Employer estimates at high level. Training new starters.	Overall post up 38% on last month. Team encouraged to take leave.				
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Jan - new structure Chart	Staff roles made permanent - Paul, Jennie, Julie & Joe				7/8 Aaron Martin left Mubu Mubukwanu joined	Job Robinson promoted	12/6 Simon Bathurst left	Will Bamber joined	
Ten vacancies	Two vacancies	Two vacancies	Two vacancies	Two vacancies	Two vacancies	Two vacancies	Two vacancies	One vacancies	Two vacancies

Performance Feb to Nov inclusive			
Total	Fails	% pass	
302	0	100	
96	2	97.9	
687	28	95.9	
1104	39	96.4	
152	0	100	
204	7	96.6	
195	13	93.3	
268	8	97	
131	6	95.4	
243	64	73.7	
185	12	93.5	
309	1	99.7	
1605	4	99.8	
5485	184	96.6	

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Helpdesk performance (all six funds) Currently about 2 FTE allocated to ESPF (team is 14).

Introduced the call centre for ESPF in November 2019 (not taken on managing the corporate email box).

Period	Offered (Calls received)	Handled (Calls answered)	Abandoned (Caller hung up)	Aband %	SLA % (75% of calls within 20 seconds)	Queue %	Abandoned Time
01/01/20 to 31/03/20	8,415*	7,896	519	6.17%	Jan 40% Feb 57% Mar 56%	Jan 59% Feb 43% Mar 45%	Jan 4.32 Feb 22.38 Mar 3.27
01/04/20 to 30/06/20	3,953*	3,381	572	14.5%	Apr 52% May 40% Jun 9%	Apr 42% May 55% Jun 88%	Apr 4.59 May 6.59 Jun 7.10
01/07/20 to 30/09/20	7,300*	6,051	1,249	17.1%	Jul 22% Aug n/a Sep 24%	Jul 74% Aug 81% Sep 73%	Jul 6.42 Aug 7.57 Sep 6.19
01/10/20 to 31/12/20	6,881*	5,975	906	13.2%	Oct 22% Nov 32% Dec 32%	Oct 75% Nov 64% Dec 63%	Oct 7.11 Nov 5.54 Dec 6.44

* Since lockdown the telephone service opening times has been restricted (with NO back-up – phone line is still only open from 10am to 2pm and 2pm to 4pm). First few months there was no call recording and logging was inconsistent. All staff did not initially have laptops and only got Jaba software from June 2020.

Following ongoing challenge from East Sussex PAT the telephone opening times are being reviewed alongside the capacity planning. Prior to the pandemic the telephone open times have always been 9am to 4pm.

Helpdesk - Top five reasons for ESPF calls:

Oct 20		Most popular calls	Dec 20	
Number	Reason		Reason	Number
76	Self-service on-line activation	1 st	Login to website issues	40
61	Login to website issues	2 nd	Guidance with forms	35
57	Guidance with forms	3 rd	Self-service on-line activation	26
37	Updates on benefit settlements	4 th	Address updates	25
35	Member options guidance	5 th	Member options guidance	20

Helpdesk (website) performance

Period	Calls received	Handled	Abandoned	Abandoned %	SLA %	Queue %	Abandoned Time
01/01/20 to 31/03/20	697	574	123	17.64%	Jan 24% Feb 28% Mar 28%	Jan 52% Feb 49% Mar 37%	Jan n/a Feb 5.08 Mar 1.17
01/04/20 to 30/06/20	1,320	871	449	34.02%	Apr 28% May 28% Jun 0%	Apr 43% May 56% Jun 75%	Apr 2.59 May 2.27 Jun 4.13
01/07/20 to 30/09/20	1,032	926	106	10.27%	Jul 1% Aug n/a Sep 39%	Jul 41% Aug 46% Sep 26%	Jul 4.45 Aug 3.28 Sep 1.37
01/10/20 to 31/12/20	451	362	89	19.73%	Oct 37% Nov 32% Dec 37%	Oct 35% Nov 39% Dec 32%	Oct 1.54 Nov 4.57 Dec 6.14

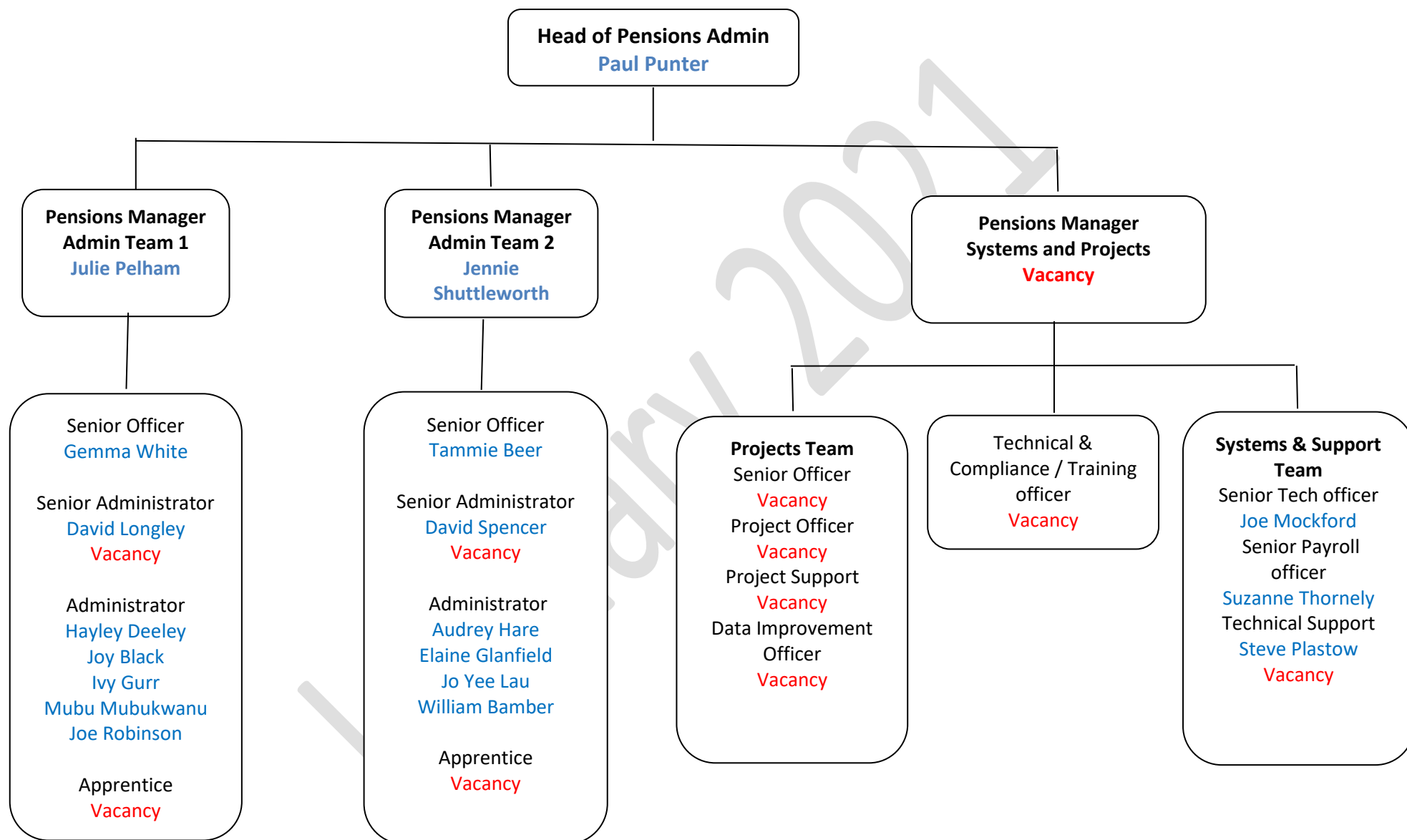
Proposed ES Helpdesk service levels for helpdesk services 2021-22

We are looking to accept a “Gold” service for the combined telephone and bulk email inbox.

Pension Fund	Annual volumes (2020)	%	Enquiries per member pa	Charge based on rate per enquiry	Cost Per member per annum	Calls	%	Calls per member pa	Emails	%	Emails per member pa	Fund members
ESCC	8623	13%	0.12	£63,049	£0.84	6569	76%	0.09	2054	24%	0.03	74965
SCC	40974	63%	0.37	£299,590	£2.69	15474	38%	0.14	25500	62%	0.23	111314
Hillingdon	5687	9%	0.24	£41,582	£1.73	2928	51%	0.12	2759	49%	0.11	24020
LBHF	4988	8%	0.33	£36,471	£2.38	2493	50%	0.16	2495	50%	0.16	15296
Westminster	4829	7%	0.29	£35,308	£2.10	2413	50%	0.14	2416	50%	0.14	16853
Totals	65101	100%	0.27	£476,000	£1.96	29877	46%	0.12	35224	54%	0.15	242448
Additional charge to manage all ESCC email enquiries												
ESCC	12522		0.17	£91,559	£1.22							
Combined charge to manage all ESCC enquiries through the helpdesk												
ESCC	21145		0.28	£154,608	£2.06	6569	31%	0.09	14576	69%	0.19	74965

KPI	A	B	C	D
	First time fix	Call answer time	Abandoned call rate	Email response time
Gold	85% of enquiries dealt with at first point of contact	75% of calls answered in 20 seconds	Less than 5% of calls abandoned	100% of emails answered within 3 working days
Silver	80% of enquiries dealt with at first point of contact	50% of calls answered in 20 seconds	Less than 10% of calls abandoned	75% of emails answered within 3 working days
Bronze	70% of enquiries dealt with at first point of contact	30% of calls answered in 20 seconds	Less than 15% of calls abandoned	75% of emails answered within 10 working days
Below Bronze	<70% of enquiries dealt with at first point of contact	<30% of calls answered in 20 seconds	>15% of calls abandoned	<75% of emails answered within 10 working days

- There will need to be a three months' notice lead in period, to allow the team to expand and train the team.
- Then live but with a three months' shadow period to adjust to the required higher standards where we will not apply performance penalties
- Thereafter quarterly performance assessed against the scoring mechanism with rectification plan for underperformance including penalty clauses for sustained underperformance.



