



PENSION BOARD

TUESDAY, 1 JUNE 2021

10.00 AM VIA TEAMS & CC2, 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 - 12*)
- 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 13 - 16*)
- 6 Governance Report (*Pages 17 - 92*)
- 7 Abatement Policy Report (*Pages 93 - 96*)
- 8 Pensions Administration Report (*Pages 97 - 106*)
- 9 Internal Audit Reports and Internal Audit Strategy for the Pension Fund (ESPF) (*Pages 107 - 158*)
- 10 External Audit Plan for East Sussex Pension Fund 2020/21 (*Pages 159 - 180*)
- 11 Employer Engagement and Contributions Report (*Pages 181 - 198*)
- 12 East Sussex Pension Fund 2020/21 Budget Quarterly report (*Pages 199 - 204*)
- 13 Pension Fund Risk Register (*Pages 205 - 214*)
- 14 Work Programme (*Pages 215 - 228*)
- 15 Any other non-exempt items previously notified under agenda item 4
- 16 Exclusion of the public and press
To consider excluding the public and press from the meeting for the remaining agenda item on the grounds that if the public and press were present there would be disclosure to them of exempt information as specified in paragraph 3 of Part 1 of the Local Government Act 1972 (as amended), namely information relating to the financial or business affairs of any particular person (including the authority holding that information).

- 17 Pension Fund Breaches Log (*Pages 229 - 236*)
- 18 Employer Admissions and Cessations Report (*Pages 237 - 248*)
- 19 Any other exempt items previously notified under agenda item 4

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21 May 2021

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PENSION BOARD

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

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

PRESENT

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

ALSO PRESENT

Ian Gutsell, Chief Finance Officer
Sian Kunert, Head of Pensions
Russell Wood, Pensions Manager: Investment and Accounting
Paul Punter, Head of Pensions Administration
Nigel Chilcott, Audit Manager
Danny Simpson, Principal Auditor
Martin Jenks, Senior Democratic Services Adviser
Harvey Winder, Democratic Services Officer

56 MINUTES

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

57 APOLOGIES FOR ABSENCE

57.1. There were no apologies for absence.

58 DISCLOSURE OF INTERESTS

58.1. There were no disclosures of interest.

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59 URGENT ITEMS

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

60 PENSION COMMITTEE AGENDA

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

60.2. The Board RESOLVED to note the report.

61 EMPLOYER CONTRIBUTIONS REPORT

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

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

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

61.4. The Board RESOLVED to:

1) note the report; and

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

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

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

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

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

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

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

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

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

62.8. SK explained that the outturn was higher than the forecast investment manager fee during 2020/21 because of the change in the investment strategy made in June 2020, which involved the disinvestment from UBS passive equity fund into the four new impact investment and smart BETA funds. These new fund managers are paid direct whereas UBS was taking its

fee from the funds. This decision was made during the year, which is why the outturn is higher than forecast costs. The 2021/22 budget takes account of the increase in direct management fees and is expected to be a more accurate reflection. The Chair added that it is difficult to know the most efficient charging structure until a fund manager is appointed.

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

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

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

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

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

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

62.15. The Board RESOLVED to note the report.

63 COMMUNICATIONS REVIEW REPORT

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

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

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

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

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

receive a return on investment that can provide the benefits for its members. A defined contribution scheme, such as a private pension, may have greater scope as members can have a choice over where their contributions are invested and the financial return they receive is based on their selected investment strategy.

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

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

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

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

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

63.10. The Board RESOLVED to:

1) note the report;

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

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

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

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

64 GOVERNANCE AND EMPLOYER ENGAGEMENT REPORT

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

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

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

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

64.5. SK confirmed that they had been emailed.

64.6. The Board RESOLVED to note the report.

65 PENSIONS ADMINISTRATION REPORT

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

£95k Exit Cap

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

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

PAT Transfer

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

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

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

65.7. PP said that there are some reservations about achieving the objectives of the Helpdesk but Orbis would be supported to do so through recruitment of additional staff, the availability of "bank reserve staff", the availability of overtime, support from other helpdesks and as a last resort, the ability of the PAT to pick up calls on their laptops to act as an overflow. PP said

there is a quarterly meeting with Orbis to discuss the transition to the new structure to proactively ensure that all parts are in place.

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

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

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

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

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

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

Employer Year End Returns

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

65.15. The Board RESOLVED to:

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

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

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

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

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

66.4. The Board RESOLVED to note the report.

67 PENSION FUND RISK REGISTER

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

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

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

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

67.5. The Board RESOLVED to note the report.

68 WORK PROGRAMME

68.1. The Board considered its work programme.

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

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

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

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

69 EXCLUSION OF THE PUBLIC AND PRESS

69.1 The Board RESOLVED to exclude the public and press from the meeting for the remaining agenda item on the grounds that if the public and press were present there would be disclosure to them of exempt information as specified in paragraph 3 of Part 1 of the Local Government Act 1972 (as amended), namely information relating to the financial or business affairs of any particular person (including the authority holding that information).

70 PENSION FUND BREACHES LOG

70.1 The Board considered the Funds Breaches Log.

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

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

71 EMPLOYER ADMISSIONS AND CESSATIONS REPORT

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

71.2. The Board RESOLVED to note the report.

The meeting ended at 12.30 pm.

Ray Martin (Chair)

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Agenda Item 5

Report to: Pension Board

Date of meeting: 1 June 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 (Appendix 1) 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

TUESDAY, 22 JUNE 2021

10.00 AM COUNCIL CHAMBER, COUNTY HALL, LEWES

Please Note That This Meeting Will Be Taking Place in Person at County Hall

MEMBERSHIP - To be confirmed following the Annual Council meeting on 25 May 2021.

A G E N D A

- 1 Minutes (*Pages 3 - 10*)
- 2 Apologies for absence
- 3 Disclosure of Interests
Disclosures by all Members present of personal interests in matters on the agenda, the nature of any interest and whether the Members regard the interest as prejudicial under the terms of the Code of Conduct.
- 4 Urgent items
Notification of items which the Chair considers to be urgent and proposes to take at the appropriate part of the agenda.
- 5 Pension Board Minutes
- 6 Investment Report
- 7 Carbon Footprint report
- 8 Governance and Employer Engagement Report
- 9 Abatement Policy Report
- 10 Pensions Administration report
- 11 Internal Audit Reports and Internal Audit Strategy for the Pension Fund (ESPF)
- 12 External Audit Plan for East Sussex Pension Fund 2020/21
- 13 Employer Engagement and Contributions Report
- 14 Quarterly budget report
- 15 Risk Register
- 16 Work programme (*Pages 11 - 12*)
- 17 Any other non-exempt items previously notified under agenda item 4

- 18 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).
- 19 Investment Report
- 20 Breaches Log
- 21 Employer Admissions and Cessations
- 22 Any other exempt items previously notified under agenda item 4

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14 June 2021

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www.eastsussex.gov.uk/yourcouncil/webcasts/default.htm

Report to: Pension Board

Date of meeting: 1 June 2021

By: Chief Finance Officer

Title: Governance Report

Purpose: To provide an update on various governance workstreams completed and changes effecting the LGPS and Fund

RECOMMENDATIONS

The Pension Board is recommended to:

- 1) Note a change in the wording of the Internal Dispute Resolution Policy
 - 2) Note and comment on a new Risk Management policy
 - 3) Note the potential change in The Pension Regulator (TPR) expectations
 - 4) Note and comment on the new approach to request for fees to be waived due to financial hardship
 - 5) Note and comment on the revised Governance and Compliance Statement
 - 6) Approve the drafting of an annual report of the Pension Board to be considered at the next Pension Board meeting.
 - 7) Note the update on the McCloud Working Group
 - 8) Note developments on the SAB Good Governance project
 - 9) Note the update on AVC's
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1. Background

1.1 This report is brought to the Pension Board to provide an update on the steps being taken to adopt good practice and ensure compliance with regulatory requirements for the East Sussex Pension Fund (the Fund or ESPF).

1.2 This report outlines a number of changes to Pension Fund Policy which will be taken to Pension Committee on 22 June 2021 for approval.

2. Internal Dispute Resolution Procedure (IDRP)

2.1 The Fund's Officers have been undertaking a review of current documentation being used, including policies and procedures. As part of this review it was identified the wording of the IDRP differs from that used in primary legislation when discussing who is able to raise a complaint.

2.2 It is not believed that the current wording has led to any of our stakeholders being disadvantaged. However, for future clarity, the IDRP could be adapted to mirror the wording in Pensions Act 1995.

2.3 It is recommended that the new wording be adopted in order to clearly demonstrate the Fund's IDRP is consistent with legislative requirements. The new wording can be found in **Appendix 1** to this document in red on page 4.

3. Risk Management policy

3.1 The Fund has in place a risk register which is made available to the Pension Committee and Pension Board at each of their quarterly meetings. This allows the risk register to be reviewed, the appropriateness of the risks identified, and the mitigating actions considered.

3.2 Risks are currently identified and reviewed in an ad hoc manner; the process not being supported by a formal policy. Adopting such a policy will clarify the roles and responsibilities of all those associated with the Fund – including Officers, Suppliers and Pension Committee members. Adopting a formal policy will bring a consistent approach to the identification of risks.

3.3 It is recommended that the Pension Committee agree the adoption of the new risk management policy at their meeting on 22 June 2021, which can be found in **Appendix 2** to this document.

4. Regulatory change

4.1 The Pensions Regulator (TPR) has launched a consultation regarding merging the various Codes of Practice it has published. This will be done in several stages. Code 14, which covers public service pension schemes, will be included in the first stage. The Chair of the Pension Board has responded to the consultation; a copy is included in **Appendix 3**.

4.2 Whilst we do not yet know what changes will be made to TPR's expectations, it appears it may be looking for schemes to have a distinct Business Continuity Plan to the host authority. This will require the Fund to develop a greater understanding of the mitigations in place surrounding Business Continuity already in place and those surrounding cyber resilience. Once the consultation is complete the new Code of Practice would need to be laid before Parliament, meaning any new document will not be created in the near future. Developments are to be monitored with work being undertaken in the year ahead to establish a compliant position as soon as possible.

4.3 Some of the wording used in the new Code of Practice is likely to change; with the scheme managers and trustees of private occupational schemes being referred to collectively as the governing body. It is understood the reason for this change is allow TPR to discuss issues which cover a range a scheme types within the same document. The new Code is intended to be a single, modular, Code which can be used by all scheme types; meaning much of the content will not be relevant to the Fund.

4.4 The Department for Work and Pensions (DWP) launched a consultation on new regulations regarding pension transfers. This includes scheme managers and trustees having additional power to prevent transfers from occurring. Details of the consultation can be found at [Pension scams: empowering trustees and protecting members consultation - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/pension-scams-empowering-trustees-and-protecting-members-consultation). Officers are reviewing the information in the consultation, a response for which has to be submitted by 10 June 2021.

5. Financial hardship policy

5.1 It is not uncommon for the Fund to receive requests for information to which the person making the request does not have an automatic entitlement, without charge. Examples could include a pensioner requiring a transfer valuation in the case of a divorce, or an active member requiring a second transfer quote within a 12-month period. During 2021, a small number of Pension Fund members have approached the Fund stating they are unable to pay the fee for the information on the grounds of financial hardship. There is currently no policy to enable the review of financial hardship to negate the charge, as a result Officers believe it would be valuable to establish a clear process for future use.

5.2 By developing a process Officers can be clear about the definition of financial hardship and how this can be evidenced. It will allow for transparent decision making, evidencing compliance

with the Public Service Equality Duty. A clear and codified policy will also allow the Fund to demonstrate the needs of all its stakeholders are being considered.

5.3 The draft financial hardship policy is included in **Appendix 4** of this report for comment.

6. Governance and Compliance Statement

6.1 Local Government Pension Scheme (LGPS) funds are required to publish and keep under review a Governance and Compliance Statement. Regulation 55 of the LGPS Regulations 2013 prescribes the content of the governance compliance statement. The governance compliance statement should outline the overall governance structure in place including whether the authority delegates its LGPS functions to a committee or officer. If delegation has taken place the report should then lay out the terms, structure and operational procedures of the delegation; the frequency of meetings; whether any such committee includes representation of scheme members or employers and whether these representatives have voting rights; the extent delegation complies with statutory guidance; details relating to the Local Pension Board.

6.2 The Governance and Compliance Statement must be kept under review and updated following material change. The Fund must consult persons it considers appropriate and publish the statement.

6.3 In addition to the details within the regulation, the Chartered Institute of Public Finance and Accountancy (CIPFA) require the Governance and Compliance Statement to be included in the annual report. CIPFA's guidance for LGPS Funds preparing the annual report suggests the Statement should include the overall governance structure in place including, in addition to the regulations, application of how the CIPFA knowledge and Skills Framework has been applied; how oversight of the asset pool takes place and; policies and procedures for managing conflicts of interest.

6.4 As a result of the Good Governance review which concluded in 2020 there have been several changes to the last approved statement in September 2019.

6.5 The main changes include reference to the Terms of Reference included within the report; commentary on the conflicts of interest policy; alignment of content across the Committee and Board and; more detail on operational application of the committees.

6.6 The revised Governance and Compliance Statement is included in **Appendix 5** for discussion.

7. Annual Report of the Pension Board

7.1 While updating the appendix for Terms of Reference within the revised Governance and Compliance Statement, officers identified that the requirement for the Pension Board to create an annual report to be shared with the scheme manager has not yet been completed. The annual report of the Board should outline the work of the Pension Board throughout the scheme year to inform interested parties about the work undertaken by the Board and assist the board in reviewing its effectiveness and identifying improvements in future operations. This report should be shared with the Pension Committee once complete.

7.2 Officers recommend that the Chair in liaison with officers prepare a draft report for review and discussion at the next Pension Board.

8. McCloud Working Group

8.1 A second meeting of the McCloud Working Group took place on 22 April 2021. Attended by:

- Lynda Walker (Local Pension Board)
- Sian Kunert (Head of Pensions)
- Paul Punter (Head of Pensions Administration)
- Dave Kellond (Compliance & Local Improvement Partner)
- Michael Burton (Pensions Manager – Governance & Compliance)
- Tim Hillman (Pensions Manager - Employer Engagement)
- Peter Riedel (Senior Benefits & Governance Consultant, Hymans)
- Susan McKenzie (Project Manager, Hymans)

8.2 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.

8.3 The Group further discussed the data gathering processes required for implementation of the possible scheme remedies required to the statutory underpin in response to the McCloud judgement. A decision was taken to make the relevant data requests of employers by the end of May 2021, with deadline of 31 August 2021. Therefore, allowing employers sufficient time to collate the requisite data.

8.4 A decision in principle was made by the Working Group to request data for all employees, not just those identified in scope in the initial Hymans report.

8.5 The Pension Manager for Employer Engagement and the Compliance and Local Improvement Partner will meet in May 2021 to agree the specific format and timing of the request to employers.

8.6 Following publication of the Government response to the consultation to the transitional arrangements to the 2015 schemes in relation to the wider public sector pension schemes, a further publication is expected relating specifically to the Local Government Pension Scheme.

9. Good Governance Project

9.1 The Scheme Advisory Board (SAB) begun working on the Good Governance Project with its appointment of Hymans Robertson in January 2019 to examine the effectiveness of current LGPS governance models and consider alternatives or enhancements to existing models to strengthen LGPS governance going forward. The origins of the project can be tracked back further to the Shadow Scheme Board which was established to assist in the design of the new 2014 scheme to consult on proposals to separate the pensions function from administering

authorities to resolve perceived conflicts of interest of elected members acting in the best interest of the local authority rather than scheme members whom the responsibility and fiduciary responsibility of the fund sits.

9.2 The SAB Good Governance project started with a Phase 1 report in July 2019 which considered the effectiveness of current LGPS governance models and consider alternatives to strengthen LGPS governance in the future recognising that the LGPS had dramatically evolved over the last decade with the complexity of scheme benefits and regulation, local government funding cuts, pooling of investments, oversight role of the Pensions Regulator and introduction of Local Pension Boards. The results from the phase 1 project suggested that greater ring fencing of the Pension Fund and improved practice was the most appropriate way forward rather than separating the Pension Fund from the Local Authority body or other alternative models. In addition, the report set out a number of proposals for consideration to reflect best practice within the industry.

9.3 From the July 2019 report the SAB then agreed that two working groups would be established to take forward Phase 2 of the project, one to explore ways in which the improvements in the standards of governance and administration could be achieved and the second to examine how these improved standards could be independently monitored and measured.

9.4 In November 2019 the project produced its phase 2 report. It has been envisaged that all proposals within the phase 2 report will be enacted through new statutory governance guidance. One of the key areas of change proposed within the report to improve accountability of fund governance was the proposal that each administering authority must have a single named officer who is responsible for the delivery of the pension function who is suitably qualified and experienced with the capacity to assume the role.

9.5 Other key recommendations out of the report were the requirement for a conflicts of interest policy; the production of a policy on representation and engagement of scheme members and scheme employers within the governance of the fund; increased requirements in knowledge and skills of all those involved in the pension fund, including committees and S151 officers; existence of an administration strategy and Key Performance Indicators (KPI's); inclusion of the Committee in its business planning process.

9.6 As a result of the November 2019 phase 2 report the Pension Committee approved at its meeting in November 2019 to undertake an early project to review its governance structure in line with the recommendations. This project was carried out in the latter part of 2019 and implementation of recommendations from the consultants on this project was completed with the approval of a conflicts of interest policy at the November 2020 meeting.