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Appendix 4

OPEN ACTIONS

Audit	Date	Ref	Finding	Risk Rating	Agreed Action	Target Date	Requested Revised Target Date	Responsible Officer	Imple-mented?	Comments
Pension Fund Administration, People, Processes and Systems, 2019/20	Jan-20	1.1	We found that the payments of lump sums and transfers out to other pension providers are managed through a central spreadsheet. The spreadsheet, which is not password protected, has no audit trail and is accessible to all members of the Pension Administration Team, is forwarded periodically to the Business Operations Payment Team in order to set up new vendor records and new payments in SAP. The Pensions Administration Team Leader, who is a SAP approver, advised that the payments in SAP are only checked back to the spreadsheet, not to the source information held in Altair before being released for payment.	High	1. We shall instigate a project to standardise and align these controls by introducing a direct interface between Altair and SAP which will remove the need maintain a payments spreadsheet.	01/03/2020	01/05/2021	Paul Punter	Partial	Heywood's Altair software has a payroll module which has two non-core modules we are looking to introduced to resolve the issue. 1. The ability to make one-off payments using the "Immediate Payments" module. This can either work in a stand-alone, or fully integrated way. To ensure proper control it needs to be fully integrated, requiring all other software components to be in place and up-to-date. Completed June 20. 2. We are looking to implement "Admin to Pay" integration module for payroll but there are a number of actions that need to be completed first: (a) The introduction of Immediate Payments cause the subsequent monthly data transfer from Altair to SAP to crash. The existing Altair extract reports were double counting some transactions from the immediate payments. Its transpired that ESPF set up is different to the other five Orbis funds. Result was we needed Heywoods to prepare two new Altair data extract reports which were prepared, tested and live in September. Meanwhile this created a backlog of data to be entered into SAP. When the June data was imported it was rejected as the system was expecting the current data. This is being resolved with IT - how to open closed periods. Completed October 20 (b) The Altair admin and payroll sytems need to contain the same "pensions in payment" data. It transpired that this was not the case for approx 130 pensioners and the records needed investigating. Decision was made to fully investigate the cases greater than £100 p.a. and these cases were completed in August and payroll updated where appropriate in September. For differences less than £100 p.a. the decision was to accept the payroll data as correct and overwrite the data into the admin system. The original admin data would be stored in the notes section and be investigated further as part of the next phase of Data Improvement Project. Was planned for Feb live - being tested now. Testing will be completed but will not go live until April/May as will impact data migration parallel runs testing. (c) Due to a key man risk issue (long term sick) the April 2020 pension increase exercise was outsourced to Heywoods to perform. The main pensions increase were completed but created approx 3,000+ warnings that need to be investigated. These are being reviewed in Feb 21. (d) Heywoods first need to undertake the supplementary pension increases. Completed Nov 20
		1.2		High	2. Until the interface has been implemented, we will ensure that all outgoing payments are correct and reconcile to members' records in Altair.	01/02/2020	01/07/2020	Clare Chambers	Yes	Short term - Team Leaders check the spreadsheet v SAP v Altair for every entry. Long term - Integrated Immediate Payments. WENT LIVE JUNE 20
Pension Fund Administration, People, Processes and Systems, 2019/20	Jan-20	3.1	It was brought to our attention during the course of this audit that, the Pensions Administration Team (PAT) has been undertaking a range of salary-related calculations on behalf of East Sussex County Council, an employer in the scheme. The estimate of the resources used in making these calculations is two full time equivalent staff. These include: • final and career average revalued earnings (CARE) salaries; • leavers moving into deferred status; • leavers moving into retirement status; • refunds (for members with between three and 24 months' LGPS membership) • redundancy payments (including for non-LGPS employees). The PAT does not perform these calculations for other employers and such activities are not and should not be within the remit of the PAT who operate on behalf of the Pension Fund. We understand that this practice arose as a result of staff in the PAT being co-located with payroll staff and having access to the ESCC payroll system.	High	1. A technical solution is being developed to remove the need for these calculations to be made by the Pensions Administration Team.	30/06/2020	01/03/2021	Phil Hall	Partial	SCC payroll developed a leavers report that is run monthly against SAP and then passed to the pensions admin team. The report provides CARE and final pay calcs which in turn removes the need for payroll staff to undertake calculating pay details manually. There are some exceptions on specific types of cases (unpaid leave in the last three years etc.) where a warning indicator is added to the entry on the report so the pensions admin team know to query this with the payroll team and ask for the calculation to be undertaken manually. The Orbis IT SAP development team are currently working on the leavers report for ESCC payroll. The SCC and ESCC payrolls are not identical, so whilst the SAP development team are using the SCC report as the first iteration of the ESCC report it doesn't "fit perfectly" and is currently at the amending and testing stage. ESCC leaver report completed November 20 (in respect of Oct 20 exit cases). The i-Connect file will automatically record new entrants, changes, contributions, CARE and final pay and leaver notifications but it will not provide the final pay calcs for the three year period. Once operational, both i-Connect and the Leavers Report are run monthly going forward. The SCC i-Connect file has just been tested against the Altair test environment, with good initial results, and the i-Connect file for ESCC is ready to be tested, and Amy and Mandy are working together to progress this at the moment. ESCC payroll running December 20 pay in i-Connect live in January 21 - subsequent validation / task creation in Altair in Feb 21. For the employers on the ESCC payroll, HR prepare the redundancy quotations but PAT prepare the final actual numbers (even for non-pension scheme members). PAT have confirmed 80%+ of the quotations are correct and differences are usually down to changes in overtime in the last few months. Discussions to move all calculations to HR are now complications by the Govt introduction of the £95k cost cap and MCHLG redundancy regulations. There has been some slippage on the handover date. Actions and plans are in place to deliver the technical solution (which is now in final testing); assigning tasks within the payroll team to undertake the work and transfer of knowledge and process from pensions team to payroll team. Complete November 20.
		3.2		High	2. A credit adjustment will be made to the annual pension administration charge to compensate the Fund, whilst the technical solution is being developed. The terms of the financial compensation plan will be worked through and presented to the Pension Committee.	01/04/2020	01/04/2020	Ian Gutsell	Yes	Review undetaken and no action no required Complete October 20.
Pension Fund Administration, People, Processes and Systems, 2019/20	Jan-20	10.1	Testing of a sample of deferred pensions found that new deferred tasks are not always allocated to members of the Pensions Administration Team for processing immediately. We found that eight out of 15 cases tested had not been processed promptly, with an average delay of nine weeks before the tasks were allocated in these cases. The KPI for deferred pensions sets a target to process 98% of all deferred cases within 25 days of receipt. The KPI's between November 2018 and July 2019 state that the target has been met. However, the way that the figures are calculated does not take account of the delay in allocating new cases and, therefore, the published KPI for deferred cases is overstated.	Medium	1. This issue will be resolved by the transfer of responsibility for the final pay calculations for ESCC employees to the County Council.	30/06/2020	01/03/2021	Phil Hall	Partial	The issue is linked to 3.1 above and when that is resolved this item will be fixed. Anticipate completion in Feb 21.
		10.2		Medium	2. Until such time that final pay calculations are transferred to ESCC, the KPI for deferred pension transactions will exclude ESCC Pension Fund members.	01/02/2020	30/06/2020	Clare Chambers	Yes	Included in KPIs