9.7 The major changes implemented through the Fund's Governance review project were:

- new defined terms of reference for the Pensions Committee (approved June 2020)
- new defined terms of reference for the Pensions Board (approved June 2020)
- Revised officer delegations to incorporate Pension Fund management (approved June 2020)
- Production of a Communication Strategy (approved June 2020)
- Creation of a Breaches Policy and log (approved June 2020)

- Pension Fund Team structure, including the creation of a Head of Pensions in line with SAB proposals as a single named officer who is responsible for the delivery of the pension function (approved September 2020)
- Reviewed Administration Strategy (approved September 2020)
- Pension administration service standard agreement (approved September 2020)
- Conflicts of interest policy and log (approved November 2020)

9.8 Since the November 2019 SAB phase 2 report the SAB published its phase 3 report in February 2021. The phase 3 report provides more details as to how LGPS funds should approach the previous recommendations.

9.9 Within the recommendations for the Fund's Governance Review project there are longer term priorities to carry out a review of the effectiveness of the revised Pension Fund governance, a review of risk management and the success of implementing the recommendations once there has been sufficient time for these to embed in.

9.10 All of the recommendations in the SAB Good Governance project still require new statutory governance guidance from the Ministry of Housing Communities and Local Government (MHCLG) to effectively implement the proposals. The Fund is currently awaiting this guidance to ensure the changes it has implemented are fully compliant to then consider further changes to the Fund's governance.

10. Additional Voluntary Contributions AVC's

10.1 The LGPS Regulations allow an active member to enter into arrangements to pay additional voluntary contributions (AVCs) or to contribute to shared cost additional voluntary contribution arrangements (SCAVCs) on top of their LGPS pension. It is for the Administering Authority to enter into an agreement with a suitable provider, that is approved under the Finance Act 2004, and registered under Pensions Act 2004 (Reg 17(2) LGPS13). For the members of the Fund the provider for AVC's is Prudential. The market value for the ESPF members AVC assets was reported as £22m as at March 2020.

10.2 During 2021 the Fund started to receive a handful of complaints relating to the service provision by the Prudential. The key issues with service delivery include late contribution investing; long waits on the helpline; lack of responses to written requests; and delayed claim settlements on deaths, transfers and retirements.

10.3 Prudential have been a key player in the LGPS AVC market for a number of years and are the provider for the majority of LGPS funds with coverage of 72 funds. Other main LGPS providers are Standard life and Scottish Widows, although some new providers are starting to access this market.

10.4 Officers have since met with Prudential to understand and resolve the service delivery issues. Prudential apologised for the poor service delivery and highlighted the change in back office service supplier and systems in late 2020 leading to many of the problems. The Prudential gave the Fund reassurance explaining an increase in staffing numbers to resolve the backlogs in

work. The Prudential advised that telephone lines are still however busy and this would likely continue until the end of June.

10.5 The Fund has a duty to offer an AVC and as the policyholder it should review whether it is still appropriate. Fund Officers would like to propose a detailed review of the AVC offering to members to ensure our members are receiving value for money in their AVCs, that the funds are appropriately managed and that a suitable suite of investment options are available. Fund officers suggest waiting to complete a review until the Prudential have had time to implement the service improvements.

11. Conclusion

11.1 The Pension Board is recommended to note the: -

- amendment to the IDRPs;
- implementation of the Risk Management Policy;
- development of the Financial Hardship Policy;
- revisions to the Governance and Compliance Statement
- possibility of changes to TPR's Codes of Practice
- update of the McCloud working group
- developments on the SAB Good Governance project
- update on AVC's

11.2 The Pension Board is asked to approve the drafting of an annual report for discussion at the next Board meeting.

IAN GUTSELL Chief Finance Officer

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

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Local Government Pension Scheme

Internal Dispute Resolution Procedure (IDRP)

Scheme members' guide: What to do if you have a complaint: and the rules for settling disputes

Summary

This guide is to help you to understand and use the Local Government Pension Scheme (the scheme) rules for settling complaints. For the purpose of this guide we will call these rules 'the dispute rules'.

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Introduction


If you are a member of the scheme or the dependant of a person who was a member, you can use the dispute rules to settle any disagreement or complaint you may have about the decisions that have been made about you under the scheme rules. The next section explains what we mean by 'decisions'.

You can also use the dispute rules to help to settle any complaint you may have about the way your case has been dealt with, but please read the section headed 'Complaints about maladministration' on page 4.


Many issues can however be resolved informally following discussions with your employer or the County Council as the pension scheme administrator. They may be caused by misunderstandings or wrong information, which can be explained or put right easily. An informal enquiry of this kind may save you a lot of time and trouble.

If you are not sure which scheme benefits you are entitled to, or you have a problem with your scheme benefits, please either phone the number on the letter your employer or the County Council's Pensions Team sent you.

You can contact the County Council's Pensions Team

In writing – 

East Block, F Floor
County Hall, Lewes
East Sussex,
BN7 1UE

by telephone on 01825 744544 

or via email at escc.pensions@sesharedservices.org.uk. 

Your enquiry will be dealt with as quickly and efficiently as possible.

Decisions

From the day you start a job with an employer who is in the scheme, both your employer and East Sussex County Council (the administering authority that looks after the Fund your employer is in) have to make decisions under the scheme rules that affect you and possibly your dependants.

Once you are a member of the scheme, decisions will continue to be made about such things as the rate of contributions you must pay and what pay they must be based on; whether and, if so, how much you can pay in extra contributions to improve your benefits and, if you have been in the scheme before, how your previous membership counts and the effect new membership has on any pension you may already be getting from the scheme.

When you leave the scheme your employer and your administering authority will make further decisions about the benefits you can expect, what pay they are to be based on and what membership counts for them. When you die, they will decide what death benefits can be paid, who they can be paid to and how much they will be.

How and when you should be told about decisions

Every time your employer or administering authority makes a decision about you under the scheme rules they must write to you as soon as they can to tell you about it. If the decision is that you are not entitled to a pension scheme benefit they must also tell you why they have reached that decision. If their decision is about the amount of your pension scheme benefit, they must tell you how they have worked it out. They must also tell you where you can apply for further information and give you the name, address and job title of the person appointed by them to consider any complaint you may wish to make. In the scheme rules this person is the 'adjudicator'.

When you die they must give similar details to your surviving dependants about any benefits they become entitled to.

The formal complaint procedure has two stages. Many complaints are resolved at the first stage. Any complaint you make should be treated seriously, and considered thoroughly and fairly.

At any stage during the formal complaint procedure you can contact the Pensions Advisory Service (TPAS) for information and advice (see the "What TPAS Can Do To Help" section on page 11).

What to do when you are told of a decision

When you (or your dependants) are told of a decision you should check, as far as you can, to see if you think it is based on the right details and that you agree with it.

If you are not happy with the decision you have the right under the dispute rules to have the decision looked at afresh at the first stage by the adjudicator, and if you are not happy with their decision, have it reviewed at the second stage by East Sussex County Council. If you are still unhappy following the County Council's decision, you can then take your case to the Pensions Ombudsman.

You also have the right to use the dispute rules if your employer or the County Council should have given you a decision but you have not been given one.

There is no charge made for investigating any complaint at any stage under the dispute rules - the only expenses you will have to meet are those of your own (or your representative's) in relation to time, stationery and postage.

For complaints against your employer, you should write to your employer / former employer

Only if your complaint is against a decision made by East Sussex Pension Fund should you write to East Sussex County Council.

It is recommended that you use the Application Form as it will help you to include all the required details

Complaints about maladministration

It may be that your complaint is about something other than a decision that has to be made in relation to your pension scheme benefits. For example, if you feel that there has been some maladministration in the way your case has been dealt with.

The following are some examples of maladministration:

- Unreasonable delays in letting you know about or paying your pension benefits.
- Failure to let you know about changes in your pension entitlement or changes in the scheme rules that may affect you.
- Failure to give you adequate or timely information that you need to enable you to make informed decisions about your rights and benefits in the scheme.

If you feel you have suffered due to maladministration you **must** first use the dispute rules for this type of complaint but, even if the adjudicator or your administering authority decides that there has been maladministration, neither of them has the power to award compensation for any loss you feel you may have suffered. However, you will then be able to take your complaint to the Pensions Ombudsman (see page 12) who does have the power to award compensation in such cases.

Who can use the dispute rules?

You have the right to use the dispute rules if:

- You are **a member of the scheme**. This includes members who are paying into the scheme and those who have now left but who get a pension from the scheme or whose benefits are preserved in the scheme or who simply have some membership left in the scheme, or
- You are **a prospective member of the scheme**. This means that, though you are not a member now you could become one by opting in, or by your employer bringing you in or agreeing to let you join, or by simply staying in your job for a long enough period of time, or
- You are **the widow, widower, child or other dependant** of a person who fell into one of the categories above before he or she died, or
- You are a **surviving non-dependant beneficiary of a deceased member of the scheme**, or

- You think that you either might or ought to fall into one of the above categories, or
- You do not fall into one of the above categories now but you did at some time during the last six months.

Using someone else to represent you

Under the dispute rules, you can if you wish ask someone else to make and carry on your complaint for you. A trade union representative or an adult son or daughter will often be happy to help in this way. You will however need to give the person you choose your written authority to act for you by signing a simple statement to that effect.

If the complaint is about any benefits due in relation to your death, your personal representative (the person dealing with the estate) can make and carry on the complaint.

If the person who is entitled to make the complaint is a child, or is for some other reason not capable of making and carrying on the complaint him or herself, the complaint can be made and carried on by a member of his or her family or by another suitable person.

Stage One of the Dispute Rules - Applying to the Adjudicator

The adjudicator

The adjudicator is not necessarily completely independent of employers or East Sussex County Council. The adjudicator could be an employee of one of them. However, the role of an adjudicator is to deal with complaints in an unbiased way *as an individual*, not as an employee or agent of the County Council or employer. So, when dealing with a complaint the role of the adjudicator, is to *act independently* and make the decision purely on the facts of the case as they appear.

To help maintain the adjudicator's personal independence, they are not allowed to deal with a complaint if they had anything to do with making the original decision that is complained about. In a case like that, the complaint will have to be sent to another adjudicator to deal with.

When the adjudicator receives a complaint they must gather all the facts relevant to the complaint, taking advice from professionals (such as doctors and actuaries) as necessary and seeking the views of both the complainant and the Pensions Team the County Council or the employer. He or she must then look at all the facts and the relevant scheme rules and decide whether or not the original decision was correct. If the adjudicator decides that the decision was not correct they must give a new decision of their own which will override and replace the original decision made by the employer or County Council as the administering authority.

Some decisions are made by employers or the County Council 'in the exercise of discretions'. This means that they have a choice about the decision they make rather than simply looking at the scheme rules and deciding how they apply.

If you make a complaint about a discretionary decision, the adjudicator will investigate it in the same way as any other complaint but, in this case, the adjudicator has no power to overturn the decision. What the adjudicator has to do however, is to ensure that the discretion has been exercised reasonably and to insist on the decision being reconsidered, with account being taken of all proper considerations, if they find that it was not taken in a reasonable and transparent manner in the first place.

When to apply to the adjudicator

If you want to use the dispute rules you must make your complaint to the person appointed by the body that took the decision against which you wish to complain. If you go straight to the County Council or the Pensions Ombudsman they will simply refer you back to the decision making body.

You must make your application to the adjudicator within 6 months after you were told of the decision you are complaining about. If your complaint is that a decision was not made, you must make your application within 6 months of the time the decision ought to have been made. You should not therefore leave things too long before writing to the adjudicator. If you have not had a reply to an informal enquiry in a reasonable length of time, you should make your formal complaint to the adjudicator without waiting any longer for a reply.

The adjudicator can extend the 6 months' time limit for a reasonable period where there are special circumstances.

How to apply to the adjudicator

Your application to the adjudicator **must** be in writing. You can apply directly to the adjudicator at the address given in the decision letter from your employer or from the County Council's Pensions Team. Or if, for example, your complaint is that a decision has not been made, you can write to the County Council's Pensions Team and ask them to pass your application on to an adjudicator.

It is recommended that you use the Application Form as it will help you to include all the required details.

What details the adjudicator needs from you

In all cases you must explain your complaint as fully as you can and provide copies of any documents you think may be helpful. Ideally you should provide a copy of the letter or notice from your employer or from the County Council's Pensions Team telling you about that decision.

If you are the scheme member or prospective member, you must state in your application

- your full name
- your address
- your date of birth
- your National Insurance number
- the full name of your employer. (If you are employed by a council, this should be the name of that council, not the department you work in).

If you are the spouse, child or other dependant of the scheme member you must state in your application

- your full name
- address
- date of birth
- relationship to the member
- the member's full name
- address
- date of birth
- national insurance number
- former employer's name

If you are the member's or the dependant's representative you must state in your application the member's or dependant's details as above together with your own name and address and the appropriate address for correspondence. You must also send evidence of your authority to act for the complainant.

Finally, either you as the complainant or your representative on your behalf must sign the application.

Further information you may be asked to provide

The adjudicator may need to write to you to ask you for more information or explanation to ensure that he or she understands your complaint and is able to make a proper decision.

If the state of your health has a bearing on your complaint, you may also be asked to attend a medical examination or to give consent for your medical records to be released to a doctor chosen by the adjudicator. You will not have to pay any medical charges.

When you can expect the adjudicator's decision

The adjudicator should either give you a decision within two months of receiving your written complaint or write to you at the end of two months telling you the reasons for the delay in reaching a decision. He or she will also inform you of the date he or she expects to be able to let you know the outcome.

If you get neither a letter giving the adjudicator's decision nor a letter giving the reason for the delay within three months from the date you made your application or if you don't receive the adjudicator's decision within one month of the date given in the initial communication to let you know the decision, you can apply directly to East Sussex County Council without waiting any longer. (See 'Stage two of the dispute rules – applying to East Sussex County Council').

What the adjudicator must tell you

The adjudicator must write to you (or your representative) to let you know their decision. He or she must also write to your employer if they made the decision complained of, and to your administering authority. In this letter the adjudicator must state:

- What the decision is. The adjudicator could either confirm the original decision or replace that decision with a new decision of his/her own, and
- the particular scheme rules taken into account in reaching that decision, and
- that you and the body that took the original decision against which you are complaining about, each have the right to ask your administering authority to review the adjudicator's decision within the next 6 months.

What power the adjudicator's decision has

The adjudicator's decision is binding on all parties. This means that, if the adjudicator's decision is contrary to that of the body that took the original decision, they must deal with your case on the basis of the decision made by the adjudicator.

Stage Two of the Dispute Rules - Applying to your Administering Authority

You can ask the pension scheme administering authority (East Sussex County Council) to take a fresh look at your complaint in any of the following circumstances:

- you are not satisfied with the adjudicator's first-stage decision,
- you have not received a decision or an interim letter from the adjudicator, and it is 3 months since you lodged your complaint,
- it is one month after the date by which the adjudicator told you (in an interim letter) that they would give you a decision, and you have still not received that decision.

This review must not be undertaken by a person involved in the first stage decision.

For the purposes of stage two of the pension dispute procedure in the East Sussex Pension Fund the person responsible for the LGPS is:-

Mr Philip Baker

Assistant Chief Executive
East Sussex County Council
County Hall,
St Anne's Crescent
Lewes
East Sussex
BN7 1UE

It is recommended that you use the Application Form as it will help you to include all the required details

Who Can Apply To The Administering Authority?

If you are unhappy with the adjudicator's decision in stage one of the disputes procedure you can ask East Sussex County Council as the administering authority to take a further look at the facts of the case.

When a complaint is made to East Sussex County Council, the adjudicator will be asked for copies of all the evidence, correspondence and other documents obtained during the investigation under stage one of the disputes procedure. East Sussex County Council will also gather whatever other information, views and professional advice they think necessary.

A second decision must then be made on the basis of the scheme rules, and taking due account of the facts and evidence they have obtained, whether or not the adjudicator's decision was correct. If it is decided that it was not, the second decision must replace the adjudicator's decision.

As is the case for adjudicators (see page 6), if the original decision was made in the exercise of a discretion and East Sussex County Council decides that it was not taken in a reasonable manner, they can only insist on the body that took the decision which you are complaining about reconsider its decision - they cannot replace the original decision with a decision of their own.

When and how to apply to East Sussex County Council

If you want to refer your complaint under stage 2 of the dispute rules to East Sussex County Council you must do so within 6 months of the date of the adjudicator's letter telling you of their decision under stage one of the dispute rules. If you are referring your complaint to East Sussex County Council because you have not had a reply from the adjudicator within the appropriate time limits you should do it as soon as you can after the adjudicator's time limit is up. You should make your application to East Sussex County Council in writing.

What East Sussex County Council needs from you

East Sussex County Council will need the same personal details about you or your representative and/ or the scheme member as the adjudicator required:

If you are the scheme member or prospective member, you must state in your application

- your full name
- address
- date of birth
- national insurance number
- and the full name of your employing authority. (If you are employed by a council, this should be the name of that council, not the department you work in.)

If you are the spouse, child or other dependant of the scheme member you must state in your application

- your full name
- address
- date of birth
- relationship to the member

and the member's

- full name
- address
- date of birth
- national insurance number
- former employer's name.

If you are the member's or dependant's representative you must state in your application the member's or dependant's details as above together with your own name and address and the appropriate address for correspondence. You must also send evidence of your authority to act for the complainant.

You must enclose a copy of the letter you got from the adjudicator telling you of the decision about your complaint. You must also state in your letter to East Sussex County Council that you wish them to reconsider the adjudicator's decision and explain why you are unhappy with the adjudicator's decision.