Appendix 4

CLOSED ACTIONS

Audit	Date	Ref	Finding	Risk Rating	Agreed Action	Target Date	Requested Revised Target Date	Responsible Officer	Imple-mented?	Comments
Pension Fund Administration, People, Processes and Systems, 2019/20	Jan-20	2.1	The Altair system calculates pension benefits for new pensioners. However, during testing, we found that in two out of 15 cases, the benefits had been calculated manually by the Pension Administration Team. We understand that this was because of delays in receiving documentation from the employer, in one case, and the employee in the other case. It is further understood that the Altair system cannot calculate benefits retrospectively. In reviewing these two cases, whilst we found evidence of signed checklists, the manual calculations were not completed using a formal template to aid consistency and there was no clear evidence that the calculations had been checked, for example by the signature of the checker at the foot of each page where system generated figures had been overwritten by manual calculations. Furthermore, there is no clear governance process to support the over-writing of data held in Altair with manual figures because the supporting checklist does not adequately demonstrate that each step in the process has been completed and then checked. Testing of an additional 15 new pensions found a further four pension benefits that had been calculated manually. This suggests that around 20% of pension benefits involve a manual calculation although no errors were found during testing. A pension calculation is a longstanding calculation so an error at inception would pervade 20-30 years after the calculation was committed. This would affect all other calculations derived from that initial calculation.	Medium	1. Aquila Heywood will be commissioned to implement system functionality to resolve the retrospective calculation issue together with relevant system controls and sign off controls.	01/04/2020	30/06/2020	Nick Weaver	Yes	Further investigation with the Internal Audit identified a misunderstanding about the functionality capabilities of the Heywood Altair system. It does calculate the member pension benefits at the normal retirement date. Under the LGPS Regulations if the member, for whatever reason, does not forward the completed acceptance forms in a timely manner the benefits are backdated rather than making the member retire at a later date. The issue is where the member benefits are backdated for a number of months or years the Altair system is unable to determine the current benefits. The administrator uses a template spreadsheet to take the Altair calculated benefits at the original normal retirement date to determine the subsequent annual pension increases between then and the actual first payment date plus the arrears for the first pension payment. To ensure the template spreadsheet is clear that it has been checked four new boxes have been added to show the name of the doer and checker and the date they performed and 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	4	The Administration Service reported to the September 2019 Pension Board that 258 active members and 11,004 deferred members had not received their Annual Benefit Statements (ABS) for 2018/19. However, our testing identified further members who had not been sent their ABS, or had not been provided with written notification that their ABS are available on-line, as required under section 14 of the Public Service Pensions Act 2013. Specifically: 1. 1,780 members held in 'status 2' (undecided leavers) did not received their ABS; 2. 5,631 active members, where no email address was held, did not receive written notification that their statements were available on-line; and 3. New members were not advised in writing that their ABS was available on-line. Additionally: 4. There are 4,500 members held in 'status 9' (frozen refunds), who may also be entitled to an ABS, did not receive one; and 5. There are 9,535 deferred members, for whom we do not hold a current email address, and who did not receive an ABS. At the time of testing, these additional breaches had not been reported to the Pension Regulator.	High	Measures to ensure that all required ABS are issued by the statutory deadline for 2020 will include, but are not limited to: • A series of workshops to plan the end to end process; • The creation of a robust plan which sets out roles and responsibilities, milestones and objectives; • Consultation with key stakeholders and immediate communication of expectations from employers; • The identification of early tasks that need carrying out before 31 March; • The cleansing of data held in Altair prior to 31 March; • Establishing a membership baseline through the creation of a snapshot of the membership database – as at 31 March; • The identification of all members requiring an ABS; • A clear understanding that no assumptions are made in the absence of documentation from employers; • Appropriate communications with members in accordance with LGPS regulations. The final plan will be agreed with the Fund.	30/06/2020	01/10/2020	Mike Lea & Clare Chambers	Yes	Work was progressing with Hymans to incorporate the Data Improvement Plan (DIP) results into the ABS' and to issue them by the agreed 31 July deadline. However, for various reasons (including coronavirus) not all the data was collected from the employers by the extented deadline of 15 June 2020. That collected and forwarded to the Orbis system support team was incorporated into the ABS data. The Pensions Board and Officers asked Hymans to cease work on the DIP and prepare a handover report as at 24 July 2020. Hymans produced a DIP closure as at 31 July 2020. The project will be finalised as BAU by PAT. COVID-19 had an impact on the employers ability to complete their annual returns so the deadline for completing the ABS was pushed back to 31 August 2020. An update report was provided to the Board & Committee in September 2020. The committee minutes stated " <i>The PAT should be congratulated for the improvements it has made to the Annual Benefit Statement (ABS) process. Excluding a few issues due to employers not responding, 99.6% of statements were issued on time. </i> "
Pension Fund Administration, People, Processes and Systems, 2019/20	Jan-20	5.1	We understand that a data cleansing exercise was undertaken during 2019 in preparation for the Triennial Valuation, which identified a number of critical errors, which have subsequently been corrected. We requested sight of information relating to the data cleansing process, including sight of the audit trail of changes made to extracted data. Whilst most of our questions relating to this data were answered satisfactorily, it remains unclear, at the time of reporting, why the number of deferred members reported appears to exceed the number of records on the extracted data. A high-level review of data in the live system was carried out, which identified a number of data quality issues, including: • Eight active member records, where one or more fields contained the word 'Delete' or 'Duplicate?', which casts doubt on the accuracy of these records. • Twelve active and 115 deferred members with temporary National Insurance numbers. • Fourteen deferred records where the date commenced employment, or the date commenced current employment were blank. • Six deferred cases where there was no record of the date that the member left active service. • We found 2,261 deferred cases where the reason for the change in status from Active to Deferred was not recorded.	Medium	1. The Fund has commissioned a data improvement programme to be carried out by Hymans Robertson, who will liaise with employers to correct any missing data or inaccuracies. The data collected will be provided to the Pensions Administration Service which will upload it onto Altair. Any changes between the snapshot provided to Hymans and the data held in the live system at the point of upload will be investigated and resolved.	01/04/2020	31/12/2020	Paul Punter	Yes	See 4 above. Significant data quality improvement work has been achieved by Hymans; the work has been handed back the the East Sussex PAT to finalise as BAU. Data quality retention & improvement is an ongoing challenge, anew phase will begin in Q1, 2021. We produce tPR validator common & conditional reports annually (next due November 20) to continually monitor the data quality levels. <i>We are confident the data & quality has improved across the PAT service and therefore happy to close this action - data will never be 100% accurate.</i>
		5.2		Medium	2. The Pension Administration Service will propose procedures and policies to maintain and enhance data quality and seek to obtain the relevant ISO quality accreditation. This will include consideration of capacity and the benefit and cost of establishing a new data quality team.	01/04/2020	01/10/2020	Ian Gutsell	Yes	1. Improvements to procedures and policies impacting the quality of data including the use of statuses is complete. 2. ISO9001 accreditation was a commitment by Orbis that has not materialised. This is a best practice item and nice to have but not a priority so will be revisited in a few years when some of the significant urgent projects are finalised. 3. The Compliance Local Improvement Partner (CLIP) was appointed 3 August 20 and he will oversee quality. The Orbis data quality team has not materialised and the restructure for ES will not include a specific team. Quality should be owned by every individual. <i>We are confident the data & quality has improved across the PAT service and therefore happy to close this action - data will never be 100% accurate.</i>

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	7.1	A review of cases held in Altair under ‘status 2’ (Undecided Leavers) and ‘status 9’ (Frozen Refunds) identified over 5,000 cases that had been in these status codes for more than a year and, in some cases, based upon the ‘date left active service’ field in Altair, extending back as far as 1975. A review of these cases, found that 449 members were above the retirement age, including 288 who were above the age of 70. Whilst we have not tested the reasons behind these cases, we have seen evidence of at least one transfer out where notification of a member’s intention to transfer the pension had been received but had not been actioned because the Administration Team believed the information to be incomplete. When this matter was brought to the attention of the team, it was indicated that no action would be taken to address the issue because they believed it was not their responsibility to take any further action. From this, it may be inferred that it is possible that other notifications have been received but not processed, which would result in cases remaining indefinitely in a suspense account.	Medium	1. The Pension Administration Team will develop an improvement plan and identify specific administration resources to address Status 2 and Status 9 cases. It will share the plan with the Pension Board, to which it will also share progress reports.	01/04/2020	31/12/2020	Mike Lea	Yes	On 30 January 2020 a full cut of scheme data was provided to Hymans to commence the DIP and significant improvement have been made since then (outlined in the 31 July 2020 Hymans closure report): Status 2 (unresolved leavers) Initially 977 cases identified & at the point of handover back to ES PAT 532 had been resolved & a further 117 were ready to be validated. This left 323 remaining to be followed to seek missing data from Employers (8 Employers accounted for 282 cases or 87% and 16 Employers for the remaining 41 cases or 13%). To put in perspective the 2020 ABS has identified 865 new status 2 cases that will need investigating Status 9 (frozen - undecided refunds) Initially 4,650 cases and all validated as true cases (except 6) - these are with ES PAT to settle as requested by members. New process in place to automatically prepare to settle these three months before the five years anniversary of leaving. The new process includes address tracing where necessary and providing a quotation and requesting bank details for settlement. This is now BAU with diarised monthly reports being run to identify forthcoming cases. We are confident the data & quality has improved across the PAT service and therefore happy to close this action - data will never be 100% accurate.
		7.2		Medium	2. Consideration will be given to the creation of a new role - Compliance and Local Improvement Partner (CLIP), to co-ordinate and oversee improvements.	01/04/2020	01/04/2020	Kevin Foster	Yes	CLIP started on 3 August 2020
Pension Fund Administration, People, Processes and Systems, 2019/20	Jan-20	8.1	We understand that there is no process in place to update addresses for employees who opt out and defer their pensions, even though employers hold this information.	Low	1. The Pension Administration Team will develop an improvement plan and identify specific administration resources to capture changes of address for all deferred members. It will share the plan with the Pension Board, to which it will also share progress reports.	01/06/2020	01/06/2020	Clare Chambers	Yes	This will be part of the standard deferred benefit process.
		8.2		Low	2. Consideration will be given to the creation of a new role - Compliance and Local Improvement Partner (CLIP), to co-ordinate and oversee improvements.	01/06/2020	01/06/2020	Kevin Foster	Yes	CLIP started on 3 August 2020.
Pension Fund Administration, People, Processes and Systems, 2019/20	Jan-20	9.1	The previous year’s audit reported that a data cleansing exercise had been carried out, which had identified 14,000 queries and 67,000 warnings, where data may contain errors or be incorrect. It was agreed that all errors and/or warnings from the membership data cleansing exercise would be investigated and the data would be amended, if it was found to be incorrect. This action has not been carried out and it was noted that the 2019/20 data cleansing exercise for the triennial valuation identified 137,911 warnings.	High	See Action 5, above.	01/04/2020	01/10/2020	Kevin Foster	Yes	See 5 above
		9.2		High	See Action 5, above.	01/04/2020	01/10/2020	Ian Gutsell	Yes	See 5 above

Pension Fund Administration, People, Processes and Systems, 2019/20	Jan-20	11	The Pension Administration send out an annual return at the end of each year relating to members’ annual allowances. For new members transferring into the fund, this information needs to be collected from the previous employer. We tested a sample of transfers into the Pension Fund. We found that, in one out of five cases, the member’s annual allowance information had not been received from the previous employer but that the checklist had been approved as complete, despite the step to obtain the annual allowance information being left blank. Further enquiries confirmed that there were five other transfers in where the annual allowance was missing. In three of these cases, checklists had been marked to show the transactions as complete. The remaining checklists differed and did not cover the receipt (or not) of annual allowance information. The closing of transfer-in cases before all steps have been completed also has a positive and misleading impact upon the KPIs.	Low	We will review the process and the Transfer In checklist to ensure that the most efficient use is made of our resources. We shall review the KPI report to ensure all relevant information is included and that reports provided to the Board and Committee are clear .	01/06/2020	30/06/2020	Clare Chambers	Yes	The Annual Allowance (AA) statements are produced for about 120 ESPF members who exceed the annual monetary amount. In trying to determine the correct AA information you can account for any unused allowance for the previous three years. For members who have completed an interfund transfer during the year the data may not be easily assessible (for members with no Altair member print from the previous employer). East Sussex administration team tried to obtain a note of the AA used in the current 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 compliments, including those relating to a fund managed on behalf of another authority were, thus reducing the accuracy with which Members are able to view the administration’s performance.	Low	KPI statistics will be checked to ensure that they are complete and only include data relating to the East Sussex Pension Fund. Accompanying narrative on the cause of each failure will be provided together with proposals to rectify any failures.	01/05/2020	30/06/2020	Clare Chambers	Yes	Action undertaken and only complaints for the East Sussex Fund are reported as part of the KPI reporting. A
Pension Fund Administration, People, Processes and Systems, 2019/20	Jan-20	13	During testing, we found evidence of correspondence having been sent to a member threatening to suspend their pension unless they responded to the letter to confirm that they were still alive. In this case, correspondence had previously been returned marked 'Unknown at this address'. However, at the date of testing, which was a month past the specified deadline, the pension was still in payment. We understand that the reason why the pension was still in payment was because the Pension Administration Team had not sought or received approval from the Governance Team to suspend the member’s pension benefit.	Medium	A process, including clearly defined roles and responsibilities, between the Pension Fund and the administration will be developed and agreed with the Pension Fund.	31/03/2020	01/10/2020	Michelle King & Clare Chambers	Yes	The Good Governance Working Party proposals for the roles and responsibilities was agreed by ES Pensions Committee on 21 September 2020 but cant be fully implemented until been consulted upon with Employers and we have our own Altair database (Orbis will not permit new different SLA/KPIs for the PAT to be set-up. The decision to move the administration back in-house means there will be a more holistic approach and joined up processes. The ES Head of Pensions Administration has completed a review of "suspended" pensioners during September and the remaining cases are appropriate. He has also taken on responsibility of authorising the suspension of new cases, including a number of pensioners being suspended from September 20, whose payslips between March & May 2020, and appropriate letters and chasers were issued (including via banks) in the intervening period.
Pension Fund Administration, People, Processes and Systems, 2019/20	Jan-20	14	The Pensions Regulator expects pension administrators to maintain complete and accurate records and has published guidance on the minimum data that it expects trustees and scheme managers to hold. Of the eleven common data fields specified by the Regulator, nine are mandatory in Altair. Although we did ask for clarification from management about the other two mandatory fields, no response was forthcoming and it remains unclear why the ‘Address’ and ‘Post Code’ Fields are not mandatory.	Low	We will approach the software vendor (Aquila Heywood) to investigate the possibility of making the address fields mandatory, including any potential cost implications.	31/05/2020	30/06/2020	Nick Weaver	Yes	The address and postcode fields are not mandatory on any pension software suppliers. East Sussex does have policies in place to undertake missing address tracing exercises biannually. In addition for individuals approaching retirement where an address is missing address tracing is performed three months beforehand. East Sussex PAT will produce tPR validator common and conditional reports annually for the Pensions Board to track the data quality scores.
Pension Fund Administration, People, Processes and Systems, 2019/20	Jan-20	15	The previous audit (2018/19) identified an employer, which had left the Fund, but could still access the employer portal (Pensions Web). It was agreed that the employer’s account would be deleted and all employers with access to Pensions Web would be contacted to confirm their employees who need access to the system on an annual basis. We found that that the employer account referred to above had been deleted. However, there was no record to confirm whether all employers had been contacted to confirm who needed access to Pensions Web.	Low	We will write to all employers with access to Pensions Web to confirm the employees who need access to the system on an annual basis.	31/05/2020	30/06/2020	Clare Chambers	Yes	Systems and Support Team will document a process for maintaining access to PensionsWeb for scheme employers. There is an employer database which holds the employer key contact details - name, address, email, plus authorised signatories etc. These will be updated as part on the annual data return for the ABS process. CLIP will have oversight of the quality of this work.

Pension Fund Administration, People, Processes and Systems, 2019/20	Jan-20	16	The previous audit (2018/19) found that five out of 32 users who had access to Altair had left the Council. It was agreed that the users' accounts would be deleted and that a review of user access to Altair would be undertaken, at least on an annual basis. We found that the five users' accounts identified during the last audit had been deleted. However, the review of user accounts had not been completed.	Low	A review of user access to Altair will be undertaken annually and evidence of the review will be maintained.	31/05/2020	01/12/2020	Tom Lewis	Yes	Systems and Support Team to document a process for maintaining system access and levels in Altair for both internal and external access users. (a) create three lists of users - PAT, other internal users (Fund / Authority) and External (advisers) (b) review users list against current staff and ensure named individuals in Fund, Authority & external advisers are still employed and access is deemed appropriate (c) despite (b) if users have not used the system for 3 months their access should automatically be disabled and at six months be deleted (d) all new access or reaccess requests must be pre-approved by a Manager East Sussex Head of Pensions Administration has offered to perform the review of users and approve/challenge their access rights - the first review in due in Q4, 2020. The primary responsibility for informing IT and systems of joiners and leavers resides with HR. So check referred to above should simply be a safety net.
Pension Fund Administration, People, Processes and Systems, 2019/20	Jan-20	17	The previous audit (2018/19) found that the Pensions Regulator requires each scheme to have developed a set of scheme specific data items that should be present for each member. No scheme specific data set has been defined.	Medium	The Pension Administration Team will develop a set of scheme-specific data, including considering guidance from outside bodies, as necessary. This will be presented to the Board for approval.	31/03/2020	31/03/2020	Mike Lea	Yes	Will be captured by East Sussex PAT
Pension Fund Administration, People, Processes and Systems, 2019/20	Jan-20	18	The previous audit (2018/19) found that Surrey County Council (as the pension administration service provider within Orbis) is responsible for developing an annual schedule of tasks that will be agreed by East Sussex County Council. The annual schedule sets out a timetable of key pension activities that should be completed by the service provider, including statutory activities such as submitting tax returns and issuing annual benefit statements. However, the annual schedule for 2018 was not developed, despite requests from the Council. It was agreed that an annual schedule of key pension activities would be presented to the Council for approval by the start of each calendar year. Whilst a schedule has been produced for 2019, it has not been shared with, and approved by, the Pension Fund.	Medium	We shall develop and submit an annual schedule of key pension activities to the Council for approval by the start of each calendar year. We shall ensure that the schedule includes all statutory returns and reports.	31/03/2020	31/03/2020	Clare Chambers	Yes	The 2020 Annual Schedule has been drafted and being submitted to the 8 June Local Pension Board.
Pension Fund - Compliance with Regulatory Requirements 2019/20	Jan-20	18	All breaches or potential breaches should be recorded in a log which should be used to inform the Pension Board and Pension Committee on a regular basis. Our testing found two versions of the breaches log, neither of which appeared to be complete. The log does not always record: • whether the breach was reported to the Pension Board; • whether the breach was reported to the Pension Committee; • whether the breach is open or closed; or • the breach's RAG status. Moreover, the log has no provision to capture: • whether the breach has been reported to the Pension Regulator; • who decided to report the breach; or • who made the decision to close the breach.	Medium	Aon and Eversheds Sutherland have been commissioned to determine a breaches policy, breaches log and breaches procedure which complies with Regulation. This will be agreed at the Pension Board on 2nd March and Pension Committee on 16th March.	16/03/2020	16/03/2020	Michelle King	Yes	Agreed by the Pension Committee on the 22 June 2020.
Pension Fund - Compliance with Regulatory Requirements 2019/20	Jan-20	2	The Reporting Breaches Policy states that breaches or likely breaches should be reported to the Pension Committee, Pension Board and, where necessary, the Pension Regulator. Despite the incomplete nature of the breaches log (see ref 1, above), the entries that had been made indicated that few breaches had been reported to the Pension Committee or Pension Board. As previously mentioned, the log does not record whether breaches have been reported to the Pension Regulator.	High	All officers will be reminded to comply with the Breaches Policy and Procedures to be agreed at Pensions Committee on 16 March 2020. This policy will ensure that the reporting of breaches complies in full with the provision of the Regulator's Code of Practice.	01/04/2020	01/04/2020	Michelle King	Yes	Agreed by the Pension Committee on the 22 June 2020.
Pension Fund - Compliance with Regulatory Requirements 2019/20	Jan-20	3	There is currently no Service Level Agreement in place between the East Sussex Pension Fund and Business Operations, which provides its Pension Administration Service. The only document that sets out the service to be provided, is a Statement of Requirements, which is dated 2013, and does not cover more formal responsibilities in the event that service provision falls below the expected standard.	High	Aon, Eversheds Sutherland and Hymans Robertson to produce three Service Level Agreements which sit under the umbrella of the current Inter-Authority Agreement (IAA). Eversheds are updating the IAA to ensure compliance with GDPR provisions and to determine the roles and responsibilities of the Data Owner, Data Controller and Data Administrator. The following Service Level Agreements (SLAs) are sub sections of the IAA agreement. Aon are preparing a SLA between the Fund and the Administrator which will be performance managed through the Performance Management Group which is a newly formed governance vehicle to conduct oversight of the operational requirement. A separate SLA for actuarial services to determine performance between Orbis and the actuary is commissioned to ensure that information is provided to the actuary in a timely, accurate and complete manner. All SLAs will form appendices to the IAA and will be ratified by the Pension Committee on 16th March 2020. The IAA will be further, retrospectively, ratified by the Pension Committee on 16th March 2020.	16/03/2020	01/07/2020	Michelle King	Yes	Dependant on production of SLA through Good Governance Review. The Good Governance Working Party resolved on 19-05-20 that the roles and responsibilities is due to be agreed by Committee in September 2020. There has been a delay by Orbis in agreeing these documents therefore additional time has been agreed by the Working Party. Philip Baker has advised that no changes will be made to the IAA. The SLA will sit outside of the IAA.
Pension Fund - Compliance with Regulatory Requirements 2019/20	Jan-20	4	In accordance with regulations, there is an Internal Dispute Resolution Procedure Guide available which provides a formal process to handle and escalate complaints. However, there is no policy or procedure in place for the resolution of customer complaints at a basic level, prior to this escalation.	Low	The implementation of a Service Level Agreement, as agreed in reference three, will set out the Fund's requirements of the administration in relation to complaints handling; this will be discussed at Pension Committee on 16th March 2020.	16/03/2020	16/03/2020	Michelle King	Yes	Dependant on production of SLA through Good Governance Review. The Good Governance Working Party resolved on 19-05-20 that the SLA is due to be agreed by Committee in September 2020. There has been a delay by Orbis in agreeing these documents therefore additional time has been agreed by the Working Party. In relation to complaint handling by the Pension Fund at a basic level the Pension Fund follows the ESCC Complaints processes. The Orbis Pension Administrator as a supplier to the Pension Fund will need to provide the method statement agreed by CIPFA within the National Framework Procurement detailing the provisions for complaint handling in the tender.

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Report to: Pension Board

Date of meeting: 15 February 2021

By: Chief Internal Auditor

Title: Internal Audit Report: Pension Fund: Compliance with Regulatory Requirements 2020/21

Purpose: This report provides the Board with the outcome of the above audit

RECOMMENDATIONS

The Board is recommended to note the Pension Fund Compliance with Regulatory Requirements 2020/21 audit report

1. Background

1.1 The review of Pension Fund: Compliance with Regulatory Requirements 2020/21 (**Appendix 1**) was completed as part of the Internal Audit Strategy for Pensions 2020/21. The audit aimed to provide assurance on the overall effectiveness of the system's controls and to identify areas of concern or weakness where improvements could be made.

1.2 As a result of our work, we were able to provide an opinion of **Substantial Assurance** over the controls in place. This report reflects the improvements made since the previous audit, in which we gave an opinion of Partial Assurance. Where areas of improvement were identified, management actions were agreed, together with timescales for their implementation.