As with complaints to the adjudicator, it is possible that East Sussex County Council will write to you to ask for more information so that they can fully understand your complaint, or if your health is a factor in the complaint, that they will ask you to attend a medical examination or consent to the release of your medical details to another doctor.

When you can expect a decision from East Sussex County Council?

East Sussex County Council must write to you to let you know their decision within two months of the date your complaint is received or they must write to you at the end of two months to let you know when a decision is likely to be reached and the reason for the delay.

What East Sussex County Council must tell you

When East Sussex County Council writes to let you know the decision they must also tell you whether their decision confirms or replaces the adjudicator's decision and must tell you the particular scheme rules used in reaching the decision.

They must also point out that both the Pensions Advisory Service (TPAS) and the Pensions Ombudsman are able to assist with problems to do with the scheme that have not been resolved under the dispute rules. You must also be given the addresses of TPAS and the Pensions Ombudsman.

What the Pensions Advisory Service (TPAS) can do to help

TPAS offer a free service to assist all members of pension schemes. They have local advisors who can help to explain and obtain more information about your pension for you.

If you would like the Pensions Ombudsman to consider a complaint, you should normally contact TPAS first. If TPAS cannot sort out your problem themselves and they believe that there has been some maladministration or that a decision made by East Sussex County Council is wrong, they will possibly recommend that you make a formal complaint to the Ombudsman.

At any time if you are having difficulties in resolving your complaint, you may wish to contact TPAS.

TPAS can provide free advice and information to explain your rights and responsibilities. To get information or guidance, you can look at the website on www.pensionsadvisoryservice.org.uk or you can contact TPAS by phone, post, email or fax.

The Pensions Helpline phone number is: 0300 1231047

Lines are manned Monday to Friday 9am to 5pm.

Outside of these times, you can leave your number and someone will phone back later.

You can write to: TPAS

11 Belgrave Road

London

SW1V 1RB

Alternatively, you can use the online query form on the TPAS website.

Applying to the Pensions Ombudsman

Applications to the Pensions Ombudsman can only be made after you have used stage one and stage two of the dispute resolution procedure

The Pensions Ombudsman can investigate complaints of maladministration or disputes of fact or law about decisions that have been made about your pension but you must go through the procedures laid down in stages one and two of the disputes rules first. This means that you must first take your complaint to the adjudicator and then to East Sussex County Council before the Pensions Ombudsman will investigate it.

The Pensions Ombudsman can also investigate complaints or disputes about the handling of a case either by the adjudicator or East Sussex County Council.

The Pensions Ombudsman's address is:

11 Belgrave Road,

London

SW1V 1RB,

telephone 020 76302200

Email – enquiries@pensions-ombudsman.org.uk

Time limits under the Internal Dispute Resolution Procedure

Stage of the Procedure	Person responsible	Time limit
You have received a decision on your benefits under the pension scheme from your employer/administering authority, and there seem to be good grounds for complaining.	The adjudicator under the first stage of the procedure.	6 months from the date when you were notified of the decision ¹
You have received a first stage decision on your complaint from the adjudicator, but you are not satisfied.	The relevant administering authority under the second stage of the procedure.	6 months from the date of adjudicator's decision
You made your complaint in writing to the adjudicator, with all the information they needed but, 3 months later, you have not received their decision on your complaint or any interim reply.	The relevant administering authority under the second stage of the procedure.	9 months from the date when you submitted your complaint.
You received an interim reply to your complaint to the adjudicator, within 2 months of applying to them. Their reply promised you a decision by a specified date but, one month after the specified date, you still have not received their decision.	The relevant administering authority under the second stage of the procedure.	7 months from the date by which you were promised you would receive a decision
Your complaint is that your employer or administering authority have failed to make any decision about your benefits under the pension scheme	The adjudicator under the first stage of the procedure	6 months from the date when the employer or administering authority should have made the decision ² .
Your complaint went to the administering authority under the second stage of the procedure. You received their decision but you are still not satisfied.	The Pensions Ombudsman. (Note that the Ombudsman will normally expect you to have asked TPAS for help first.)	3 years from the date of the original decision about which you are complaining.

Stage of the Procedure	Person responsible	Time limit
You received an interim reply to your second stage complaint to the administering authority, within 2 months of applying to them. Their reply promised you a decision by a certain date but, by that date, you still have not received their decision	The Pensions Ombudsman. (Note that the Ombudsman will normally expect you to have asked TPAS for help first.)	3 years from the date of the original decision about which you are complaining.

¹

The adjudicator can extend the 6 month time limit for a reasonable period where there are special circumstances.

²

The adjudicator can extend the 6 month time limit for a reasonable period where there are special circumstances.



RISK MANAGEMENT POLICY

June 2021

Contents

Summary

Policy Statement

- a. Introduction and Objectives
- b. Scope and Definitions
- c. Roles and Responsibilities

Risk Management Strategy

- a. Risk Management Process
- b. Monitoring and Reporting
- c. Conclusions

Summary

This framework sets out the East Sussex Pension Fund policy on risk management and its strategy for the effective identification, assessment and, where appropriate, management of risks.

Policy Statement

a) Introduction and Objectives

The key objective of the Administering Authority is to effectively run the Pension Fund, paying benefits as they fall due. This policy is intended to allow for the identification and effective mitigation of risks that may undermine the Administering Authority's ability to do so.

b) Scope and Definitions

There are many definitions of 'risk' and 'risk management'. In simplest terms, these can be defined as follows:

- Risk - 'the probability of an event occurring and its consequences';
- Risk management - 'the processes and structures to enable the effective management of potential opportunities and the elimination / reduction of threats'.

Risk is unavoidable and effective risk management is not about the elimination of risk. The Administering Authority's ability to manage risk effectively and proportionately, and maximise opportunity, plays a crucial role in its ability to achieve the key objective. Risk management is not simply a compliance issue but is a decision-making tool, utilised at both strategic and operational levels, and is an essential element of effective governance.

In developing this framework, the Administering Authority recognises that risks cannot be fully managed and that, in being more innovative, efficient and effective, it may choose to take and/or accept more risk. Where this is the case, robust risk management practice will help ensure that the Administering Authority takes appropriately informed decisions, having properly evaluated the potential risks and the associated opportunities.

c) Roles and Responsibilities

Administering Authority

The Administering Authority, also known as the Scheme Manager, is responsible for the operation of the Fund. In practice this role is delegated to the Pension Committee (the Committee).

The Committee meets each quarter and should consider the existing risk register at each meeting, together with the recommendations by Officers or the Local Pension Board with proposed changes. The Committee should also consider whether it would like any additional risks to be considered or for existing risks to be removed from the risk register.

As part of the quarterly meetings it would be appropriate for the Committee to consider those risks subject to possible change, the most significant risks and a selection of the other risks on the risk register.

At least annually, the Committee should review the risk register in its entirety.

Local Pension Board

The role of the Local Pension Board (the Board) is to support the Administering Authority. The knowledge and understanding requirements set out in legislation apply to the Board.

The Board meets each quarter, shortly before the Committee. At each meeting it should consider the risk register with a focus on the most significant risks and any changes recommended by Officers. Additionally, the Board should consider a sample of other risks and make suggestions where it feels changes to the risk register should be made. Minutes of the Board meetings are reviewed at the start of each Committee meeting to take comments and recommendations into account within its decision making.

The Board should consider the risk register in its entirety at least annually. This review should be timetabled to reflect the timing when the Committee will also be fully reviewing the risk register.

Working Groups

From time to time a Working Group will be formed to consider a particular issue. It is likely such a Working Group will include representatives from the Committee, Board along with support from Officers.

The scheduling of meetings will vary depending on the issue to be considered. However, at each meeting relevant risks on the risk register should be considered. A report on the Working Group's findings should be presented to the full Board and Committee at their next, quarterly, meeting.

As part of this process suggestions for changes to the risk register should be made as appropriate.

Fund Officers

Fund Officers (Officers) carry out the day to day tasks required for the operation of the Fund. This is done in line with the instructions provided by the Committee.

Officers are most closely associated with the Fund operations and are most likely to identify trends and potential risks. Additionally, Officers will be responsible for the mitigation tasks in the risk register.

Before each meeting Officers should consider whether any changes need to be made to the risk register. This may include adding/removing a risk, changing listed mitigations, or rescoring a risk.

Third party service providers

At various levels, people associated with the Fund receive advice from third party advisors. This includes, but is not limited to, the Fund Actuary, Investment Consultants and the Committee's Independent Advisor.

Third party providers may identify emerging risks to the Fund independently. This may be connected to their cross-market view which those more closely connected to the Fund may not otherwise have access to.

Third party services providers are to be encouraged to raise potential risks with Officers to appropriate changes to the risk register can be made.

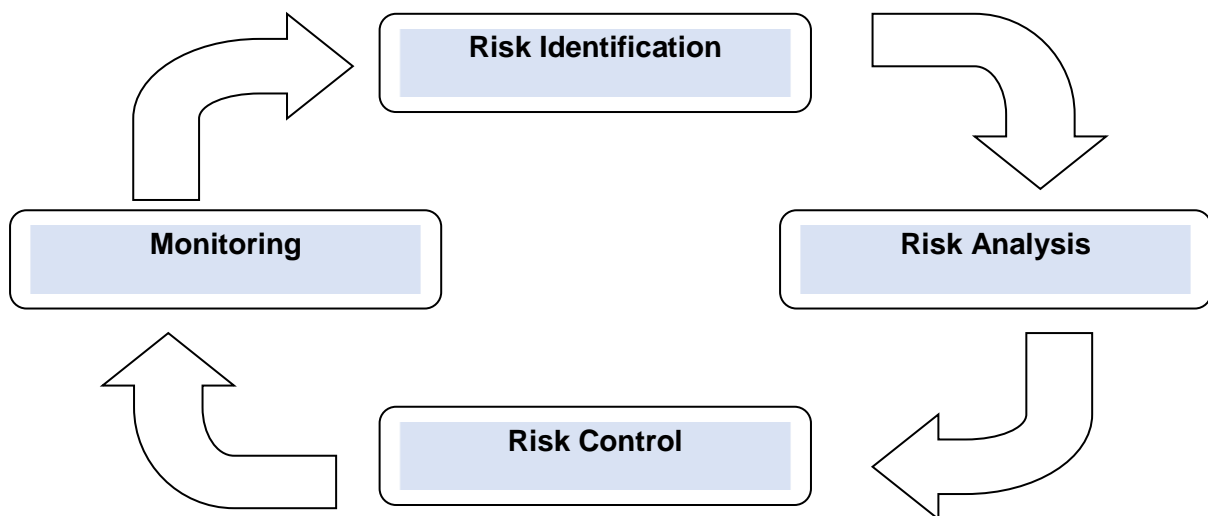
Risk Management Strategy

d) Risk Management Process

The Fund's risk profile is dynamic. Consequently, risk management must be a continuous and developing process to ensure that the Fund is always in the best position to take full advantage of opportunities, as and when they arise, and to ensure that resources are utilised to maximum benefit.

To appropriately and effectively manage risk, it is necessary to adopt a systematic approach to its identification, analysis and control. This approach is referred to as the 'Risk Management Process' and provides a system that can be applied to risks at all levels within the Fund, irrespective of risks being 'strategic' or 'operational' in nature.

The Risk Management Process



Risk information is recorded within the risk register, maintained by Fund Officers with oversight from the Committee and the Board.

Risk Identification

The first element of the risk management process is the identification of risks. This will link into the business planning process, where objectives and targets relating to key business activities are identified, along with associated risks. Risks associated with specific projects and partnership working should also be identified at an early stage in the planning process.

Risk identification is an ongoing process. Risks to the Fund are dynamic and can emerge at any time so their identification should not be seen as a one-off exercise.

The consideration of any reason which could undermine the smooth operation of the Fund could identify a risk. If any concern is identified this should be escalated appropriately at the earliest opportunity and in accordance with Table 1.

Table 1 – Escalating new risks

Person identifying risk	Escalation point
Officer below management grade	Team leader
Officer of management grade	Head of Pensions
Committee/Board member	Committee/Board chair
Committee/Board chair	Head of Pensions
Third party service provider	Officer acting as principal liaison point

Any risk identified should represent a specific threat or opportunity. These can be specific risks which occur as a matter of course in the usual operation of the Fund. Risks can, for ease of reference, be categorised using the headings in Table 2.

Table 2 – Risk categories

Category	Definition	Example
Administration	Risks relating to the calculation and payment of benefits or member communication	Failure to issue Annual Benefit Statements on time
Employer	Risk relating to a failure of admitted bodies to fulfil their obligations	Late payment of contributions
Governance	Risk to the effective operation of the Fund	Key person risk
Investment/Funding	Risk to Fund assets	Poor investment return

Risk analysis

When a risk is identified and placed into the appropriate category, consideration should be given to how likely the risk is to crystallise and what impact this would have on the Fund.

Charts to help allocate risk rating are below in Tables 3.1 – 3.3. These can also be found within risk register document.

Table 3.1 Likelihood

% chance of occurring	Timeframe for occurring	Likelihood	Score
91 – 100	This week	Very High	5
61 – 90	This month	High	4
41 – 60	This year	Medium	3
11 – 40	Next 5 years	Low	2
0 – 10	Next decade	Very low	1

Table 3.2 - Impact

	Impact			
	Negligible	Minor	Major	Critical
Service delivery	Handled within normal day-to-day routines.	Management action required to overcome short term difficulties	Key targets missed.	Prolonged interruption to core service.
			Some services compromised.	Failure of key Strategic Project
Financial	Little loss anticipated.	Some costs incurred.	Significant costs incurred.	Severe costs incurred.
		Handled within management responsibilities.	Service level budgets exceeded.	Statutory intervention triggered.
Reputation	Little or no publicity.	Limited local publicity.	Local media interest.	National media interest seriously affecting public opinion

	Little staff comment.	Mainly within local government community.	Comment from external inspection agencies.	
		Causes staff concern.	Noticeable impact on public opinion.	
Score	1	2	3	4

Table 3.3 – Risk scoring

Likelihood	1	1	2	3	4
	2	2	4	6	8
	3	3	6	9	12
	4	4	8	12	16
	5	5	10	15	20
		1	2	3	4
		Impact			

Risk Control

It is important to recognise that, by their nature, some risks will remain significant, irrespective of the control measures put in place, because they may be beyond the powers of the Fund to control.

The key to effective risk control is ensuring that a proportionate and cost effective approach is taken, having regard to the level of actual risk exposure and the benefits to be obtained. As a general rule, the cost of controlling a risk should not exceed the cost to the Fund should the risk materialise. There are various strategies which can be taken in response to an identified risk and these include:

- **Terminate** – avoid the risk altogether by ceasing the activity to which the risk relates. This tends to be adopted where the level of risk is extreme and where there is little opportunity to control it cost effectively. This option may often be unavailable to the Fund, especially in areas where we have a statutory duty to deliver a service;
- **Treat** – mitigate or control the risk. Involves implementing actions aimed at reducing either the impact or likelihood of the risk, recognising these actions should not be in excess of the level of risk exposure in terms of cost or resources;
- **Tolerate** – accept the risk, without any mitigations, based on the potential rewards outweighing the level of risk exposure. This approach tends to be

used most often where the rewards or the costs of mitigation are especially high;

- **Transfer** – achieved through use of insurances or payments to third parties who are prepared to take on the risk as part of a contract. This approach is, however, unlikely to reduce any reputational risk to the Fund.

Whilst all of these strategies are available, there will be some areas of risk which the Fund will not tolerate and will always seek to reduce to an acceptable level. These areas are based on the Fund's risk appetite which is defined as 'the amount of risk an organisation is willing to accept'.

Where a decision is taken to mitigate or control a risk (treat), the measures taken should be appropriate and proportionate based on the likelihood, impact and potential consequence of the risk event. The nature of control risk strategies will therefore vary depending on the nature of the identified risk. Some control measures will address the likelihood element of the risk (i.e. reduce the likelihood of the risk event occurring) while others will address the impact element (i.e. once the event has occurred they will reduce the potential harm caused by the risk).

Even where it appears that an identified risk is outside the scope of meaningful control (such as the impact of severe weather events), a regularly reviewed and tested contingency plan will help reduce the detrimental impact.

Control measures will usually constitute some form of positive action and may therefore also form part of organisational service plans. By recording them in this way, targets can be set against the risk controls which can then be subject to ongoing monitoring and review as part of already established management processes.

Post Mitigation Scoring

Once mitigating actions are identified, each individual risk should be re-scored, in terms of both impact and likelihood, using the same scale as noted above (Table 3). This will result in each risk being allocated a 'post mitigation' risk score, and associated RAG rating.

The purpose of post mitigation scoring is to assess the effectiveness of the control measures at reducing either the impact or the likelihood element of the risk, thereby illustrating the level of remaining or 'residual' risk. Should this remain unacceptably high, management should consider whether further mitigating measures are required.

e) Monitoring and Reporting

The Fund's risk profile is dynamic and continually changing due to the influence of external factors and / or internal influences.

The level of risk can alter and consequently, identified risks and associated mitigations should be periodically re-assessed by Officers, the Board and the Committee to address and combat the impact of these changes. In addition to this, new risks will periodically emerge which must be identified and analysed as quickly as possible to either reduce the council's exposure to adverse risk or enable the it to take advantage of business opportunities, as they arise.

As a minimum, the risk register should be formally reviewed and updated on a quarterly basis as part of monitoring by the Board and Committee in line with the roles and responsibilities, described above.

f) Conclusions

The appropriate management of risk is a fundamental element of the Fund's management process and is essential if the organisation is to successfully deliver its objectives. The aim of this Framework is to provide guidance on the risk management process and to assist with the further embedding of risk management within the culture of the Fund.

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Response form 1

General questions about the new code of practice

Updates

We welcome any observations about a possible regular process for issuing updates to the new code. For example, should updates be annual, or at longer intervals? Please advise us of any concerns about regular updates. We would also be interested to hear about any topics that we should prioritise for inclusion in the new code.

We believe that including the Code of Practice for Public Sector Schemes (CoP14) in the consolidation is a mistake. It adds a great deal of confusion in a number of areas, including requiring the use of a new term "Governing Body".

The existing CoP14 is a good code. We believe it would be better to consolidate all the codes of practice that impact occupational trust based schemes into one new code and retaining the term "Trustee(s)" throughout. Once this is done the aspects of this new code that apply to public sector schemes and that are not in the current CoP14 can be picked out and transposed into a new Code of Practice for Public Sector Schemes.

The updating of the new CoPs should be on a "as required" basis. If a code needs a regular annual update it is a poorly written code. A good CoP should only require an update after major changes to governing legislation.

Guidance

Which pieces of guidance, or topic areas, should be prioritised for updates following the introduction of the new code?

As mentioned above, in our view CoP 14 should be excluded from the new code and an updated code for public sector schemes introduced after the new code, which would apply only to trust based schemes, is implemented.

Governing bodies

Do users understand the term “governing body”? Would another term work better?

This is not a useful term. In our view it is not required. If a separate CoP is retained for Public Sector schemes then the new code can continue to refer to "Trustee(s)" for trust based schemes. A separate updated code can then be maintained for public sector schemes that continues to refer to the roles of the "Scheme Manager", "Pension Board" and Pension Committee. Trying to introduce a new term "Governing body" will add serious misunderstanding and adds no value to the existing codes.

An example of where the draft code creates confusion is where it refers to the role of the Chair. It is not clear to us in the context of public sector schemes whether this role is meant to be the Chair of the Scheme Manager, who have the fiduciary responsibility to members and where the role of a chair rarely exists, or the Chair of the Pensions Board, where a lot of the text is not relevant as the role of the Board is to assist the Scheme Manager not take responsibility themselves, or the Chair of the Pensions Committee, a role that does not exist in unfunded public sector schemes, only in local authority schemes. It would be far simpler to retain a separate code and explain specifically the role and requirements of each body separately.

Public Sector Equality Duty (PSED)

We would be interested to understand if there are any aspects of our expectations users think would discriminate against, disadvantage or present an additional or exceptional challenge to anyone with a protected characteristic.

General comments about the new code of practice

Please use this page for any further comments you have.

As mentioned earlier we believe that including the Code of Practice for Public Sector Schemes (CoP14) in the consolidation is a mistake. It adds a great deal of confusion in a number of areas, including requiring the use of a new term "Governing Body".

We believe it would be better to consolidate all the private sector codes that impact occupational trust based schemes into one new code and retaining the term "Trustee(s)" throughout. Once this is done the aspects of the new code that apply to public sector schemes and are not in the current CoP14 can be picked out and transposed into a new Code of Practice for Public Sector Schemes, which would cover the roles and responsibilities of all the separate bodies that have a role in public sector scheme governance.

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Free online learning for trustees

<https://education.thepensionsregulator.gov.uk/>

Pensions education portal



Response form 1: **General questions about the new code of practice**

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FINANCIAL HARDSHIP POLICY

June 2021

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Policy Statement

- a. Introduction and Objectives

Hardship Policy

- a. Application of the policy
- b. Roles and Responsibilities
- c. Data Protection

Appendix A – Template to fee waiver request

Summary

This policy is to be applied when a member applies for information from the East Sussex Pension Fund (the Fund), that request would normally attract a fee and the member states they are unable to pay the fee due to financial hardship.

In applying this policy due regard shall be taken to The Public Service Equality Duty (PSED). The application of this policy shall ensure the Fund does not discriminate against members of the Fund and will strive to promote equality of opportunity and improve relations.

Policy Statement

a. Introduction and objectives

From time to time the Fund receives requests for information from a member where that member does not have an automatic entitlement to it. Alternatively, the request may state a preference for the information to be provided in a non-standard manner. In both instances the request may attract a fee under the discretionary charging structure applied by the Adminstrating Authority.

Where a fee is to be levied some members may have a pressing need for the information but not be in a position to pay the fee due to financial difficulties. Where such an application is made, the Fund should ensure the application of a fee does not unreasonably disadvantage the member. This decision needs to be balanced against considering the impact on the generality of the Fund and the PSED.

Hardship Policy

a. Application of this policy

The default position is that a charge indicated on the Fund's list of fees shall be chargeable.

Should a member request information that would incur a fee but state they are unable to pay due to financial difficulties then the member of the Administration Team considering the request shall:-

- a. Inform the person claiming financial difficulties that this is defined as having insufficient income to meet their essential expenditure.
- b. Should the person wish to be considered for financial difficulties having been told this, a request is to be made for the last 6 months of bank statements including any saving accounts. This is to be requested using the template in appendix A.
- c. Upon receipt consider whether the income indicated is able to meet essential expenditure. Essential expenditure refers to payments such as rent/mortgage, tax, energy, food and essential travel. If in doubt, contact the

Finance and Benefits Assessment Team within Adult Social Care Financial Services who will be able to offer assistance. Officers reviewing a financial hardship request can find details of this team on the intranet.

- d. If the person asking for the fee to be waived does not consent to providing the information requested they will not be considered as in financial difficulties and the fee applied.

Once the review of whether the member has sufficient income to meet essential expenditure then a recommendation is to be made to Head of Pensions Administration about next course of action. The recommendation should refer to

- a. Charge to be applied
- b. Reason charge is applicable
- c. Impact of PSED consideration
- d. Proposed course of action – this may be a waiver, discount, payment arrangement, apply the fee or other approach as may be appropriate in the circumstances.

b. Roles and responsibilities

The Head of Pensions Administration shall be the decision maker as to whether the recommendation be accepted. The decision shall be recorded in the Fund Decision and Action log.

Six months after the decision is made by the Head of Pensions Administration, the financial information provided to support the request must be deleted unless a complaint has been received about the decision. This will be done by the officer processing the request.

c. Data Protection

The member data sought through the application of this policy will be stored in a secure folder that has limited access rights. Data will be deleted six months after a decision is made, this is in line with the period available to raise a complaint under the Fund's Internal Dispute Resolution Policy.

Data subjects have the right to refuse to provide this data, but if they do so a financial hardship assessment will not be carried out.

This policy has been through a Data Protection Impact Assessment (DPIA) process.

Appendix A – Template to request data for decision to waive fee

Dear [Name]

Thank you for your request for [request].

As you know the East Sussex Pension Fund would normally apply a fee for providing this information. Where someone is in financial hardship and unable to pay the fee, we are willing to consider waiving the payment. However, we have to act fairly in respect of all our stakeholders; so we need to make sure it appropriate for the costs involved to be borne by the wider membership.

To allow us to review whether you are in financial hardship, please would you provide me with a copy of your last 6 month's bank statements. This should include any savings accounts you hold. We will use this information to verify your request.

*For your information, financial hardship is defined as **having insufficient income to meet essential expenditure**.*

Please note, if you do not consent to us obtaining this information we will not be able to consider your request that the fee be waived.

Should you provide these documents we will hold them for 6 months after a decision is made about your request for the fee to be waived.

Yours sincerely

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GOVERNANCE AND COMPLIANCE STATEMENT

June 2021

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Governance Policy Statement

Introduction

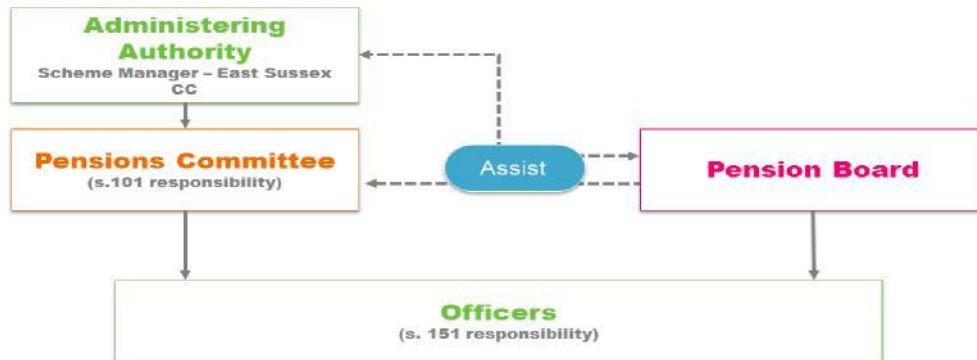
1. This is the Governance Policy Statement of the East Sussex Pension Fund (the Fund), which is managed by East Sussex County Council, the Administering Authority (Scheme Manager) on behalf of all the relevant employer bodies in the Fund. All Local Government Pension Scheme (LGPS) Funds in England and Wales are required to publish and keep under review a Governance Compliance Statement.
2. The Governance Compliance Statement of the East Sussex Pension Fund is comprised from the Compliance to Statutory Guidance Statement and a Governance Policy Statement. The Public Services Pensions Act 2013 (The Act) introduces a new framework for the governance and administration of public service pension schemes. The Act has a material impact on existing governance arrangements in the Local Government Pension Scheme (LGPS), which are enforced by changes to the LGPS regulations.
3. As a result of the Act, The Pensions Regulator introduced codes of practice covering specific areas relating to public sector pension schemes. The changes to the Fund because of the good governance review, concluded in 2020, require revisions to the existing East Sussex Pension Fund Governance Compliance Statement. It is noted that The Pensions Regulator intends to make changes to its Codes of Practice and the potential impact on the Fund is being monitored.
4. As Administering Authority, East Sussex County Council is the designated statutory body responsible for administering the East Sussex Pension Fund on behalf of the constituent Scheduled and Admitted Bodies in the relevant area. The Local Government Pension Scheme Regulations specify that, in investing the Fund's money, regard must be given to the need for diversification and for proper advice obtained at reasonable intervals.

Governance of East Sussex Pension Fund

5. East Sussex County Council operates a Cabinet style decision-making structure. Under the Constitution, the Pension Committee has delegated authority to exercise the powers of the County Council in respect of the pensions of all employees of the Council (except teachers), including the approval of the Fund admission agreements. It also has authority for the management of the Fund.
6. The Fund governance focuses on:
 - The effectiveness of the Pension Committee, the Local Pension Board (Pension Board) and officers to which delegated function has been passed, including areas such as decision making processes, knowledge and competencies.
 - The establishment of policies and their implementation.
 - Clarity of areas of responsibility between officers and Pension Committee/Board members.
 - The ability of the Pension Committee/Board and officers to communicate clearly and regularly with all stakeholders.
 - The ability of the Pension Committee/Board and officers to ask for the appropriate information and advice and to interpret that information in their supervision and monitoring of the Scheme in all areas.
 - The management of risks and internal controls to underpin the framework.

East Sussex Pension Fund

The Overall responsibility for the governance of the Local Government Pension Scheme and for the approval of this document resides with the Pension Committee.



Responsibilities of the East Sussex Pension Committee

7. The Council's Pension Committee is established as the Fund's scheme manager and is responsible for arrangements for the investment, administration and management of the Fund. The Pension Committee is responsible for setting all Fund policies including the setting of the appropriate funding target for the East Sussex Pension Fund.
8. Detailed terms of reference for the Committee are included as **Appendix A**.

Responsibilities of the East Sussex Pension Board

9. To help to ensure that the East Sussex Pension Fund is managed and administered effectively and efficiently and complies with the code of practice on the governance and administration of public service pension schemes issued by The Pension Regulator.
10. To provide assistance to East Sussex County Council as the Administering Authority and the LGPS Scheme Manager in securing compliance with:
 - LGPS Regulations and any other legislation relating to the governance and administration of the LGPS;
 - requirements imposed in relation to the LGPS by The Pensions Regulator;
 - ensure effective and efficient governance and administration of the LGPS; and
 - any other matters as the LGPS regulations may specify.
11. The role of the Pension Board will be oversight of these matters and not decision making. The Board seeks assurance that due process is followed by the Fund.
12. Detailed terms of reference for the Board are included as **Appendix B**.

Operational Procedures of the Pension Committee and Pension Board.

13. The Pension Committee receives and reviews quarterly reports in relation to all its Investment Fund Managers through its Investment Consultant, Isio. The Pension Committee is also advised by an additional Independent Advisor to help balance the advice providing additional challenge and debate to decision making.
14. In addition, the Pension Committee and Pension Board is advised by the County Council's Chief Finance Officer (in their capacity as the Council's designated Treasurer).
15. The Pension Board meets two weeks in advance of the Pension Committee to enable the Board to consider and comment on the reports due to be considered by the Committee. This ensures the Committee takes into account the comments of the Board

East Sussex Pension Fund

ahead of taking decisions, as the Board's minutes are included as part of the Committee agenda pack.

16. The Pension Board and Pension Committee consider reports on Administration of the Fund, the Risk register and any Fund Breaches at all core meetings.
17. Both the Pension Board and Pension Committee have access to professional advice via specialist advisers, where appropriate to work being carried out.
18. Agendas and reports for both the Board and Committee are published on the ESCC website at least 5 working days in advance of the meeting.
19. All meetings are open to the public except where the Board and Committee resolve to exclude the press and public due to the consideration of information that is exempt under section 12A of the Local Government Act 1972.
20. The work plan of both Board and Committee is set out in a work programme agreed at each meeting. This helps the stakeholders understand what will be discussed at future meetings.

Frequency of meetings of the East Sussex Pension Committee.

21. The Pension Committee meets at least 4 times a year.

Frequency of meetings of the East Sussex Pension Board.

22. The Pension Board meets at least 4 times a year.

Membership of the Pension Committee

23. The County Council appoints five members to the Committee in accordance with political balance provisions. All members of the Committee have voting rights.
24. In relation to pension matters, the Committee consider directly all issues relating to pension administration, such as changes in benefit regulation, admission agreements, the Pension Fund Investments, etc.

Membership of the Pension Board

25. In accordance with Regulation 107 of the LGPS Regulations 2014, a Pension Board must include an equal number of employer and member representatives with a minimum requirement of no less than four in total. In considering the size of the East Sussex Pension Board, the Council has taken into consideration number of factors including:
 - The size of the Council's existing Pension Fund governing arrangement and decision making process.
 - The number of scheme members, number and size of employers within the Fund and any collective arrangements in place for them to make decisions or provide input in relation to Fund matters.
 - The direct and indirect cost of establishing and operating the Board.
26. Composition of the East Sussex Pension Board - The Pension Board shall consist of 7 members as follows:
 - Employer representative x 3 (to represent all employers within the scheme)
 - Scheme member representative x 3 (to represent all members of the scheme; active, deferred and pensioners)

- Independent Chair x 1
27. Employer representatives and scheme member representatives have voting rights. The Independent Chair does not have voting rights
 28. Where possible the employer representatives will be appointed to represent each of Brighton and Hove City Council as the second largest scheme employer after ESCC; the five district and borough councils; and all other employers. However, in practice, all will actively represent the full range of employers in the scheme.
 29. An independent chair is appointed to enhance the experience, continuity, knowledge, impartiality and performance of the Board. The chair of the Board is invited to attend Pension Committee meetings where they are able to report back on discussions and recommendations from the Board, to represent the views of the employer and member representatives into Fund decision making.
 30. The term of office for Board members is 4 years. This can be extended following reselection by 2 years.

Pension Board Representatives nomination/appointment

31. The methodology for appointing employer and member representatives is not prescribed by the Regulations. It is therefore up to the Administrative Body's (ESCC) discretion to establish an appropriate process, which has been included within the East Sussex Pension Board constitution and terms of reference. For details see Appendix B to this statement.
32. The term of membership and the impact of seeking representations every 4 years, a phased approach to the term of office for Pension Board members have been developed. Not all Pension Board member's terms of membership come to an end in the same year. This will then ensure that at no point is the Pension Board required to seek nominations for more than 50% of the Board.
33. The ESCC Governance Committee has the delegated authority to either confirm a full appointment of a Pension Board member for 4 years or to agree a temporary extension of the term by 2 years where the same term has not already been extended without a full appointment being made.

Vice Chair appointment

34. Meetings of the Pension Board cannot go ahead without the Chair or Vice Chair present, so there is a risk that a meeting of the Board would not be able to proceed if the Chair is unable to attend for any reason.
35. The Pension Board agreed that in order to maintain the balance between scheme members and employer representation that a scheme member vice chair and an employer vice chair would be nominated from the existing Pension Board members, and that the role of vice chair would alternate between scheme member and employer at each meeting.

Consultation with Employing Authorities

36. All employing bodies are kept informed of current pension issues, such as proposed changes in the regulations and their implications, by quarterly newsletter. They are encouraged to get in touch if they have questions.
37. In addition to these electronic briefings, the Fund holds an annual Employers' Forum to which all scheduled and admitted bodies of the Fund are invited. This was held virtually in 2020, due to the Covid-19 pandemic, but will be re-instigated as a physical event when Government guidelines permit. This annual meeting covers both actuarial and investment issues and always contains a presentation from the Fund's Actuary. The District Councils receive feedback from their representatives on the Pension Board

East Sussex Pension Fund

and are also briefed on pension matters bi-monthly by the Fund's Treasurer at meetings of the East Sussex Financial Officers Association. Update briefings to these meetings are also circulated by email to all other employers in the East Sussex Pension Fund.