2. Conclusions and Reasons for Recommendation

2.1 The Pension Board is recommended to note the Internal Audit report.

RUSSELL BANKS
Orbis Chief Internal Auditor

Contact Officer: Nigel Chilcott, Audit Manager
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BACKGROUND DOCUMENTS:
None

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Internal Audit Report

Pension Fund - Compliance with Regulatory Requirements 2020/21

Final

Assignment Lead: Jodie Lulham, Senior Auditor

Assignment Manager: Danny Simpson, Principal Auditor

Prepared for: East Sussex County Council

Date: January 2021

Internal Audit Report – Pension Fund - Compliance with Regulatory Requirements 2020/21

Report Distribution List

Draft Report Circulation:

Sian Kunert – Head of Pensions

Dave Kellond – Compliance and Local Improvement Partner

Final Report Circulation:

As per draft report, with the inclusion of:

Ian Gutsell – Chief Finance Officer

Paul Punter – Head of Pensions Administration

Russell Wood – Pensions Investment Manager

Pension Board

Pension Committee

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

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1. Introduction

- 1.1. The Council (East Sussex County Council) is the designated statutory administering authority of the East Sussex Pension Fund. The Council has statutory responsibility to administer and manage the fund in accordance to rules of the Local Government Pension Scheme (LGPS), which are set out in the following regulations:
- The Local Government Pension Scheme Regulations 2013;
 - The Local Government Pension Scheme Transitional Provisions, Savings and Amendment Regulations 2014; and
 - The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.
- 1.2. The governance of the Fund is the responsibility of the East Sussex Pension Committee supported by the Pension Board, the ESCC Chief Finance Officer and the Pension Fund officer team. The day to day administration of the Fund is provided by East Sussex County Council.
- 1.3. This review is part of the agreed Internal Audit Plan for 2020/21.
- 1.4. This report has been issued on an exception basis, whereby only weaknesses in the control environment have been highlighted within the main body of the report.

2. Scope

- 2.1. The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:
- Scheme governance arrangements meet regulatory requirements;
 - Investment management arrangements meet regulatory requirements; and
 - Pension administration arrangements meet regulatory requirements.

3. Audit Opinion

- 3.1. **Substantial Assurance is provided in respect of Pension Fund - Compliance with Regulatory Requirements 2020/21.** This opinion means that controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives. *Appendix A provides a summary of the opinions and what they mean and sets out management responsibilities.*

4. Basis of Opinion

- 4.1. We have been able to provide substantial assurance over the controls in place because:
- 4.2. Investments are well controlled, with appropriate advice taken where required in order to ensure regulatory compliance. There is an Investment Strategy Statement which outlines the investment types and target allocations for each investment type that the Fund wishes to pursue; this is reviewed regularly, as per the Investment Regulations (2016). The Fund also engages Investment Managers and maintains appropriate records of these.
- 4.3. A Business Plan has been developed, outlining the key objectives and activities of the Fund for the 2020/21 financial year.
- 4.4. There is a new Breaches Policy in place which has been approved by the Pension Board and Committee, outlining the requirements in relation to reporting breaches, as required by the Pensions Regulator.
- 4.5. A Compliance and Local Improvement Partner has been appointed to aid compliance with regulatory requirements, and a number of projects are underway to improve controls in this area.
- 4.6. There were, however, a small number of areas where improvement could be made. These are as follows:
- 4.7. Not all officers working within the Pension Fund have completed a declaration in the register of interests, thus reducing transparency and increasing the risk of a conflict materialising that remains unmanaged, which may be to the detriment of the Fund.
- 4.8. A number of policies and strategy documents are outdated, meaning that they do not always align with current practice.

5. Action Summary

5.1. The table below summarises the actions that have been agreed together with the risk:

Risk	Definition	No	Ref
High	This is a major control weakness requiring attention.		
Medium	Existing procedures have a negative impact on internal control or the efficient use of resources.	2	1,2
Low	This represents good practice; implementation is not fundamental to internal control.	1	3
Total number of agreed actions		3	

5.2. Full details of the audit findings and agreed actions are contained in the detailed findings section below.

5.3. As part of our quarterly progress reports to Audit Committee we track and report progress made in implementing all high priority actions agreed. Medium and low priority actions will be monitored and re-assessed by Internal Audit at the next audit review or through random sample checks.

6. Acknowledgement

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

Internal Audit Report – Pension Fund - Compliance with Regulatory Requirements 2020/21

Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
1	<p>Policies and Strategies</p> <p>Policies and strategies should be regularly reviewed and updated in order to ensure they contain current and relevant information and that staff comply with them and that the policy and practice are aligned.</p> <p>A number of policies have been found to be overdue for review, including:</p> <ul style="list-style-type: none"> • Administration Strategy; • Maintaining Contributions; • Exercise of Discretionary Functions; • Communication Strategy; • Governance Policy Statement; • GDPR Memorandum of Understanding and • Dispute Procedure Guide. 	Failure to ensure that policies and strategies are reviewed and updated regularly, may lead to a lack of clarity, increasing the risk of error and non-compliance with statutory requirements.	Medium	<p>A policy tracker has been implemented in December 2020 to ensure officers are fully aware of dates policies require review. The website has been updated in December and January for policies updated but not yet published. The Administration strategy was updated and approved in September 2020 with employer consultation ending November. The new policy is effective from Jan 2021 – this policy will be published in Jan 2021.</p> <p>The communication policy was revised and approved June 2020 – this was never published so will be published Jan 2021.</p> <p>All policies out of date will be added to the Pension Committee and Pensions Board work programme to ensure sufficient scrutiny and approval levels; with policies scheduled for rolling review on the future work programme to avoid policies becoming out of date in the future.</p>
Responsible Officer:		Sian Kunert	Target Implementation Date:	30 June 2021

Internal Audit Report – Pension Fund - Compliance with Regulatory Requirements 2020/21

Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
2	<p>Declarations of Interest</p> <p>All officers should have up to date declarations in the register of interests, whether, or not, they have a potential conflict to declare. The purpose of these declarations is to ensure transparency and reduce the risk of a conflict materialising that puts the performance of the Pension Fund, or reliability of decision, making at risk.</p> <p>Testing identifying three officers who had not completed declarations in the register.</p>	Without all officers completing declarations in the register of interests, there is an increased likelihood that conflicts materialise that are not managed, increasing the risk of decisions being made, or are perceived to be made, that are not in the best interests of the Fund.	Medium	<p>All pension fund officers have been advised (07/01/2021) to complete the declarations in line with the new policy which was approved in November 2020 including the pensions admin team who would have been out of scope until December 2020 when they were TUPE-ed to ESCC. A follow up will be completed in 2 weeks to capture any outstanding.</p> <p>The three sample cases without declarations have now been completed (12/01/2021)</p> <p>The conflicts declaration will be added to induction guidelines for the team to ensure new starters complete.</p>
Responsible Officer:		Sian Kunert	Target Implementation Date:	Complete

Internal Audit Report – Pension Fund - Compliance with Regulatory Requirements 2020/21

Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
3	<p>Complaints Log</p> <p>It is important to maintain a record of all complaints and negative comments that the Fund receives in order to improve the quality of service provided. A complaints log should have a responsible officer who regularly reviews complaints and escalates them as appropriate.</p> <p>During testing we were unable to obtain a copy of the log, ascertain where it was kept, or which officer(s) had overall responsibility for maintaining it.</p>	<p>Failure to maintain an accurate and up to date record of all complaints and negative comments reduces the opportunity for the Fund to improve service.</p> <p>Lack of responsible officer for the complaints log may result in the log not being regularly reviewed and reduces oversight, meaning that any negative trends may not be identified and resolved.</p>	Low	<p>The pensions administration team will own the complaints log in the first instance and escalate to the relevant part of pensions to resolve. Currently there is a complaints log, however this sits within Orbis and there is no transparency to ESPF officers. Due to the timing of the disaggregation of the administration function, the complaints procedure will be reviewed and a new log put in place from 1 April 2021 when the administration function is fully managed in ESCC. Actions will include training to staff on complaints, a revision to the existing policy and a new log to sit within the ESCC network for the Head of Pensions, Head of Pensions Admin and Pensions Manager for Governance and Compliance to review quarterly.</p>
Responsible Officer:		Sian Kunert	Target Implementation Date:	30 April 2021

Appendix A

Audit Opinions and Definitions

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

Management Responsibilities

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

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

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

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Report to: Pension Board

Date of meeting: 15 February 2021

By: Chief Finance Officer

Title: Pension Fund Risk Register

Purpose: To consider the Pension Fund Risk Register

RECOMMENDATIONS:

The Board is recommended to review and note 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 East Sussex Pension Fund (the Fund). It is not a process for avoiding or eliminating risks. A certain level of risk is inevitable in achieving the Fund objectives, but it must be controlled.

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

2. Supporting information

2.1. The Risk Register is included as **Appendix 1**.

2.2. As requested at Pension Committee on 30 November 2020, the Risk Register has been rewritten to ensure that risks are reported to show mitigations are in place and bring risks down to an appropriate level of risk. If the risk level remains red after mitigation the risk register should show that further actions will be put in place or a risk is accepted by the Committee as tolerated if the risk remains high and no further action is possible.

2.3. As a result of the changes made to the risk register all risks are now reworked and effectively new for the purposes of this Pensions Board meeting.

Assessment of Risk

2.4. Risks are assessed in terms of the potential impact or damage of the risk event should it occur, and in terms of the likelihood of it occurring. These are then combined to produce an overall risk score.

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

2.6. There are currently 16 risks being reported within the register. Whilst there are many more risks which could be identified within the Fund, the risks identified in the register are the most significant and actively managed risks the Fund faces.

2.7. Each risk has been identified with potential triggers for the risks with possible consequences from those events. The risk is then measured by the interaction of the likelihood of occurrence and the potential impact or damage that could be borne by the Fund before the mitigating actions that are in place and then again post mitigation. After mitigating actions there are currently no risks rated as Red.

2.8. COVID-19 risk is no longer shown as a separate risk but as an increasing risk factor on several of the key risks within the fund as the pandemic increases the likelihood of some failures occurring due to resources or employer liquidity positions.

3. Conclusion and reasons for recommendations

3.1 The Pension Board is recommended to review and discuss the revised risk register in light of the changes since the last meeting.