- 38. All employees receive periodic newsletter update on pension issues, especially on any changes affecting benefits. These updates are shared with all employers.
- 39. More detail on the approach to communication is covered in the separate Pension Fund Communication Statement.

Working Groups

- 40. The Fund has set up a number of working group to help progress specific projects or areas of focus. The Pension Board are able to initiate working groups to focus on areas that would benefit from focus of the employer or member representatives.
- 41. An update is provided at each Pension Board and Pension Committee meeting to report back on the activities of each working group.
- 42. In 2020/21 the Pension Fund had a Data Improvement Programme working group, an Investment Implementation working group, a McCloud working group and approved the creation of a Communications working group. There was an ESG (Environmental, Social and Governance) working group in operation during 2020 for research purposes but this was disbanded and absorbed into the Investment Implementation working group as it was agreed that ESG should not be considered as a separate issue but should be fully integrated within all investment decisions.
- 43. Each working group has its own terms of reference and membership which is firstly discussed at Pension Board and approved by Pension Committee.
- 44. Both the Data Improvement Programme working group and McCloud working group had member and employer representation during 2020/21.

Conflicts of interest

- 45. A conflict of interest is a financial or other interest which is likely to prejudice a person's exercise of their duties as a member of the Pension Board or Pension Committee. It is not permitted for a Pension Board member to have an actual conflict of interest.
- 46. To prevent conflicts of interest members of the Pension Board, Committee and Officers are required to disclose interests. Potential conflicts are also disclosable as a standing item on the agenda for Board and Committee meetings.
- 47. Where a potential conflict of interests is identified the person with the potential, or perceived, conflict is not able to take part in discussions on the topic, excluded from voting, or otherwise has the conflict managed at the discretion of the Chair or Vice Chair as appropriate.
- 48. The Fund approved its own conflict of interest policy in November 2020, to bring the Fund in line with the findings of the Scheme Advisory Board's (SAB'S) Good Governance Report.

Knowledge and understanding

49. It is a requirement that members of the Pension Board have sufficient knowledge and understanding to carry out their function. Where a new member joins the Pension Board they are to develop this level of knowledge as soon as possible. Whilst the law does not stipulate a timeframe it does for a new trustee of a private occupational scheme and an inference can be drawn the same six-month time period should apply.
50. The SAB's Good Governance Report says that Officers and Committee members should also have sufficient knowledge and understanding to carry out their functions. The Fund's Training Policy is in line with this recommendation and applies to Pension Board and Committee members as well as officers. It is linked to the CIFPA skills matrix.
51. The Fund has recruited a Pensions Training Co-ordinator. This Officer will engage with the Chairs of both the Pension Board and Pension Committee to establish the individual needs of members, as well as liaise with Officers, to develop a detailed training plan. This plan will be in line with the published Training Policy. The amount of spent training will also be recorded.
52. New members of the Pension Board and Committee, along with those already in role and relevant officers, are invited to induction training. Some of this training is provided by the Fund's legal and actuarial advisors.
53. The Fund carried out a training needs analysis in 2020 with Committee and Board members through a knowledge based questionnaire. The results of these training needs lead to the creation of the annual training plan for Board and Committee members.
54. The Fund invite members of both the Board and Committee to a range of inhouse and external training sessions and conferences to help develop their knowledge and skills relevant to their roles. In addition, officers attend training sessions and conferences in compliance with the training strategy and their professional CPD requirements to stay current.

Good Governance report

55. In February 2021 the SAB published an updated version of its report following its review of good governance across the LGPS. This report covers representation, conflicts of interest and knowledge and understanding. The findings of these areas are referred to in the relevant sections above. Additionally, the SAB made a number of recommendations in the areas of service delivery along with compliance and improvement.
56. The SAB recommends that all funds in the LGPS should have a Pension Administration Strategy. The Fund updated and enhanced their policy in 2020 to ensure this is more complete and accessible. This strategy was shared with employers in the Fund as part of a consultation process prior to implementation. The Pension Administration Strategy is also publicly available on the Fund's website.
57. The SAB has also recommended that Fund's obtain a biennial independent governance review. The Fund has undertaken governance reviews with reports being produced by external consultants in both January 2019 and May 2020, highlighting a number of recommendations to Fund governance to be compliant with the recommendations from the SAB good governance projects phase 2 report published in November 2019. The fund finished implementing the recommendations from the second report in November 2020. The Fund has undertaken a series of audits on both administration and internal governance in the past year with the results shared with the Pension Board and

Pension Committee. These reviews were conducted by Orbis Internal Audit team and the Fund is committed to undertaking regular audits, both internally and externally.

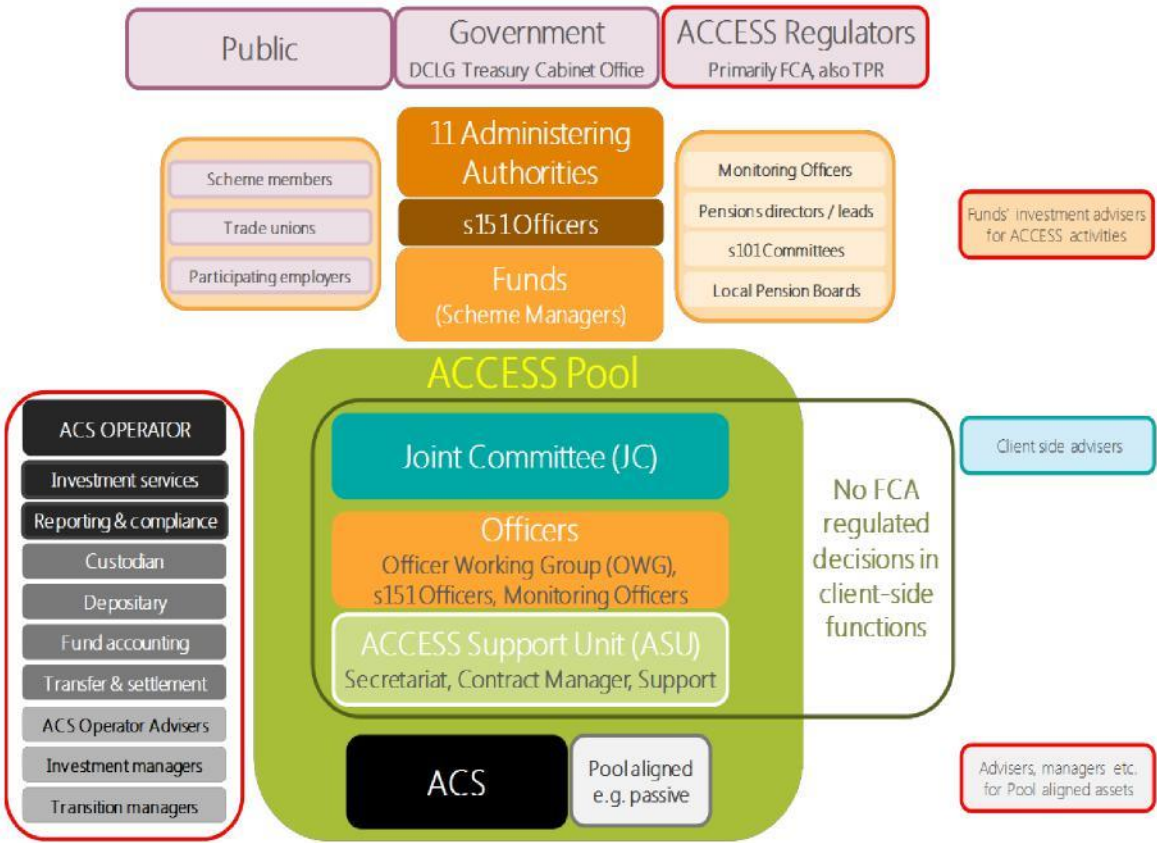
LGPS Asset Pooling Governance - ACCESS Pool

58. ACCESS (A Collaboration of Central, Eastern and Southern Shires) is made up of 11 Local Government Pension Schemes (LGPS) Administering Authorities, which are committed to working together to optimise benefits and efficiencies on behalf of their individual and collective stakeholders, operating with a clear set of objectives and principles that drives the decision making process.

ACCESS Pool Governance

59. The ACCESS Pool is not a legal entity in itself but is governed by the Inter Authority Agreement signed by each Administering Authority. The Inter Authority Agreement sets out the terms of reference and constitution of ACCESS.
60. The formal decision-making body within the ACCESS Pool is the ACCESS Joint Committee. The Joint Committee has been appointed by the 11 Administering Authorities under s102 of the Local Government Act 1972, with delegated authority from the Full Council of each Administering Authority to exercise specific functions in relation to the Pooling of Pension Fund assets.
61. The Joint Committee is responsible for ongoing contract management and budget management for the Pool and is supported by the S151 Officers, Officer Working Group and the ACCESS Support Unit. The Officer Working Group are officers identified by the Administering Authorities whose role is to provide a central resource for advice, assistance, guidance and support for the Joint Committee.
62. The ACCESS Support Unit (ASU) provides the day-to-day support for running the ACCESS Pool and has responsibility for programme management, contract management, administration and technical support services.
63. The Section 151 Officer of each Pension Fund provide advice to the Joint Committee and in response to decisions made by the Joint Committee ensure appropriate resourcing and support is available to implement the decisions and to run the ACCESS Pool.
64. Strategic oversight and scrutiny responsibilities remain with the Administering Authorities as does all decision making power to their own Funds asset allocation and the pooling of assets that each Fund holds within the arrangements developed by the ACCESS Pool.
65. The diagram below sets out the overarching ACCESS governance arrangements.

East Sussex Pension Fund



ACCESS Pool Operator

66. Link Fund Solutions Ltd was appointed to provide a pooled operator service. Link is responsible for establishing and operating an authorised contractual scheme along with the creation of a range of investment sub-funds to meet the needs of the investing authorities enabling them to execute their asset allocation strategies and the appointment of the investment managers to those sub-funds. The operator role is FCA regulated.

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Delegation of Functions

The following functions are delegated by the Administering Authority:

Scheme Administration

Governance Principles: Effective committee delegation; appropriate accountability; rigorous supervision and monitoring

Including, but not exclusively or limited to, record keeping, calculation of and payment of benefits, reconciliation and investment of contributions, preparation of annual accounts, and provision of membership data for actuarial valuation purposes.

The Administering Authority has responsibility for “Scheme Administrator” functions as required by HM Revenues and Customs (HMRC) under the Finance Act 2004.

Delegated to:

Pension Committee (monitoring)

Chief Finance Officer (Pension Fund Governance and Investment implementation)

Funding

Governance Principles: Effective committee delegation; appropriate accountability; written plan policies

Including, but not exclusively or limited to, setting of the appropriate funding target for the Local Government Pension Scheme. The Chief Finance Officer shall be responsible for maintaining the Funding Strategy Statement (FSS). The Pension Committee shall be responsible for approving the FSS.

Delegated to:

Pension Committee (policy approval)

Chief Finance Officer (maintaining FSS and policy implementation)

Investment

Governance Principles: Effective committee delegation; appropriate accountability; written plan policies

Including, but not exclusively or limited to, setting of an appropriate investment strategy or strategies, selection of investment managers, setting of performance benchmarks and regular monitoring of performance. The Pension Committee shall be responsible for maintaining the Investment Strategy Statement (ISS).

Delegated to:

Pension Committee (strategy approval, manager selection, benchmarks, monitoring)

Chief Finance Officer (Pension Fund investment implementation)

Communications

Governance Principle: Effective information flow; written plan policies

East Sussex Pension Fund

Including setting of a communication strategy, issuing of benefit statements, annual newsletters, and annual report. The Pension Committee shall be responsible for maintaining the Communications Policy.

Delegated to:

Pension Committee (policy approval)

Chief Finance Officer (Pension Fund policy implementation)

Risk Management

Governance Principle: Effective committee delegation; appropriate accountability; written plan policies

Including the identification, evaluation and monitoring of risks inherent within the Local Government Pension Scheme. The Pension Committee shall be responsible for approving the Risk Register. The Chief Finance Officer shall be responsible for maintaining the risk register.

Delegated to:

Pension Committee (pension fund risk register approval)

Chief Finance Officer (maintaining the pension fund risk register)

Delegations by the administering authority are published in the Council's constitution which can be accessed at

<https://www.eastsussex.gov.uk/yourcouncil/about/keydocuments/constitution/>

Terms of Reference and Decision Making

Terms of Reference:

Governance Principle: Effective board delegation; written plan policies

The Pension Fund Committee Terms of Reference as approved by Full Council in July 2020 are shown in **Appendix A** to this document.

The Pension Board Terms of Reference as approved by Full Council in July 2020 are shown in **Appendix B** to this document.

Working groups of the Fund have terms of reference that are approved by the Pension Board and Pension Committee.

Administration, Funding, Investment, Communications and Risk Management

In line with the Council's Constitution, the Pension Committee shall oversee Pension Fund administration, funding, investment, communication, risk management and the overall governance process surrounding the Fund.

Any change in relation to the Funding Strategy Statement, is consulted with scheme employers prior to adoption.

Structure of the Pension Committee and representation:

Governance Principle: Effective committee delegation

The Pension Committee shall be made up of:

5 County Councillors appointed by the Governance committee according to the political makeup of the council including the chairman. Decision making quorum of 3 members.

The Pension Board is made up of three Scheme member representatives, to represent all members of the scheme; active, deferred and pensioners; three Scheme employer representatives to represent all employers within the scheme; and an Independent Chair.

Scheme member representatives and Scheme employer representatives are members of working groups.

Scheme employers are invited to an annual employer forum for training and information on developments within the scheme. Employers are able to raise topics of interest for this forum and ask questions of officers and advisers as required at the event.

The Fund created an Employer Engagement team to specifically focus on improving the information sharing and support to scheme employers.

Decision Making:

Governance Principle: Effective committee delegation; rigorous supervision and monitoring

The Pension Committee shall have full decision-making powers. Each member of the Pension Committee shall have full voting rights.

Operational Procedures

Frequency of Meetings:

Governance Principle: Effective board delegation; effective information flow

The Pension Committee shall meet quarterly. The Pension Committee shall receive full reports upon all necessary matters as decided by the Chief Finance Officer, and any matters requested by members of the Pension Board for consideration by the Committee. Provision exists for the calling of special meetings if circumstances demand.

The Pension Board shall meet quarterly. The Pension Board shall receive full reports upon all necessary matters as decided by the Chief Finance Officer. Generally, the Pension Board receive the same reports as Pension Committee, excluding Investment reports. Pension Board then feed comments back to Committee in advance of decisions being made.

Competencies, Knowledge and Understanding:

Governance Principle: Effective board delegation; appropriate accountability

Officers and Members of the Pension Committee shall undertake training to ensure that they have the appropriate knowledge, understanding and competency to carry out the delegated function. This is laid out in the approved training strategy for the Fund.

Pensions Board have a statutory obligation to carry out sufficient knowledge and skills training.

It is recommended that such knowledge, understanding and competency are evaluated on an annual basis to identify any training or educational needs of the Officers, the Pension Committee and the Pensions Board.

Reporting and Monitoring:

Governance Principle: Rigorous supervision and monitoring; effective information flow

i) Pension Board

The Pension Board is established by the administering authority to assist in securing compliance with the LGPS Regulations, any other legislation relating to the governance and administration of the scheme, and any requirements imposed by The Pensions Regulator.

The Pension Committee shall:

- Provide the Pension Board with adequate resources to fulfil its role.
- Consider and respond to reports from the Pension Board within a reasonable period of time.

The Pension Board minutes are considered at the start of each Pension Committee meeting to ensure views of Board are taken into account for effective decision making.

The Pension Board

The role of the Pension Board, as defined by Regulation 106 of the Local Government Pension Scheme Regulations 2013, is to assist the Administering Authority:

- to secure compliance with:
 - i) The scheme regulations;

- ii) any other legislation relating to the governance and administration of the LGPS Scheme and any connected scheme;
 - iii) any requirements imposed by The Pensions Regulator in relation to the LGPS Scheme.
- to ensure the effective and efficient governance and administration of the LGPS Scheme.

Terms, Structure and Operational Procedures

The Pension Board's Terms of Reference as approved by Full Council in July 2020 are shown in **Appendix B** to this document.

Review of Governance Policy Statement

Responsibility for this document resides with the Chief Finance Officer and will be reviewed by no less frequently than annually. This document will be reviewed if there are any material changes in the administering authority's governance policy or if there are any changes in relevant legislation or regulation.

Pension Committee terms of reference and membership

(a) Membership

- (i) The East Sussex Pension Committee will be composed of five members of East Sussex County Council, determined by the Council at the Council's Annual Meeting. (N.B. When making nominations Members should have regard to the need to ensure a balance of experience and continuity).
- (ii) Named substitutes are permitted for East Sussex County Council members.

Terms of Reference

The Pension Committee's will exercise on behalf of East Sussex County Council all of the powers and duties in relation to its functions as the Scheme Manager and Administering Authority for the East Sussex Pension Fund except where they have been specifically delegated to another Committee. The Pensions Committee will exercise its functions in accordance with the fiduciary duties of the Council as the administering authority of the East Sussex Pension Fund.

The Pension Committee will have the following specific roles and functions, taking account of advice from officers and the Fund's professional advisers.