IAN GUTSELL
Chief Finance Officer

Contact Officer: Sian Kunert, Head of Pensions
Tel. No. 07701394423
Email: sian.kunert@eastsussex.gov.uk

Pension Fund Risk Register Q4 2020/21													
Reference	Risk	Potential Triggers of risk	Consequences of risk	Pre Mitigation			Risk Control / Response	Post Mitigation			Risk Owner	Timescales	
				Likelihood	Impact	Risk Score		Impact	Likelihood	Risk Score			
Employer Risk													
E1	Contributions Funding Risk Failure to collect contributions from employers in line with Funding strategy requirements and Rates and Adjustment Certificate	Failure to collect contributions on time	Inaccurate financial statements	3	3	9	Monthly Employer contribution monitoring Monitoring of late payments with new Employer engagement team to address breaches for late payment Contributions recorded in Finance system by employer to track all employer cashflows in line with actuarial requirements for Valuation and FRS17/IAS19 reporting requirements. Also enables ability to see trends in contributions collected. New administration strategy in place from January 2021 clearly outlining ability to fine employers for late payment and late receipt of remittance advice or poor quality of data Implementation of I-Connect which is being to be rolled out in 2021 is expected to improve the quality of contribution data received to better aid reconciliation of payments and drill in the accuracy of employers contribution payments New report to be delivered at Pensions Board meetings to highlight any late payment of contributions and Employer engagement actions from February 2021 Covenant review to begin in 2021 - PWC appointed to carry out the work, high risk employers identified and legal advice obtained Triennial valuation process aims to stabilise contribution rates where possible and senior management involved in detailed discussions on funding assumptions Guide to Employers on implications to Pensions on Outsourcing presented at employer forum in November 2020 and document issued to all employers Contribution deferral policy approved by Committee in June 2020. Regular communication with Employers through new Employer engagement team	2	2	4	Head of Pensions	On-going	
Failure to collect contributions in line with Rates and Adjustments certificate		Cashflow risk to pay out pensions											
Failure to monitor and reconcile contributions		Funding deficits											
Liquidity failures with employers due to business risk or Covid 19 implications		Failure to track employer cashflows leading to inaccurate FRS17/IAS19 report and Valuation reports											
Incorrect coding of contributions		Future reduction in funding level											
Employer unable to pay increased contributions on a trigger event		Future Increase in employer contributions											
New outsourced arrangements made without thought to Pensions implications and contribution costs		Employer forced into liquidation											
Poor employer covenant		Increase in investment risk taken to access higher returns Forced to sell investments to meet cashflow requirements											
Page 107	Employer Risk Employers fail to provide accurate and timely data to the PAT team	Failure to provide Starter and Leavers information	Risk of financial loss and damage to reputation.	4	3	12	New Administration Strategy approved in September 2020 and out for consultation with Employers October to November; The new strategy was the focus of the Employer Forum in November 2020 Employing authorities are contacted for outstanding/accurate information; User Guide and Training provided to Employers for outsourcing implications with LGPS November 2020 Regular communication and meeting with administration services regarding service updates and additional data, when required. New employer engagement team established from January 2021 to support employer and provide training where required Issuance of a quarterly employer newsletter to support employers in their understanding of current pensions issues and activity for the Pension Fund A data cleansing plan was completed in June 2020 lead by Hymans. The PAT have been finalising outstanding areas handed over. New Data Improvement plan process to start in 2021 by the PAT BAU team and supported by the DIP working Group Data Improvement (DIP) working group set up to discuss data issues resulting from employers Meetings held between senior pensions Management team and employers where there are current or historic data concerns	3	3	9	Head of Pensions	On-going	
Failure to provide EOY returns on time and to an acceptable data standard		Incorrect employer's contribution calculations											
Covid 19 has reducing the ability of employers to participate in the data cleansing		Delays to triennial actuarial valuations process.											
Inability for Employers to respond to additional data requests for changes in regulations		Fines and enforcement action by The Pension Regulator Inability to produce ABS in time or accurately to comply with legislation											

Pension Fund Risk Register Q4 2020/21													
Reference	Risk	Potential Triggers of risk	Consequences of risk	Pre Mitigation			Risk Control / Response	Post Mitigation			Risk Owner	Timescales	
				Likelihood	Impact	Risk Score		Impact	Likelihood	Risk Score			
Administ ration													
A1	Pensions service Delivery Risk Inadequate delivery of Pensions Administration	The Scheme is not administered correctly resulting in the wrong benefits being paid or benefits not being paid, including as a result of poor data Paying pension benefits incorrectly	Members of the pension scheme not serviced to an adequate standards Damaged reputation Financial hardship to members Employers dissatisfied with service being provided resulting in formal complaint Complaints which progress to the Pensions Ombudsman Financial loss Statutory deadlines not met	3	3	9	The PAT team is currently undergoing a dissolution project to Insource pensions administration from Orbis Surrey to an inhouse provision. Annual internal audit report om the administration of pensions including regular reporting and monitoring of recommendations to ensure the service is acting in line with best practice Quarterly Reports to Pension Board and Committee New service level KPI and expectations approved at Pensions Committee in September 2020 for the PAT service within the Administration strategy for when the team is fully in house Awareness of the Pension Regulator Guidance by all team members Programme management by Head of Pensions admin in liaison with Orbis partners to ensure all tasks completed as planned and to a high standard Polices and procedures in place and all activity for members recorded on member records for other teams members to see Constant monitoring / checking by team managers and senior officers for more junior staff members In house risk logs, including for projects SAP / Altair reconciliation monthly to ensure financial records complete and correct Task management systems built into Altair to ensure activity is competed and monitored	2	3	6	Head of Pensions Administration	On-going	
Page 108	Risk resulting from Regulatory Change Risk that new benefit structures can not be set up correctly or in time	GMP reconciliation GMP rectification GMP equalisation McCloud	Members of pensions scheme exposed to financial loss Inaccurate record keeping Damaged reputation Delays due to conflicting deadlines on heavy workloads	3	3	9	Projects and/or working groups in place to deal with current regulatorily benefit changes Attendance at networks and officer groups to stay on top of up coming changes in regulation Reports to Pension Board and Committee to ensure knowledge is shared to decision makers Oversight via Data Improvement Working Group	2	3	6	Head of Pensions Administration	On-going	
A3	Production of Statutory member returns	Inability to produce all ABS by the statutory deadline Inability to produce Annual Allowance statements by the statutory deadlines Provision of incorrect statements to members Failure to complete event reports in time for HMRC	Reputational risk and complaints Fines and enforcement action by The Pension Regulator Interest charges or fines from HMRC for inaccurate AA statements Breaches occurred	4	3	12	Regular contact with employers to get data. Clear project plan with early communications and planning with milestones to ensure Statements created in time to allow time for distribution to staff. Roll out of I-Connect for employer roll out as monthly interfaces system, to ease year end requirements and correct errors through out the year. Currently many leavers are not being notified until year-end. Restructure of Pensions team to include an Employer Engagement team will support Pensions Administration with end of year returns liaising and supporting employers through the process Breaches policy in place and Breach reporting to Committee and Board quarterly to raise and consider breach reporting levels	3	2	6	Head of Pensions Administration	On-going	
A4	Risk on Dissolution of Administration from Orbis to ESCC	Risk that infrastructure will not be in place on time Recruitment risk to support areas in addition to BAU Risk to data transfer and software mapping	Reputational damage Inability to provide pensions administration services one separated Risk to communications with employers and members due to structural changes	4	4	16	Project plan in place, with regulator meetings and project groups for various aspects of the dissolution Specific risk register is in place for this project and all risks currently Green or Amber, project is on track Head of Pensions Administration in place to lead on the dissolution with project updates to S151, COO and Head of Pensions Contracts in place and PID's for various aspects of the workstreams to implement Ongoing support until end of June and handover opportunities with communications and Projects teams where new resourcing is required TUPE of staff is complete and several adverts not out BAU team will be dropping Westminster work which will help in manging the teams workload	2	3	6	Head of Pensions Administration	Ongoing	

Pension Fund Risk Register Q4 2020/21												
Reference	Risk	Potential Triggers of risk	Consequences of risk	Pre Mitigation			Risk Control / Response	Post Mitigation			Risk Owner	Timescales
				Likelihood	Impact	Risk Score		Impact	Likelihood	Risk Score		
Governance												
G1	Key Person risk Risk of loss of key / senior staff resulting in lost knowledge and skills with in the Pensions Team	Poor management of staff Failure to provide progression within the team structure Poor absence management Higher risk of sickness absence and reduced working hours as a result of Covid-19 Failure to provide an supportive working environment Failure to communicate with staff members in relation to potential service changes Concentration of knowledge in a small number of officers and risk of departure of key and senior staff.	Damaged reputation Inability to deliver and failure to provide efficient pensions administration service, support to employers, accurate accounts or effective management of investments Disruption and inability to provide a high quality pension service to members. The risk of losing key staff could lead to a breakdown in internal processes and service delivery, causing financial loss and potential risk to reputation.	4	4	16	Diversified staff / team Attendance at pension officers user groups to network and exchange information Procedural notes which includes new systems, section meetings / appraisals Succession planning within team structure, building from within the team Robust business continuity processes in place around key business processes, including a disaster recovery plan. Knowledge of all tasks shared by at least two team members within PAT and in addition can be covered by senior staff in all areas. Training requirements are set out in training strategy, job descriptions and reviewed annually with team members through the appraisal process. New training officer post within team structure to be recruited early 2021 Training strategy in place and regularly reviewed with training log where required	2	2	4	Head of Pensions / Head of Pensions Administration	On-going
G2	Cyber Security Risk of Loss of data or systems breaches through cyber attacks	Cyber attack on ESCC systems and firewalls Cyber Security of member data - personal employment and financial data Attempt to infiltrate emails systems and data exchanges Cyber attach on third party systems where ESPF data is stored Cyber attach on third party systems that ESPF require to carry out service requirements and investment functions Covid-19 Cybercrime Spike	ESCC may incur financial penalties for data breaches Damaged reputation Legal issues Members of the pension scheme exposed to financial loss / identity theft Members of the pension scheme data lost or compromised Financial loss resulting from data manipulation Inability to trade Impact on funding levels Inability to access key systems, or substantial rebuilding of alternative systems	4	4	16	ICT defence - in-depth approach Utilising firewalls, passwords and ICT control procedures including system access and account deletion protocols Email and content scanners Using anti-malware. ICT performs penetration and security tests on regular basis Encryption used on all data transfers Service level agreement with termination clause Regular reports SAS 70/AAF0106 Industry leaders providing services to the fund with data protection and cyber defence systems Risk assessment completed with all new contracts with data transfer and new associated systems including penetration testing at outset	2	4	8	Head of Pensions	On-going
G3	Inadequate governance arrangements to discharge powers & duties	Pensions Board & Committee members do not have the knowledge & experience to carry out their duties properly In sufficient internal audit review of the fund Lack of advisory services Insufficiently qualified officers Poor level of testing and challenge from external auditors	Poor decision making Breaches occurred Areas of work not completed Unreliable accounting or budgetary information	2	3	6	Training strategy in place which covers Pension Committee, Pensions Board and officers 100 days of internal audit commissioned for each calendar year with regular reporting from IA to committee and board External auditor provides audit plan at planning stage for each financial year and this is discussed by Audit committee as well as Pension Committee and Board Investment regulations require proper advice, procurement processes in place to ensure quality within replacement advisers	1	3	3	Head of Pensions	On-going