- (i) Ensuring the Fund is administered, managed and pension payments are made in compliance with the regulations and having regard to statutory guidance that govern the operation of the Local Government Pension Scheme from time to time, and other legislation.
- (ii) Determining the Fund's aims and objectives, strategies, statutory compliance statements, policies and procedures for the overall management of the Fund, including but not limited to funding, investment, administration, communication and governance.
- (iii) Determining how the various administering authority discretions are operated for the Fund.
- (iv) Monitoring the implementation of all Fund policies and strategies on an ongoing basis.
- (v) In relation to the LGPS ACCESS Pension Fund Pool;
 - a. considering pooling matters including recommendations made by the ACCESS Joint Committee;
 - b. determining the transition of the assets held by East Sussex Pension Fund in relation to the Pool and the funds or sub-funds operated by the Operator;
 - c. recommending to the Governance Committee a member of the East Sussex County Council Pension Committee to the Joint Committee as and when required, having regard to the advice of the Head of Pensions;
 - d. appointing an East Sussex County Council officer to working groups such as the Officer Working Group and Onboarding Sub-Group as and when required;
 - e. advising the representative on the Joint Committee and Officer Working Group on such matters as may be required;

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- f. monitoring the performance of the LGPS ACCESS Pool and its Operator and recommending actions to the ACCESS Joint Committee, Officer Working Group or ACCESS Support Unit, as appropriate;
 - g. receiving and considering reports from the LGPS ACCESS Joint Committee, Officer Working Group and the Operator;
 - h. undertaking any other decisions or matters relating to the operation or management of the LGPS ACCESS Pool as may be required, including but not limited to appointment, termination or replacement of the Operator and approval of the strategic business plan.
-
- (vi) Making arrangements for actuarial valuations, ongoing monitoring of liabilities and undertaking any asset/liability and other relevant studies.
 - (vii) Making decisions relating to employers joining and leaving the Fund. This includes approving which employers are entitled to join the Fund, and any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund.
 - (viii) Agreeing the policy for exit credits and terms on which employers may leave the Fund. Approving decisions on cessations, post cessation arrangements, guarantees and bonds.
 - (ix) Agreeing the terms and payment of bulk transfers into and out of the Fund.
 - (x) Ensuring robust risk management arrangements are in place, considering and making recommendations in relation to the internal audit strategy and internal audit report pertaining to the management of the fund and reviewing its findings.
 - (xi) Agreeing the Fund's annual business plan and annual and medium term budgets, and monitoring progress against them.
 - (xii) Selection, appointment and dismissal of the Fund's advisers and suppliers, including actuary, benefit consultants, investment consultants, global custodian, fund managers, lawyers, pension fund administrator, Additional Voluntary Contribution providers and independent professional advisors. This includes determining the services to be provided and monitoring those services, including where this relates to shared services arrangements.
 - (xiii) Agreeing the Fund's Knowledge and Skills Policy and monitoring compliance with the policy.
 - (xiv) Agreeing the Administering Authority responses to consultations on LGPS matters and other matters where they may impact on the Fund or its stakeholders.
 - (xv) Considering views expressed by employing organisations and staff representatives in relation to the operation of the East Sussex Pension Fund.
 - (xvi) Considering the Fund's financial statements and approving an Annual Report on the activities of the Fund in line with legislation and guidance.
 - (xvii) Considering the Breaches Register at every quarterly Pension Fund meeting and reviewing recommendations from the Pensions Board.

Notes: 1. No matters relating to East Sussex County Council's responsibilities as an employer participating within the East Sussex Pension Fund are delegated to the Pension Committee.

Notes: 2 As a Non-Executive Committee, no matters relating to the Pension Fund's non-executive responsibilities as Scheme Manager are delegated to an Executive of East Sussex County Council.

Notes: 3 The Committee's primary contacts will be the Head of Pensions, Chief Finance Officer and its retained advisors

Training

The East Sussex Pension Fund has a dedicated Knowledge and Skills Policy which applies to all members of the Committee and which includes the expectation to attend regular training sessions in order they may maintain an appropriate level of knowledge and skills to perform their role effectively.

Constitution and terms of reference of the East Sussex Pension Board

Introduction

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

Objectives and role of the Pension Board

- (vi) The role of the Pension Board is defined by the LGPS Regulations as being to assist the Scheme Manager (ESCC as Administering Authority) to:
 - a. secure compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the LGPS and requirements imposed in relation to the LGPS by the Pensions Regulator
 - b. ensure the effective and efficient governance and administration of the LGPS. This should be interpreted as covering all aspects of governance and administration of the LGPS including funding and investments.

- (vii) In doing this the Pension Board:
- a. shall assist the Scheme Manager with such matters as the LGPS Regulations and guidance may specify
 - b. shall seek assurance that due process is followed with regard to Pension Committee and may review any decisions made by or on behalf of the Scheme Manager or action taken by the Scheme Manager
 - c. shall seek assurance that any identified issues raised by Pension Board members are considered
 - d. shall comment on and assist in identifying and managing breaches of the law in relation to ESPF matters
 - e. shall make representations and recommendations to the Pension Committee as appropriate and shall consider and, as required, respond to any Government / Responsible Authority or Scheme Advisory Board requests for information or data concerning the Fund
 - f. may also undertake other tasks, including (but not limited to):
 - i. assisting the Pension Committee by reviewing aspects of the performance of the ESPF – for example by reviewing the risk management arrangements within ESPF (although the Pension Committee will remain accountable for risk management);
 - ii. reviewing administration standards or performance or review efficacy of ESPF member and employer communications; or reviewing published policies to ensure they remain fit for purpose and are complete;
 - iii. reviewing ESPF annual reports; or being part of any consultation process with the purpose of adding value to that process based on, for example, their representation of employers and ESPF members;
 - iv. discussing strategic matters such as communications where requested by the Pension Committee.
 - g. will produce an annual report which is shared with the Scheme Manager. It will outline the work of the Pension Board throughout the scheme year, which will help to –
 - i. inform all interested parties about the work undertaken by the Pension Board
 - ii. assist the Pension Board in reviewing its effectiveness and identifying improvements in its future operations.
 - h. shall carry out an annual self-assessment of the effectiveness of the Pension Board, and produce a report on this which will be shared with the Pension Committee.
 - i. must provide a record of each meeting to the following Pension Committee meeting and may make reports and recommendations to the Pension Committee insofar as they relate to the role of the Pension Board
 - j. shall assist in considering whether the East Sussex Pension Fund is being managed in accordance with the LGPS and other relevant legislation, including consideration of cases that have been referred to the Pension Regulator and/or the Pension Ombudsman; recommending changes to processes, training and/or guidance where necessary
 - k. shall monitor administrative processes and support continuous improvements
 - l. will ensure the scheme administrator supports employers to communicate the benefits of the LGPS to scheme members and potential new members.

Membership

- (viii) The Pension Board shall consist of:
- a. 3 employer representatives - employer representatives that can offer the breadth of employer representation for the ESPF.
 - b. 3 scheme member representatives – member representatives nominated to ensure a broad representation of scheme membership (active, deferred, and pensioners) to include:

1. two will be nominated by the trade unions, and
 2. the rest will be drawn from the total ESPF active, deferred and pensioner membership.
- c) 1 Independent Chair.
- (ix) The Pension Board shall be chaired by an Independent Chair.
 - (x) Substitutes for Board members are not permitted.
 - (xi) The Quorum of the Board will be 3 Members, excluding the Independent Chair. To be quorate the meeting must include at least one employer representative and one scheme member representative.
 - (xii) The Board has the power to set up working groups

Appointment of members of the Pension Board

- (xiii) The appointment process has been approved by the Governance Committee.
- (xiv) All appointments to the Pension Board shall be by the Governance Committee under delegated authority from the County Council, including the Independent Chair. The Vice Chair will alternate between scheme member representatives and employer representatives at each meeting. The Vice Chairs will be nominated from the existing Board members whenever one of the existing Vice Chairs is replaced.
- (xv) Appointments to the Pension Board shall be managed, wherever possible, so that appointment and termination dates are staggered such that there remains continuity for one meeting to the next.

Term of office

- (xvi) Employer representative appointments will expire after a 4 year period from their date of appointment by the Governance Committee or such time as resolved by the Governance Committee. The Governance Committee may agree an extension to this period by up to a further 2 years after which there shall be a further appointment process. Reappointment of existing members is permitted. Appointment will automatically cease if the individual is no longer in the employment of that employer, no longer holds office in relation to that employer or is no longer an elected member of that employer, as appropriate.
- (xvii) Scheme member representative appointments will expire after a 4-year period from their date of appointment by the Governance Committee or such time as resolved by the Governance Committee. The Governance Committee may agree an extension to terms of office up to a further 2 years after which there shall be a further appointment process. Reappointment of existing members is permitted. Appointment will automatically cease if the individual is no longer a trade union representative or representative of ESPF members (in accordance with the criteria set by the Governance Committee).
- (xviii) The Independent Chair appointment will expire after a period of 4 years from their date of appointment by the Governance Committee. The Governance Committee may agree an extension to terms of office by up to a further 2 years after which there shall be a further appointment process. Reappointment of the Independent Chair is permitted.
- (xix) Term dates may not be exact due to the period of the appointment process. The term of office may therefore be extended for this purpose or other exceptional circumstances by up to three months with the agreement of the Governance Committee.
- (xx) A Pension Board member who wishes to resign shall submit their resignation in writing to the Independent Chair. A suitable notice period must be given, of at least 1 month, to enable a replacement member to be found.
- (xxi) The role of the Pension Board members requires the highest standards of conduct and the ESCC Code of Conduct for Members will apply to the Pension Board's members. ESCC Standards Committee will monitor and act in relation to the application of the Code.

- (xxii) Poor performance will result in corrective action being taken, and in exceptional circumstances the removal of the Pension Board member by the Governance Committee.
- (xxiii) Removal of the Independent Chair will be by the Governance Committee.

Chairing

- (xxiv) It will be the role of the Chair to –
 - a. Settle with officers the agenda for a meeting of the Pension Board
 - b. Manage the meetings to ensure that the business of the meeting is completed
 - c. Ensure that all members of the Pension Board show due respect for process and that all views are fully heard and considered
 - d. Strive as far as possible to achieve a consensus as an outcome
 - e. Ensure that the actions and rationale for decisions taken are clear and properly recorded
 - f. Uphold and promote the purpose of the Pension Board, and to ensure that meetings are properly conducted and professional advice is followed
 - g. To use their expertise and experience and liaise with the Head of Pensions to arrange such advice as required subject to agreement by the Head of Pensions on such conditions as that officer determines
 - h. Sign the minutes of each Pension Board meeting following approval by the Board
 - i. Prepare with the Head of Pensions an appropriate budget for the Pension Board's consideration before being formally considered by the Scheme Manager along with the ESPF Annual Budget
 - j. Liaise with officers and advisors on the requirements of the Pension Board, including advanced notice for Scheme Manager officers to attend and arranging dates and times of Board meetings
 - k. Provide guidance on all points of procedure and order at meetings having regard to advice from officers
 - l. Other tasks which may be deemed appropriate by the Scheme Manager for the Independent Chair of the Pension Board
 - m. Liaise with the Chair of the Pension Committee as deemed appropriate
 - n. Other tasks that may be requested by the Board, within the remit of these Terms of Reference and subject to agreement with the Head of Pensions
 - o. Annually review and report on the activities of the Pension Board
 - p. Commission a triennial review of LGPS & public pension fund non-statutory best practice guidance (referencing the SAB & other relevant bodies deemed relevant by the Board) which then brings recommendations to the Committee (when appropriate) for amendments to the operation of the Fund. Support arrangements and administration
- (xxv) ESCC officers will provide governance, administrative and professional support to the Pension Board, and ESCC Member Services will provide secretariat support to the Pension Board, and as such will ensure that:
 - a. meetings are timetabled for at least four times per year
 - b. adequate facilities are available to hold meetings
 - c. an annual schedule of meetings is produced
 - d. suitable arrangements are in place to hold additional meetings if required
 - e. papers are distributed 5 clear working days before each meeting except in exceptional circumstances
 - f. draft minutes of each meeting are normally circulated 7 working days following each meeting including all actions, decisions and matters where the Pension Board was unable to reach a decision will be recorded
 - g. final reports, minutes and agendas relating to the Pension Committee are shared appropriately with the Board.

- (xxvi) The records of the meetings may, at the discretion of the Board, be edited to exclude items on the grounds that they would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A (2) of that Act.
- (xxvii) The minutes and any consideration of the Pension Board shall be submitted to the Pension Committee.
- (xxviii) The Pension Board must comply with the General Data Protection Regulation and the Scheme Manager's data protection policy. It must also adhere to the Scheme Manager's requirements, controls and policies for Freedom of Information Act compliance.

Expert advice and access to information, including the Pension Committee

- (xxix) The Pension Board will have access to professional advice and support provided by officers of ESCC and, via them and where appropriate, advisers to the ESPF. In addition, Pension Board members will receive the final reports, minutes and agendas relating to the Pension Committee, save where the Committee expressly decides otherwise such as where an item is exempt, although this is anticipated to be in exceptional cases.
- (xxx) Insofar as it relates to its role, the Pension Board may also:
 - a. request information and reports from the Pension Committee or any other body or officer responsible for the management of the Fund
 - b. examine decisions made or actions taken by the Pension Committee or any other body or officer responsible for the management of the Fund.
 - c. access independent professional advice from actuaries, other independent advisers, and investment managers as required, where there are major matters being considered, i.e. investment strategy, triennial valuation, etc.,
 - d. access to professional advice regarding non-major decisions will require the approval of the Pension Committee for additional resources
 - e. attend all or any part of a Pensions Committee meeting unless they are asked to leave by the Committee or as a result of a conflict of interest.
- (xxxi) ESCC officers will provide such information as is requested that is available without incurring unreasonable work or costs.

Knowledge and Skills

- (xxxii) Pension Board members will be required to have the 'capacity' to carry out their duties and to demonstrate a high level of knowledge and of their role and understanding of:
 - a. the scheme rules (i.e. regulations)
 - b. the schemes administration policies
 - c. the Public Service Pensions Act (i.e. being conversant with pension matters relating to their role) and the law relating to pensions.
- (xxxiii) A programme of updates and training events will be organised by ESPF officers.
- (xxxiv) It is for individual Pension Board members to be satisfied that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the Pension Board.
- (xxxv) In line with this requirement, Pension Board members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date. Pension Board members are therefore required to:
 - a. participate in training events (a written record of relevant training and development will be maintained)

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

Standards and Conflicts of Interest

- (xxxvi) A conflict of interest is defined in the Public Service Pensions Act 2013 as: "in relation to a person, means a financial or other interest which is likely to prejudice the person's exercise of functions as a member of the Pension Board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme)."
- (xxxvii) The Public Service Pensions Act 2013 requires that members of the Pension Board do not have conflicts of interests. As such all members of the Pension Board will be required to declare any interests and any potential conflicts of interest in line with legal requirements in the Public Service Pensions Act 2013 and the Pension Regulator's code. These declarations are required as part of the appointment process, as well as at regular intervals throughout a member's tenure.
- (xxxviii) The Pension Board shall adopt a policy for identifying and managing potential conflicts of interest.
- (xxxix) Members of the Pension Board must provide, as and when requested by the Scheme Manager, such information as the Scheme Manager requires to identify all potential conflicts of interest and ensure that any member of the Pension Board or person to be appointed to the Pension Board does not have a conflict of interest at appointment or whilst a member of the Pension Board.
- (xl) Part 5(1) of ESCC Code of Conduct shall apply in relation to the standards of conduct of Pension Board members, insofar as they can be reasonably considered to apply to the role of members of the Board, including the non-disclosure of confidential information.
- (xli) Members of the Pension Board must adhere to the requirements of the ESPF Procedure for Monitoring and Reporting Breaches of the Law and should be mindful of the individual legal requirements in Section 70 of the Pensions Act 2004 relation to reporting breaches of the law in relation to ESPF matters.

Access to the Public and Publication of Pension Board information

- (xlii) Members of the public may attend the Pension Board meeting and receive papers, which will be made public in accordance with the Access to Information Rules in ESCC's Constitution.
- (xliii) In accordance with the Public Service Pensions Act 2013, ESCC is required to publish information about the Pension Board and up-to-date information will be posted on the ESPF website showing:
 - a. Names of and information regarding the Pension Board members
 - b. How the scheme members and employers are represented on the Pension Board
 - c. Responsibilities of the Pension Board as a whole
 - d. Full terms of reference and policies of the Pension Board and how it operates.
- (xliv) In accordance with good practice, ESPF may publish other information relating to the Pension Board as considered appropriate from time to time and which may include:
 - a. the agendas and meeting records
 - b. training and attendance logs
 - c. an annual report on the work of the Pension Board.

- (xlv) All or some of this information may be published using the following means or other means as considered appropriate from time to time:
 - a. on the ESPF website – <https://www.eastsussex.gov.uk/yourcouncil/pensions/members/>
 - b. on the ESCC website – <http://www.eastsussex.gov.uk>,
 - c. within the ESPF Annual Report and Accounts,
 - d. within the ESPF's Governance Policy and Compliance Statement.
- (xlvi) Information may be excluded on the grounds that it would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act.

Expense reimbursement, remuneration and allowances

- (xlvii) All Pension Board members will be entitled to claim travel and subsistence allowances for attending meetings relating to Pension Board business (including attending training) at rates contained in the Members' Allowances Scheme in the ESCC's Constitution. In addition, scheme member representatives may be paid an allowance equivalent to the co-optees' allowance in the ESCC Scheme of Members' Allowances in relation to time spent at meetings and training events relating to their role as a ESPF Pension Board member, unless they are attending they are attending during their normal working day without a reduction in pay or leave (in which case no allowance will be paid for that time).
- (xlviii) The Independent Chair's remuneration will be approved by the Governance Committee following consultation with the Chair of the Pension Committee.
- (ii) All costs will be recharged to the Fund.