Pension Fund Risk Register Q4 2020/21													
Reference	Risk	Potential Triggers of risk	Consequences of risk	Pre Mitigation			Risk Control / Response	Post Mitigation			Risk Owner	Timescales	
				Likelihood	Impact	Risk Score		Impact	Likelihood	Risk Score			
G4	Failure to comply with General Data Protection Regulations	Data breaches through failure to encrypt data Poor security on systems Unpublished privacy notice, policy and guidance Lack of knowledge on GDPR rules by staff DPO not identified	Reputational damage Fines and enforcement Breaches by contractors and employers Failure to report breaches within timescales and through correct reporting methods	3	3	9	Contracts with external parties where there is a data role have clear terms and conditions as part of the data processing agreements Data Impact assessment is carried out on all new tenders where data is involved DPO is in place via ESCC Privacy notice is on the website Memorandum of Understanding in place with employers within the fund All staff are required to complete an information governance course on joining the Council and this is refreshed annually Information governance Internal audit currently underway (Q4 2020/21) New Pensions Manager for Governance and Compliance to carry out a detailed review on GDPR in next quarter	2	2	4	Head of Pensions	On-going	
Investment													
I1	Funding risk due to poor investment returns Risk that investment strategy fails to result in performance required to meet the needs of the Funding strategy discount rate	Poor strategic asset allocation resulting in insufficient protection against inflation risk of liabilities Performance consistently under benchmark Inability to rebalance portfolio Failure to take proper advice Unrealistic discount rates in valuation assumptions	Funding Gap Damaged reputation Increase in employer contribution Inability to Pay Pensions Forced to sell investments to meet cashflow requirements	3	3	9	Strategy is supported by expert Investment consultants. Challenge to Consultants through Independent Adviser. Triennial valuation ensures funding position is known and contribution rates are stabilised Quarterly Performance monitoring, investment manager monitoring from consultants and Link for ACCESS sub funds Annual Investment Strategy Review, with interim rebalancing Quarterly Reporting to Pensions Committee, with decisions approved by committee Training strategy in place t ensure officers and committee members have sufficient knowledge and skills to implement and change the investment strategy Investment decisions are made in compliance with the ISS/FSS Revision of the Asset Liability Model to support a viable Strategic Asset Allocation for the new valuation.	2	2	4	Head of Pensions	On-going	
I2	Brexit Risk The decision to leave the European Union without a trade deal causing significant economic instability and slowdown, and as a consequence lower investment returns	Inability to access certain investment vehicles Changes to Banking legislation and MIFID II and Basel requirements outside of EU directives Falls /instability in markets Currency fluctuations Increased taxation on transition of assets between investment vehicles depending on tax region	Financial loss, and/or failure to meet return expectations. Future Increase to employer contribution costs resulting from lower funding positions Changes to the regulatory and legislative framework within which the Fund operates. Changes in employer funding positions causing liquidity risk to employers	4	2	8	Diversification of the Fund's investments across the world, including economies where the impact of "Brexit" is likely to be smaller. The long-term nature of the Fund's liabilities provides some mitigation, as the impact of "Brexit" will reduce over time. The Govt. is likely to ensure that much of current EU regulation is enshrined in UK law. Officers receive regular briefing material on regulatory changes and attend training seminars and ensure any regulatory changes are implemented Currency Hedging requirements will be considered within the investment strategy	3	2	6	Head of Pensions	On-going	
I3	Regulatory risk Failure to comply with regulations, legislation and guidance from an accounting and investment perspective	Failure to comply with CIPFA code of practice for accounting for the pension fund Failure to provide employers with accurate reporting for their financial statements Failure to comply with the LGPS investment regs	Risk of the accounts being qualified by the auditors. Risk to employers of qualified accounts causing reputational damage and potential costs Intervention by the secretary of state in investment strategy Breaches occurred	3	3	9	Pensions Officers are kept up to date with changes to legislative requirements via network meetings, professional press, training and internal communication procedures. Pension Fund financial management and administration processes are maintained in accordance with the CIPFA Code of Practice, International Financial Reporting Standards (IFRS), and the ESSC Financial Regulations. Regular reconciliations are carried out between in-house records and those maintained by the custodian and investment managers. Internal Audits - carried out in line with the Pension Audit strategy. External Audit review the Pension Fund's accounts annually Breaches policy in place to ensure breaches mapped and reported	1	2	2	Head of Pensions	On-going	

Pension Fund Risk Register Q4 2020/21													
Reference	Risk	Potential Triggers of risk	Consequences of risk	Pre Mitigation			Risk Control / Response	Post Mitigation			Risk Owner	Timescales	
				Likelihood	Impact	Risk Score		Impact	Likelihood	Risk Score			
14	Investment pooling risk	Asset classes not available in line with the funds investment strategy Excessive asset transition costs Poor governance of the ACCESS pool Investment beliefs on ESG issues not shared within the pool Inability to report performance to the fund Inability to manage the investment managers and structure to deal with poor performance Insufficient Capacity in sub funds There is a risk that an investment may not transition to the ACS if Link cannot resolve on-going issues relating to the operating model for the planned Feeder fund structure. ACCESS pool unable to generate cost efficiencies	Increase in investment risk taken to access higher returns Increased costs Poor governance and reputational damage There is a risk that an investment may not transition to the ACS if Link cannot resolve on-going issues relating to the operating model for the planned Feeder fund structure. Asset transition costs are greater than forecast. Failure to control operational risks and transaction costs during the transition process Insufficient risk and return parameters to comply with guidance on pooling and the investment strategy Intervention of the secretary of state in failing to invest in line with the statutory guidance on pooling An increase in the set-up costs for implementing new asset classes and managers	3	3	9	ACCESS Support Unit team provide support to the pool Operator contract provided by Link for assets held within the ACS The ACCESS Contracts Manager will monitor Link's progress closely. If Link cannot resolve issues in a reasonable timeframe then alternative options may be considered, e.g. Funds may continue to hold the sub fund outside the ACS KPI's introduced within revised operator agreements Consultants involved in analysing the creation of sub-funds and transitioning of our current assets into the pool, under a variety of scenarios. Opportunities to transfer securities in 'specie'. Reducing cost on transition Transition manager in place to preserving asset values, managing risk and project managing the transition process to ensure that costs are monitored and controlled. Due Diligence completed by legal advisers to ensure no hidden costs or governance issues not known at time of decision to invest. S151, chair of pension committee and monitoring officer representation on respective committees and working groups to ensure ESPF involved in all decisions and concerns and questions can be raised early in processes Regular meetings between officers and ACCESS pool with officers on a number of working groups to ensure involvement in decision making	2	3	6	Head of Pensions	On-going	
15	Funding risk due to higher inflation leading to increased liabilities and a funding gap	Inflation rises faster than the actuarial assumption as a result of Govt. response to COVID-19 Bond yields return to much higher levels	Liabilities are higher than expected. Bond-equity correlations rise, and equities also fall in price Fund's solvency level falls	2	2	4	Investment strategy include weighting to index linked gilts, infrastructure and real estate which are all inflation correlated to mitigate increases in liabilities from inflation. Potential to further increase infrastructure weightings Fund monitor portfolio sensitivity to inflation via expert investment consultants Triennial Valuation assumptions include local knowledge of the Administering authority on anticipated pay inflation. Quarterly monitoring of funding position helps identify risk early	1	2	2	Head of Pensions	On-going	

Pension Fund Risk Register Q4 2020/21												
Reference	Risk	Potential Triggers of risk	Consequences of risk	Pre Mitigation			Risk Control / Response	Post Mitigation			Risk Owner	Timescales
				Likelihood	Impact	Risk Score		Impact	Likelihood	Risk Score		
16	Climate Change and Environmental, Social and Governance risks within Investment strategy and implementations on investment decisions	<p>Incorrect assumptions on current exposure , risk profiles and scenarios analysis leading to poor decision making</p> <p>Risk to income yields by restricting the market due to ESG concerns without considering the bigger picture of the investment strategy to compensate</p> <p>investment environment changes radically, and Fund is slow to respond</p> <p>uncertainty in energy transition impacts and timing</p> <p>Risk of stranded assets where invested in fossil fuel companies</p> <p>Risk to wider social and economic risks by focusing on a single issue</p> <p>Poor transparency on underlying investment manager investments decisions on behalf of the fund</p> <p>Failure of fund managers to explain or comply against voting guidelines</p> <p>Lack of reliable ESG Metrix and carbon measurement</p>	<p>Volatile investment returns</p> <p>Loss of market value</p> <p>Reputation issues around how the Fund is progressing the move to a decarbonised global economy.</p> <p>unconscious exposure to high carbon emitters or companies in violation of UN policies</p> <p>Reputational risk where EGS beliefs and strategy are not aligned with expectation of members</p> <p>Increased workload responding to questions and challenges over ESG risks taking officer time away from manging the fund effectively</p> <p>Increase in investment risk taken due to unassessed ESG issues</p> <p>Weaker control leading to poorer governance</p>	4	2	8	<p>Statement of Responsible Investment Principles outline investment beliefs within ESG, implementation of decisions and monitoring of EGS factors.</p> <p>Investment Working Group and ESG working group consolidated into a single group to ensure ESG is in the heart of all investment decisions</p> <p>Restructuring of the equity portfolio to avoid high risk companies and exploit opportunities, including decision to invest in impact fund in September 2020</p> <p>Trim unconscious exposure to companies with poor ESG rating or fossil fuel companies, through reduction in index funds</p> <p>Tracking of the portfolio as underweight in fossil fuel exposure to benchmarks</p> <p>Production of annual reports on the carbon footprint of the Fund and review of managers from EGS perspective including transition pathway of underlying companies</p> <p>Signatory to PRI and Stewardship code with commitment to comply with the new 2020 code</p> <p>Challenging managers on their holdings with regard ESG issues</p> <p>Member of Institutional Investors group on climate change</p> <p>Engaging via managers and investor groups including LAPFF with companies and driving them forward to comply with key ESG concerns using the greater voice by combined investment power</p>	2	2	4	Head of Pensions	On-going