Accountability

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

Decision Making Process

- (li) Employer representatives and scheme member representatives have voting rights, albeit the Pension Board is expected to operate on a consensus basis. The Independent Chair does not have voting rights.
- (lii) In the event of an equal number of votes being cast for or against a proposal there shall be no casting vote but the proposal shall be considered to have been rejected. The Scheme Manager shall be alerted when a decision is reached in this manner.

Reporting and escalation

- (liii) The Pension Board must provide minutes of each meeting to the following Pension Committee meetings and may make reports and recommendations to the Pension Committee insofar as they relate to the role of the Pension Board. Any such reports or recommendations must be provided in advance of the next Pension Committee meeting to the S151 Officer.
- (liv) An annual report of the Pension Board must be provided to the S151 Officer, the Monitoring Officer, the Pension Committee, and the Audit Committee and be published in the Fund's Annual Report and Accounts.
- (lv) Where the Pension Board considers that a matter brought to the attention of the Pension Committee has not been acted upon or resolved to their satisfaction, the Pension Board will provide a report to the Monitoring Officer.
- (lvi) The Breaches Register will be presented at each meeting and considered by the Pension Board who may make recommendations to the Pension Committee.

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

- (lvii) These Terms of Reference have been agreed by ESCC. The Council will monitor and evaluate the operation of the Pension Board and may review these Terms of Reference and Rules of Procedure from time to time.
- (lviii) These Terms of Reference are incorporated into the Council's Constitution and published on the Council's website and may be amended by the same means as permitted for the Constitution. It will also form part of the ESPF's Governance Policy and Compliance Statement which will be made available in accordance with the requirements of the LGPS Regulations.

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Report to: Pension Board

Date of meeting: 1 June 2021

By: Chief Finance Officer

Title: Abatement Policy Review

Purpose: To inform members of the Pension Board of a proposed change to the Administering Authority policy on abatement.

RECOMMENDATION

The Pension Board is recommended to note the proposed amendments to the policy on abatement.

1. Background

1.1. This report provides the Board with information regarding the reduction or suspension of a Local Government Pension on account of further employment within Local Government after an individual has retired (Abatement).

2. Supporting information

2.1. Abatement is a technical term regarding the reduction or suspension of a Local Government Pension Scheme (LGPS) pension where a pensioner has entered into further local government employment. If the annual salary in the second local government employment plus the pension in payment exceed the annual salary at the initial retirement, the pension may then be reduced in part or in full, for the duration of the subsequent local government employment.

2.2. Until 31 March 1998 abatement of pensions was mandatory. However, from 1 April 1998 to 31 March 2014 abatement was at the discretion of the Administering Authority. Following the introduction of new scheme regulations with effect from 1 April 2014, abatement ceased to be applicable for service after this date. Accordingly, a scheme member who only has LGPS membership from 1 April 2014 cannot be subject to abatement.

2.3. Abatement can only apply where an employee is eligible to join the LGPS in their post retirement employment. For example, those over the age of 75, those employed via an agency or on a consultancy basis would not have access to the LGPS and would therefore not be subject to abatement. The criteria for abatement is based upon eligibility, and so an employee who does have access to the LGPS would be subject to abatement, even in circumstances where they have chosen to opt out. A pension payable to the spouse or partner of a former local government employee, cannot be abated if the spouse/partner enters local government employment

2.4. Under the terms for 'flexible' retirement within the LGPS, a scheme member aged 55 or over may, with the agreement of the employer, reduce working hours or take a pay grade reduction and receive the LGPS pension and ongoing salary without being subject to abatement.

2.5. Currently, the Pensions Administration Team receive a number of requests from retired members for a calculation of the maximum earnings permitted before abatement will apply, ensuring no reduction is applied to their pension in payment as a consequence of any new employment. Alternatively, members may work via a third party, avoiding eligibility of access to the LGPS and therefore avoiding abatement. These practices can be to the detriment of the new

scheme employer because the individual restricts their working hours or because the scheme employer incurs additional costs as a result of employing via an agency or contractor/consultant.

2.6. As a consequence, and in spite of being informed of the need to notify the Administering Authority if once retired, further employment is taken up where the person is eligible to join the LGPS, abatement has disproportionate effect on the unwary pensioner who may take up new employment and subsequently be presented with a bill for overpaid pension having forgotten to declare their re-employment.

2.7. As the table below shows a summary of the abatement policy for administering authorities across the country (excluding London):

Policy	Number of Administering Authorities
Full Abatement	3
Partial Abatement	21
No Abatement	20
Unable to establish policy	9

2.8. A decision to cease abatement for all post April 1998 pensions will allow for fairer treatment for all pensioners, as this is currently only enjoyed by pensioners with only post 2014 scheme membership.

2.9. The change in pensions rationale over the last few years, seen with the introduction of “Pension Freedoms”, has allowed active and deferred scheme members to access reduced pensions at a date of their choosing, but the continued use of abatement appears to be in conflict with this shift in policy.

2.10. Within the context of Covid-19, on 19 March 2020 a letter was issued to the Chairs of all LGPS Pension Committees by Councillor Roger Phillips, Chair of the Scheme Advisory Board confirming that following a government programme to encourage recently retired health and social care staff to return to work, it was the intention of Government that those returning to employment should not suffer any impact on the public service pension they currently receive. Consequently, requiring the suspension of abatement in such cases.

2.11. The absence of abatement provisions from The LGPS Regulations 2013 means that any employee who leaves on or after 1 April 2014 cannot have their post 1 April 2014 pension benefits abated. However, abatement provisions in regulations 70 and 71 of the Local Government Pension Scheme (Administration) Regulations 2008 continue to have effect in relation to pensions in payment deriving from the pre 1 April 2014 pension schemes regardless of when payment of those pensions commenced by virtue of Regulation 3(13) of the Local Government Pension Scheme (Transitional) Regulations 2014.

2.12. Under regulation 70, the administering authority must keep under review its policy concerning abatement that is, the extent if any, to which the amount of retirement pension payable to a member and applicable to period prior to 1 April 2014, should be reduced (or whether it should

be extinguished) where the member has entered a new employment with a scheme employer within the local government pension scheme.

2.13. In formulating its policy concerning abatement, the administering authority must have regard to:

- the level of potential financial gain at which it wishes abatement to apply;
- the administrative costs which are likely to be incurred as a result of abatement in the different circumstances in which it may occur; and
- the extent to which a policy not to apply abatement could lead to a serious loss of confidence in the public service.

2.14. When reviewing its existing abatement policy, the Administering Authority must have regard to the matters set out above. If, as a result of reviewing its policy concerning abatement, a decision is taken to amend the abatement policy, it must publish a statement of the amended policy before the expiry of the period of one month beginning with the date of its determination.

2.15. The proposal to be put to the Pension Committee is that East Sussex Pension Fund, subject to period of consultation with scheme employers, take the decision to cease to abate pensions for staff who ceased employment after 1 April 1998 with retrospective effect from 1 April 2021.

2.16. The Fund is not currently able to identify those members where an abatement has been applied, as a result pensioners would need to advise the fund that they believe their pension needs to be reviewed and reinstated to current values. For those who are currently in receipt of an abated pension and their employment ended after 1 April 1998, they will cease to have their pensions abated and will be reinstated to the current values from 1 April 2021 once identified.

3. Conclusion and reasons for recommendations

3.1. The continuing practice of abating pensions in payment due to local government re-employment may be considered to be anomalous now that pensions earned in respect of LGPS membership after 1 April 2014 cannot be abated. Additionally continuation of the current Policy encourages individuals to seek further work in local government as agency workers or as a consultant/contractor.

3.2. Members of the Board are asked to note the report.

IAN GUTSELL
Chief Finance Officer

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Report to: Pension Board

Date of meeting: 1 June 2021

By: Chief Finance Officer

Title: Pension Administration - updates

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

RECOMMENDATION

The Board is Recommended to:

- 1) Note the updates;
 - 2) Make any comments for feedback to the Pension Committee.
-

1. Background

1.1 The Pension Administration Team (PAT) 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. The team also lead on topical administration activities, projects and improvements that may have an impact on members of the Local Government Pensions Service (LGPS).

2. Key Performance Indicators (KPI)

2.1 The Performance Report, for the period April 2020 to March 2021 can be found at **Appendix 1**. The PAT have seen performance numbers fall during the first quarter of 2021 as predicted at the last Board meeting. Some of the team resources had to be diverted in February and March 2021 to support the data migration project with much work required around User Acceptance Testing and two Parallel Runs of pensioner payroll. In January 2021 we completed the highest numbers of tasks for the last year. There were high death case volumes and we were able to re-commence redundancy quotations. With the system blackout period in late March/early April and the bedding in of the new system, we should expect performance to remain at a lower level for April and possibly May.

2.2 Under the Good Governance Review, documents were developed and updated covering the Service Level Agreement (SLA) and Roles & Responsibilities with the future “in-house” PAT. An overview of the proposed all-encompassing high-level insight of the administration service was shared at the last Board meeting. A fee has been agreed with Aquila to implement the new performance measurements and this work should be completed in June 2021. At the same time, they will also add any statutory deadlines and benchmarking data. In the meantime, the Key Performance Indicators (KPI's) presented whilst from the new East Sussex database, continue to be based upon the old internal measurements.

Note – the hardest task to achieve in 2020/21 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”.

2.3 The Orbis Pensions Helpdesk was introduced in November 2019 and their performance for the last 12 months is shown in **Appendix 2**. We are working collaboratively with the Helpdesk Management team to implement an improvement plan covering resourcing, telephony tools, staff

training, back-up plans, smoothing peaks & troughs and ultimately the quality of the customer experience. There is a planned three months transition period before we commence formal performance management against the new East Sussex County Council (ESCC) KPI's.

2.4 The Pension Board is asked to note the KPI report and make any comments for feedback to the Pension Committee.

3. Pension Administration Transfer and Staffing Update

3.1 17 staff were transferred under the Transfer of Undertakings Protection of Employment (TUPE) regulations to East Sussex on 1 December 2020. One interim officer has been recruited to support the projects team. All administration staff are continuing to work from home and none have tested positive for COVID-19. Staff remain in good spirits and we closely monitor their wellbeing. It is not anticipated that staff will be returning to Lewes County Hall before September 2021 at the earliest.

3.2 A Transition Board was been set up to oversee the PAT return to East Sussex. The East Sussex plan had a target transfer date of 1 April 2021 but recognising this was an ambitious target. The key milestones for the project were:

- Project governance & reporting – the principles of disaggregation, regular meetings
- Pension Admin budgets & recharges – reconciliation will take place as at 31 March 2021
- Design of Pension 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

3.3 The migration project key achievements since the last meeting:

- 23/01/21 Member self service portal (MSS) scoping meeting
- 25/01/21 First test data cut successfully migrated to East Sussex (ES) servers
- 03/02/21 ES user profiles/permissions for ES Altair agreed
- 05/02/21 ES database given to PAT to begin testing
- 15/02/21 MSS mock design & all documentation signed-off. Licence & VPN form done
- 15/03/21 Extract of final live Surrey County Council (SCC) data began 18/03/21 Altair UAT and MSS testing complete and blackout period begins (until live)
- 24/03/21 Altair 2nd parallel run testing complete – fully reconciled
- 27/03/21 Final data loaded to ES Altair test
- 09/04/21 Export data from test to ES Altair live
- 13/04/21 MSS go live

3.4 The Pension Board is asked to note the report and make any comments for feedback to the Pension Committee.

4 Projects update

4.1 Data Improvement Project – Phase 2

The keys areas of focus are:

- Pension differences <£100 that were put on hold. **Complete**
- ABS 2019/20 outstanding actions – **Well progressed:**
 - (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
- Outstanding or incomplete items from Phase 1. **Well progressed**
- Common Data report findings that are deemed very high or high risk, namely – **Awaiting Altair Insights in May 21:**
 - (a) 36 false NI 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.

Guaranteed Minimum Pension (GMP) Reconciliation, Rectification and Equalisation

4.2 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 were shared with the Working Group in February to revisit the decisions made about rectification before proceeding.

4.3 In April 2021 Officers reconfirmed the 2019 decision to accept the Fund data over National Insurance Services to Pensions Industry (NISPI) data where discrepancies remain. Once the reconciliation is completed, Mercer can start determining the over and under payments for pensioners. However, there are further set of decisions to be made in advance to enable this to happen. Officers have met and agreed some preliminary decisions (key decisions outlined below) to enable Mercers to model and produce some numbers. It is hoped that most of the decisions will stand but there will be an opportunity for Officers to revisit the assumptions and present the results with the potential for further changes such as de minimis amounts being introduced. It is anticipated the results will be available for the Pension Committee on 12 July 2021.

4.4 Preliminary decisions made:

- Tolerance for deferred members – greater than £0.01 per week.
- Tolerance for pensioners – if the GMP difference <£0.12 per week take no corrective action.
- Any overpayments to date of correction will be written off. Benefits will however be reduced to the correct levels going forwards. Consideration to the messaging and timing of the adjustment to be discussed further with possibly 3 to 6 months' notice.
- Underpaid members should be paid in full and interest added at Bank of England base rate + 1%

4.5 It was noted that officers were guided by central govt policy / public debt regulations and precedents set by other public sector schemes including the NHS and Teachers. The decisions were explained to and noted by the Working Group and will be passed to Mercers to action.

4.6 GMP Equalisation – HM Treasury has decided to abandon the idea of converting GMP benefits in public sector schemes, opting for a permanent extension of full indexation.

i-Connect

4.7 The Heywood's i-Connect module has been tested by East Sussex County Council (as the main employer) and the December payroll data was loaded in January 2021. With the creation of the new East Sussex version of the Heywood's Altair system as part of the dissolution project, the member matching process had to be reapplied for this employer. This has been successfully completed using the March 2021 data. ESCC is now fully onboarded. This impacted our ability to rollout to other larger employers as we wanted, but a number are in well advanced discussions and their payroll providers are building the required data export files.

4.8 The next stage of the i-Connect project is to roll out the i-Connect system to the larger employers in the Fund, alongside other employers that are already using the i-Connect system in other authorities. The team see the i-Connect project is a good opportunity to help cleanse employee data and in time will allow a more efficient method of data transfer between the employer and the Fund. The Employer Engagement team are aware that some employers may find the transition to i-Connect problematic with limits on time and technology. They will offer the relevant time and support to allow for a smooth transition alongside appropriate training.

4.9 A communication was sent to the remaining employers in late February 2021 making sure they are aware of the project and allowing them to ask questions and request further information if needed. It also offered a demonstration and a link to the i-Connect presentation from the November 2020 Employer Forum. By December 2021 we expect to have onboarded a minimum of 50% of employers on to i-Connect, with the anticipation that all employers will be setup and using i-Connect by March 2022, allowing all end of year data to be provided by employers via i-Connect for the 2022 Annual Benefit Statements.

Pension increases as at 1 April 2021

4.10 The main (0.5%) and supplementary pension increases have successfully been processed, with letters issued with the April pay slips and P60's. Very few queries or questions have been received.

£95k exit cap

4.11 On 25 February 2021, the [Restriction of Public Sector Exit Payments \(Revocation\)](#) was made and laid before parliament and came into force on 19 March 2021. We have continued to use the GAD unisex strain factors but otherwise no other change has remained and no redundancy or exit packages are now being restricted.

Annual Benefits Statements (ABS) for 2020/21

4.12 This year the ABS project is being overseen by ES and supported by Surrey (SCC). A bespoke project plan has been prepared and a projects team meets fortnightly to review progress and agree the next batch of tasks.

4.13 Draft template ABS for Active and Deferred members have been created and a testing matrix covering most scenarios created. There are five minor issues found and these have been queried with Aquila Heywood.

4.14 A good proportion of year end data has been received and first reminder has been issued to those who missed the 30 April 2021 deadline. The first batch of data is being validated. The project is very much on track.

5. Conclusion and reasons for recommendations

5.1 The Pension Board is recommended to note the updates and make any comments for feed back to the Pension 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 we go live with a separate database (AH currently installing).