Risk Register Risk Scores

The risk scores are calculated using the risk matrix below:

90-100%	This week	Very High	LIKELIHOOD	5	5	10	15	20	
60-90%	This Month	High		4	4	8	12	16	
40-60%	This year	Medium		3	3	6	9	12	
10-40%	Next 5 years	Low		2	2	4	6	8	
0-10%	Next 10 years	Very Low		1	1	2	3	4	
					1	2	3	4	
					IMPACT				
					Negligible No noticeable impact	Minor Minor impact, Some degradation of service	Major Significant impact, disruption to core services	Critical Disastrous impact, Catastrophic failure	
					SERVICE DELIVERY	Handled within normal day-to-day routines.	Management action required to overcome short-term difficulties.	Key targets missed. Some services compromised.	Prolonged interruption to core service. Failure of key Strategic Project
					FINANCAL	Little loss anticipated.	Some costs incurred. Handled within management responsibilities.	Significant costs incurred. Service level budgets exceeded.	Severe costs incurred. Statutory intervention triggered.
					REPUTATION	Little or no publicity.	Limited local publicity.	Local media interest.	National media interest seriously affecting public opinion
						Little staff comments.	Mainly within local government community. Causes staff concern.	Comment from external inspection agencies. Noticeable impact on public opinion.	

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Report to: Pension Board

Date of meeting: 15 February 2021

By: Chief Finance Officer

Title: Work Programme

Purpose: To agree the Board's work programme

RECOMMENDATION

The Board is recommended to agree its work programme.

1 Background & Supporting information

- 1.1 The work programme contains the proposed agenda items for future Pension Board and Pension Committee meetings over the next year and beyond. It is included on the agenda for each Board meeting.
- 1.2 The work programme also provides an update on other work going on outside the Board and Committee's main meetings, including working groups, upcoming training and a list of any information requested by the Board or Committee that is circulated via email.
- 1.3 The inclusion of the Committee's work programme allows the Board to see what work the Committee will be undertaking, which will help it in its role to assist the Committee.
- 1.4 This item also provides an opportunity for Board Members to reflect on any training they have attended since the last meeting.

2 Conclusion and reasons for recommendations

- 2.1 The work programme sets out the Board's work both during formal meetings and outside of them. The Board is recommended to consider and agree the updated work programme.

IAN GUTSELL
Chief Finance Officer

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Pension Board and Committee – Work Programme

Future Pension Board Agenda		
Item	Description	Author
Standing items (items that appear on each agenda)		
Pension Board Updates	Verbal updates on training events or conferences attended by Members of the Board	N/A
Pension Committee Agenda	A consideration of the draft agenda of the Pension Committee.	Head of Pensions
Governance and Employer Engagement Report	A report on governance issues effecting the fund, developments in the LGPS and Employer Engagement items of note	Head of Pensions
Pensions Administration report	An update on the performance of the Pensions Administration Team.	Head of Pensions Administration
Internal Audit reports	All internal audit reports on the ESPF are reported to the Board	Head of Internal Audit

East Sussex Pension Fund (ESPF) Quarterly budget report	An update on the ESPF's budget.	Head of Pensions
East Sussex Pension Fund (ESPF) Risk Register	A report on the ESPF's Risk Register	Head of Pensions
Work programme	A report on the Board and Committee's work programme	Head of Pensions
East Sussex Pension Fund (ESPF) Breaches Log	A report on the ESPF breaches log	Head of Pensions
Employer Admissions and Cessations	A report on the admission and cessation of employers to the ESPF.	Head of Pensions
1 June 2021		
Covenant Review Report	Report from PWC on the covenant review project	Head of Pensions
Administration KPI best practice	Report on how the ESPF KPIs for pension administration compare with those of other local government pension schemes.	Head of Pensions Administration
Internal Audit Strategy and Plan	Draft internal audit Pension Fund Strategy and Audit Plan 2021/22	Internal Audit
14 September 2021		

Employer Newsletter	Review and consideration of content and design for annual newsletter to Employers	Head of Pensions
5 November 2021		
Employer Forum Agenda	Discussion on Pension Fund Employer Forum Agenda topics	Head of Pensions
Annual Training Plan	Report on Training completed in the year and training recommendations for the up-coming year	Head of Pensions
10 February 2022		
External Audit Plan for the East Sussex Pension Fund 2021/22	Draft External Audit Plan for 2021/22 Pension Fund Financial Statements	Head of Pensions

Actions requested by the Pensions Board		
Subject Area	Detail	Status
Internal Audit reports	The Board requested that internal audit consider an audit of the common data sets provided to the Pensions Regulator	TBC
Employer contributions	The Board requested a list of employers that were making late payments	To be considered at 15 February 2021 meeting
Scheme administration	The Board requested a report on potential recommendations from the Scheme Advisory Board (SAB) that the Scheme Manager role is removed from local authority control.	Ongoing discussions

Scheme administration	The Board requested a future report on how the ESPF KPIs for pension administration compare with those of other local government pension schemes.	To be considered at June 2021 meeting
Decision making	To revise the decision-making matrix (including a RACI model) and to circulate it for information.	To be provided by Head of Pensions

Future Pension Committee Agenda		
Item	Description	Author
Standing items (items that appear on each agenda)		
Investment Report	A Quarterly performance report of the investment managers	Head of Pensions and Investment Consultant
Governance and Employer Engagement Report	A report on governance issues effecting the fund, developments in the LGPS and Employer Engagement items of note	Head of Pensions
Pensions Administration report	An update on the performance of the Pensions Administration Team.	Head of Pensions Administration
Internal Audit reports	All internal audit reports on the ESPF are reported to the Board	Head of Internal Audit
East Sussex Pension Fund (ESPF) Quarterly budget report	An update on the ESPF's budget.	Head of Pensions
East Sussex Pension Fund (ESPF) Risk Register	A report on the ESPF's Risk Register	Head of Pensions
Work programme	A report on the Board and Committee's work programme	Head of Pensions

East Sussex Pension Fund (ESPF) Breaches Log	A report on the ESPF breaches log	Head of Pensions
Employer Admissions and Cessations	A report on the admission and cessation of employers to the ESPF.	Head of Pensions
15 June 2021		
Covenant Review Report	Report from PWC on the covenant review project	Head of Pensions
Carbon Footprinting and ESG analysis	A report on the carbon footprint of the portfolio of ESPF including whether investments are in line with transition pathways.	Head of Pensions
Internal Audit Strategy and Plan	Draft internal audit Pension Fund Strategy and Audit Plan 2021/22	Internal Audit
Investment Strategy Statement review	Report reviewing Investment Strategy Statement	Head of Pensions
12 July 2021		
Independent Auditors Report on the Pension Fund Account and Annual Report and Accounts 2020/21	A report on the External Audit findings of the Pension Fund financial Statements and the complete 2020/21 Annual Report and Accounts for review.	Head of Pensions
28 September 2021		

Contracts and Tenders	Appointment of Independent Advisor	Head of Pensions
25 November 2021		
Annual Training Plan	Report on Training completed in the year and training recommendations for the up-coming year	Head of Pensions
24 February 2022		
External Audit Plan for the East Sussex Pension Fund 2021/22	Draft External Audit Plan for 2021/22 Pension Fund Financial Statements	Head of Pensions

Actions requested by the Committee		
Subject Area	Detail	Date completed

Current working groups		
Title of working group	Detail and meetings since last Pensions Board and Committee meetings	Membership
Investment Working Group (IWG)	<p>The Investment Working Group and ESG working group have been amalgamated, as agreed at Pensions Committee 21 September 2020.</p> <p>The IWG has an advisory role to over oversee the implementation of decisions by the Pension Committee in relation to investment decisions and carry out detailed research and analysis for Pensions Committee.</p> <p>Recent meetings</p> <ul style="list-style-type: none"> • 11 December • 13 January • Scheduled - 11 February 	<p>William Bourne, Russell Wood, Sian Kunert, Representative from Investment Consultant</p> <p>Cllr Fox or substitute committee member is invited to attend</p>

Data Improvement and ABS Working Group	<p>Recent meetings</p> <ul style="list-style-type: none"> • 26 November • 16 December • Scheduled - 4 February 	<p>Cllr Fox, Ray Martin, Diana Pogson, Stephen Osborne, Paul Punter, Sian Kunert, Ian Gutsell</p>
McCloud Working Group	<p>The McCloud Working Group has been established to oversee the implementation of the McCloud ruling within a prescribed timeframe and addressing any gaps and barriers preventing progress and ultimately delivery of the project.</p> <p>A high-level impact assessment has been completed to identify those members of the scheme that will be affected by this ruling.</p> <p>The Group have acknowledged there are many data requests of employers and this project needs to be managed carefully with other demands on employers time.</p> <p>Recent meetings</p> <ul style="list-style-type: none"> • 8 December – supported by Hymans 	<p>Cllr Fox, Stephen Osborn, Lynda Walker, Paul Punter, Sian Kunert, Dave Kellond</p>

Training and Development			
Title of Training/Briefing	Detail	Date	Attended
LGPS for Committee and Board members	Overview of the Local Government Pension Scheme for Pension Committee & Local Pension Board Members training provided by Barnet Waddingham	26 January 2021	Cllr Chris Collier
Title of Training/Briefing	Detail	Proposed Date	Invited
Refresher training	Training session for those new to Pensions boards or Pensions Committees or those looking to refresh their knowledge.	26 th January or 26 th April 2021	Pensions Board Members
LGPS Local Pension Board Members' Spring Seminars	Barnett Waddingham, ESPF's new actuary, offer training opportunities for Pension Board members to support in their roles and understand current issues, through their LGPS local pension Board spring seminars	15, 16, 18 or 22 February 2021	Pensions Board Members
PLSA Investment Conference 2021	PLSA is running a three-day investment conference virtually, consisting of keynote speeches, intimate roundtable discussions and educational sessions built around key themes and hot topics covers every investment angle, from geopolitical factors influencing markets, to investment strategy to individual asset classes.	9 – 11 March 2021	Pension Committee Members

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