East Sussex Pensions Administration - Key Performance Indicators

	Activity	Measure	Impact	Target	Mar-21		Feb-21		Jan-21		Dec-20		Nov-20		Oct-20		Sep-20		Aug-20		Jul-20		Jun-20		May-20		Apr-20		
	Scheme members	Pensioners, Active & Deferred			79071		79027		78,990		78448		78426		77,920		77,944		77,619		77,706		77,429		75,196		76,851		
	New starters set up				211		211		176		232		530		299		239		205		409		358		128		162		
					Volume	Score	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%	43	100%	29	100%	64	100%	20	100%	28	100%	34	100%	29	100%	17	100%	35	100%	16	100%	33	100%	43	100%	
1b	Award dependent benefits (Death Grants)	within 5 days	H	95%	9	89%	10	100%	9	100%	11	100%	7	86%	18	100%	9	89%	8	100%	6	100%	12	100%	6	100%	4	100%	
2a	Retirement notification acknowledged, recorded and documentation sent	within 5 days	M	95%	84	95%	68	56%	74	94%	43	94%	56	97%	63	96%	52	97%	73	91%	74	92%	68	98%	46	98%	48	96%	
2b	Payment of lump sum made	within 5 days	H	95%	96	87%	99	94%	82	93%	84	99%	85	97%	140	94%	114	94%	127	94%	103	97%	82	97%	88	99%	121	97%	
3	Calculation of spouses benefits	within 5 days	M	90%	24	96%	19	100%	20	95%	8	100%	11	100%	23	100%	13	100%	10	100%	12	100%	16	100%	12	100%	16	100%	
4a	Transfers In - Quote (Values)	within 10 days	L	90%	19	79%	26	74%	23	61%	18	95%	17	100%	21	96%	37	100%	20	95%	12	92%	12	100%	19	95%	6	84%	
4b	Transfers In - Payments	within 10 days	L	90%	22	91%	17	95%	19	95%	5	100%	19	90%	22	100%	10	90%	15	60%	16	88%	12	100%	9	100%	20	95%	
5a	Transfers Out - Quote	within 25 days	L	90%	40	75%	41	93%	28	90%	22	96%	27	97%	33	100%	41	91%	18	100%	20	95%	16	100%	10	100%	18	100%	
5b	Transfers Out - Payments	within 25 days	L	90%	22	87%	12	92%	16	100%	8	100%	20	90%	11	100%	13	85%	8	100%	11	100%	7	86%	6	100%	11	100%	
6a	Employer estimates provided	within 7 days	M	95%	28	68%	30	80%	33	79%	9	89%	12	100%	10	100%	12	84%	54	73%	45	49%	25	72%	7	72%	11	91%	
6b	Employee projections provided	within 10 days	L	95%	14	93%	30	94%	9	100%	9	100%	22	96%	31	94%	19	79%	17	94%	18	84%	12	100%	5	100%	5	100%	
7	Refunds	within 10 days	L	95%	22	100%	24	100%	37	100%	21	100%	32	100%	39	100%	23	100%	32	100%	31	100%	38	98%	16	100%	12	100%	
8	Deferred benefit notifications	within 25 days	L	95%	127	100%	152	100%	203	100%	150	100%	150	98%	146	100%	122	100%	117	100%	160	100%	78	99%	102	100%	139	100%	
TOTAL TASKS COMPLETED					550	91.45%	557	90.84%	617	93.70%	408	98.28%	486	97.53%	591	98.31%	494	95.34%	516	92.64%	543	92.63%	394	96.40%	359	98.30%	454	98.02%	
	Missed target cases				47		51		39		7		12		10		23	5>3days	38		40		14		6		9		
9	Complaints received- Admin										0		0		2		0		6		0		1		0		1		
	Complaints received- Regulatory										0		0		0		0		0		0		0		0		0		
13	Compliments received										0		0		0		0		1		0		0		0		0		
OVER DUE CASES RED-AMBER					Mar-21		Feb-21		Jan-21		Dec-20		Nov-20		Oct-20		Sep-20		Aug-20		Jul-20		Jun-20		May-20		Apr-20		
1b	Award dependent benefits (Death Grants)	Michael Keogh starts 8/4. Steve Plastow leaves 12/5. Lewis Leslie job offer made			1 Overdue by 2 days		30 overdue		4 overdue		1 Overdue by 13 days		1 Overdue by 13 days		1 overdue - 2 days		7 overdue - average by 12 days		6 Overdue - Average 2 days		1 task overdue by 16 days								
2a	Retirement notification acknowledged, recorded and documentation sent				4 Overdue by average of 7 days				6 overdue										8 Overdue by average of 7 days				9 Overdue - 1 by 348 days						
2b	Payment of lump sum made				12 Overdue by average of 4 days				6 overdue										9 overdue - average by 3 days				9 Overdue - 1 by 348 days						
3	Calculation of spouses benefits				1 Overdue by 4 days		9 overdue		8 overdue - average by 32 days		3 Overdue - Average 9 days		1 Task, 5 Days overdue																
4a	Transfers In - Quote (Values)				4 Overdue by average of 7 days						7 overdue				1 task overdue by 1 day				1 case overdue 47 days										
4b	Transfers In - Payments				2 Overdue by average of 17 days		1 overdue				15 overdue - average by 3 days				28 Overdue - Average 8 days														
5a	Transfers Out - Quote				10 Overdue by average of 15 days		3 overdue		1 overdue - 7 days		15 overdue - average by 3 days		7 Tasks, 4 Days overdue average		2 tasks overdue by 2 days on average														
5b	Transfers Out - Payments				9 Overdue by average of 5 days		1 overdue		4 overdue - average 2.5 days		1 overdue - by 37 days		5 Overdue - 1 by 73 days																
6a	Employer estimates provided				4 Overdue by average of 6 days		6 overdue		7 overdue		1 Overdue by 3 days																		
6b	Employee projections provided				1 Overdue by 1 days		2 overdue																						
8	Deferred benefit (DB5YE)	Summary for failed cases			Resources diverted to data migration to support UAT and Parallel runs.		Resources diverted to data migration to support UAT and Parallel runs.		Post received and tasks completed at highest levels in the last 12 months (up 50% on Dec 20). No. of deaths also very high.						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.								
									New structure chart showing new structure and agreed vacancies		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		Ten vacancies		Ten vacancies		Two vacancies		Two vacancies		Two vacancies		Two vacancies		Two vacancies		Two vacancies		One vacancies		Two vacancies				

Michael Keogh starts 8/4. Steve Plastow leaves 12/5. Lewis Leslie job offer made

Performance for the year Apr 20 to Mar 21 inclusive		
Total	Fails	% pass
391	0	100
109	3	97.2
749	67	91.1
1221	62	94.9
184	2	98.9
230	26	88.7
186	16	91.4
314	16	94.9
145	9	93.8
276	73	73.6
191	14	92.7
327	1	99.7
1646	4	99.8
5969	293	95.1

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Appendix 2

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

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

Period	Offered (Calls received)	Handled (Calls answered)	Abandoned (Caller hung up)	Aband %	SLA % (75% of calls within 20 seconds)	Queue %	Abandoned Time
01/04/20 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
01/01/21 to 31/03/21	9,719*	8,299	1,420	14.2%	Jan 12% Feb 21% Mar 48%	Jan 86% Feb 76% Mar 49%	Jan 6.35 Feb 6.51 Mar 4.19

* Since lockdown the telephone service opening times has been restricted (with NO back-up – phone line is 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 reverted back to the pre-pandemic opening times of 9am to 4pm from April 2021.

Helpdesk (website) performance

Period	Calls received	Handled	Abandoned	Abandoned %	SLA %	Queue %	Abandoned Time
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
01/01/21 to 31/03/21	529	435	94	17.77%	Jan 17% Feb 43% Mar 53%	Jan 60% Feb 24% Mar 19%	Jan 3.29 Feb 2.19 Mar 2.36

ESCC Pension Helpdesk Planned Improvement Actions					
Ref.	Action	By when	Status / Update	Next steps	Owner (s)
1	Remove backlog of emails currently impacting resource availability	05-Mar-21	Email backlog reduced from >1,000 down to 170 (15th Feb). Whilst additional resources have been brought in, we have also had to divert some BAU resource into managing the back log. Did not achieve target to clear by the end of February. 13.04.21 Backlog cleared. Working to 3 working day response time.	Continue to monitor	Beth Evans
2	Increase resources available to manage MSS enquiries. Upskill agents to become fully self sufficient.	12-Mar-21	5 new agents have been trained and are now handling email enquiries. The original aim was for these agents to be fully self sufficient by the end of January but lockdown has meant upskilling is taking longer than planned so they are continue to be supported. All 5 agents now taking calls on main line and MSS line with minimal support	Continue to train and support agents to the point where they are self sufficient	Beth Evans
3	Increase resources available for telephone enquiries. Upskill agents to become fully self sufficient.	01-Apr-21	Training on calls is underway with close supervision and support provided by experienced agents through remote call listening. Impact on current performance c50%. Gradual uplift expected over next 6 weeks through to all 5 agents being self sufficient by 1st April. 14.04.21 - All agents are self sufficient.	Monitor agent performance and impact on telephone response stats.	Beth Evans
4	Establish a bank of trained workers available to supplement core team as required.	On going	We now have a pool of trained bank workers to bring in during peaks.	Forward planning for peak or transitional resource requirements	Beth Evans / ESCC
5	Establishing weekly performance review from w/c 15th February.	On going	Weekly reviews in place until further notice		Michelle Marshall

ESCC Pension Helpdesk Forward Plan Actions					
Ref.	Action	By when	Status / Update	Next steps	Owner (s)
6	Develop transition plan for take on of ESCC emails, subject to formal approval.	05-Mar-21	Outline plan and proposed timescales to be agreed in advance of formal approval following Pensions Board (15/2) and Pensions Committee (1/3).	Agree outline plan and timescales. Formalise once approval received. Review plan and arrange interim transfer of emails	Michelle Marshall / ESCC
7	Implement transition plan.	30-Jun-21	Once approval is received, plan is to recruit 2 x FTE with 1 x FTE available from current team to respond to emails from 1st April and full transition to BAU achieved over 3 months to end June 2021. Closing date for advert 25.06.2021. Aim to bring new agents in for 1st April 2021. 3 new agents started on 06.04.21. Training is now underway with support from senior and more experienced agents. Training being carried out in the office and remotely. Aim to handling enquiries with minimal support by 01.07.21	Prepare and implement detailed plan actions. Interview scheduled for w/c 1st March Successful candidates will be offered role on 9th March Monitor agent performance and impact on service levels	Michelle Marshall / ESCC
8	Create senior agent position in helpdesk team	01-Apr	This will provide more support for Beth with training/coaching and role will be to focus on complex ESCC enquiries. Act up current agent and backfill in recruitment round.	Complete	Michelle Marshall
9	Increase availability of telephone opening hours in line with WTA	01-Apr-21	All set up with BT for lines to be open 9 - 4 from 01 April	Complete	Beth Evans
10	Develop email tracking methodology to measure performance vs KPI in WTA	TBC	With automation team to develop an automated count bot to have better insight to email volume and timings.	Will be measured manually from 1st April 2021 until automation is in place	Michelle Marshall
11	Set up and migrate to new ESCC Pension Fund number	01-Apr	New line for ESCC enquiries 0300 200 1022 to be available from 1st April. Telephone line went live on 1st April and reports set up so can monitor ESCC line separately	Set new line up & record messages. Work with ESCC team to create comms plan for new number. Manage transition from current shared number. IVR press button option requested to route ESCC customers to the new line. New IVR go live Monday 15th March. Daily reports to be set up and tested by 20.03.21 Complete	Beth Evans / ESCC
12	Add helpdesk customer feedback stats to monthly reports	01-Mar	Monthly report already sent monthly feedback on pensions admin team. This will show customer feedback results for helpdesk.		Michelle Marshall
13	Work collaboratively on ABS comms	01-Mar	Helpdesk team member to be included in project/attend meetings	Bi-weekly meetings set up with Tim Hillman	Michelle Marshall

ES Helpdesk service levels for helpdesk services post April 21

KPI	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 with 3 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.

Task	Duration	Start	Finish	Description	Proposal	Status	Update	Resource names
Recruitment	6 weeks	24.02.2021	06.04.21	Onboarding process started. Aim to have 3 new agents start on 6th April		Complete	3 agents started on 6th April. Training on schedule and will be handling enquiries unsupported by July 2021	Michelle Marshall Beth Evans
Email Discovery phase	1 week	15.03.21	19.03.21	Set up meeting with ESCC admin team to agree:	Continue to allocate emails as we do currently with WCC enquiries*	Delayed	SCC staff cannot access ESCC inbox without being set up as ESCC staff. Access being arranged by IT&D Meeting set up for 20.04.21 Discuss proposal for interim manual transfer of emails. Access to group email in progress - with IT&D	Julie Pelham Jennie Shuttleworth Tammie Beer Gemma Hamond Amanda Cutter Beth Evans Michelle Marshall
				•How we will handle the emails				
				•How we will escalate to 2nd line during transition				
				•Access to group email				
Transition phase	3 months	06.04.21	01.07.21	Helpdesk to handle specific number of ESCC emails each week from Tuesday 6th April. 6th April -16 April: 50 emails	Senior helpdesk officer, Amanda Cutter to be responsible for handling email enquiries and escalations within the team. The transition phase to be used to build relationship with senior ESCC officers	Delayed	Delayed as above	Tammie Beer Gemma Hamond Amanda Cutter Beth Evans
				19 th April- 3th April- 80 emails				
				Review before agreeing next increase				
					3rd May - 28th May: 100 emails each week 31st May - 30t June: 150 email each week	Delayed		Paul Punter Michelle Marshall Beth Evans
Training	3 months	06.04.21	01.07.21	Create training plan for new agents	Plan carefully so that we have still have senior agents to support the team and experienced agents handling ESCC enquiries.		Training is underway	Michelle Marshall Beth Evans
1. The helpdesk agents will respond to queries where they can and set up tasks to be allocated 2. When there is a task that's involved or being queried with someone's name on we will refer to them directly for further guidance 3.If the task needs allocating we will emails Julie/ Jenny.								

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Report to: Pension Board

Date of meeting: 1 June 2021

By: Chief Internal Auditor

Title: Internal Audit Reports and the Internal Audit Strategy for Pensions 2021/22

Purpose: This report advises the Board of the outcomes of the attached audits and provides the Board with the opportunity to comment on the draft Internal Audit Strategy for Pensions.

RECOMMENDATIONS

The Board is recommended to:

- note the following internal audit reports:
 - Pension Fund Governance 2020/21 (Appendix 1);
 - Pension Fund Investments and External Control Assurance 2020/21 (Appendix 2);
 - Pension Administration - Information Governance 2020/21 (Appendix 3);
 - Internal Audit Briefing Document - Altair Data Transfer (Appendix 4); and
 - consider and comment on the 2021/22 Internal Audit Strategy for Pensions (Appendix 5).
-

1. Background

1.1 The reviews of:

- Pension Fund Governance 2020/21 (Appendix 1);
- Pension Fund Investments and External Control Assurance 2020/21 (Appendix 2); and
- Pension Administration – Information Governance (Appendix 3)

were completed as part of the Internal Audit Strategy for Pensions 2020/21 and provide assurance on the overall effectiveness of their respective systems' controls.

1.2 As a result of our work on Pension Fund Governance 2020/21, we were able to provide an opinion of **Reasonable Assurance** over the controls in place. The previous audit, which combined governance and investments, also gave an opinion of Reasonable Assurance. Whilst the opinion is positive, the findings reflect the limitations of a single fund to be able to influence the governance arrangements of the ACCESS Pool. The East Sussex Pension Fund (ESPF) is working with the ACCESS Joint Committee to resolve and obtain assurance in this area.

1.3 Following our work on Pension Fund Investments and External Control Assurance 2020/21, we were able to provide an opinion of **Substantial Assurance** over the controls in place. This report reflects the improvements made since last year's combined audit (see item 1.2), in which we gave an opinion of Reasonable Assurance.

1.4 Our audit of Pension Administration – Information Governance 2020/21, was the first time we reviewed this area and we were able to provide an opinion of **Reasonable Assurance** over the controls in place.

1.5 Where areas of improvement were identified in each of these audits, robust management actions were agreed, together with timescales for their implementation.

1.6 The last of the audits for 2020/21 is Pension Fund Administration - People, Processes and Systems. Our draft report is currently being discussed with management and we hope to be able to issue a final report imminently. Members may recall that this received an audit opinion of minimal assurance last year. Whilst we are not able to confirm this year's opinion at the moment, we are pleased to report that there has been significant improvement in controls and the revised opinion will reflect this.

1.7 In addition to the planned audits, we reviewed the proposals for the transfer of data to, and testing of, the new instance of the pension administration software, Altair, established as part of the transfer of administration from Orbis to ESCC Finance. Following our work, we provided the project's Change Advisory Board (CAB) with a paper detailing our findings (Appendix 4), so that they could be considered as part of the CAB's decision to go live with the new system. We gave no audit opinion, and there were no formal actions arising from this work.

1.8 The Council's Internal Audit Strategy for Pensions 2021/22 (Appendix 5) sets out the approach Internal Audit takes when planning its assurance on the effectiveness of controls over the ESPF. It sets out the risks inherent in administering a large and complex scheme so that audit resources may be focussed on areas where these risks are highest. The new Strategy reflects the transfer of administrative function, as outlined above.

1.9 Input has been sought from officers responsible for running the Scheme and from the Chairs of both the Pension Board and the Pension Committee and their contributions have been fed into the draft Strategy.

2. Conclusions and Reasons for Recommendation

2.1 The Pension Board is:

- recommended to note the Internal Audit reports; and
- requested to consider and recommend the Internal Audit Strategy for Pensions 2021/22 to the Pension Committee for its approval.

RUSSELL BANKS
Orbis Chief Internal Auditor

Contact Officer: Nigel Chilcott, Audit Manager
Tel No.: 07557 541803

BACKGROUND DOCUMENTS:
None

Internal Audit Report

Pension Fund Governance 2020/21

Final

Assignment Lead: Jodie Lulham, Senior Auditor
Assignment Manager: Danny Simpson, Principal Auditor
Prepared for: East Sussex County Council
Date: April 2021

Report Distribution List

Draft Report:

Sian Kunert, Head of Pensions

Michael Burton, Pensions Manager – Governance and Compliance

Final Report:

As per draft, with the inclusion of:

Ian Gutsell, Chief Finance Officer

Phil Hall, Chief Operating Officer

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. East Sussex County Council (ESCC) administers and manages the East Sussex Pension Fund (the Fund) on behalf of 127 employers.
- 1.2. The Fund is responsible for managing assets for the long-term benefit of scheme members in accordance with statutory regulations.
- 1.3. The Pension Committee is responsible for making arrangements for the administration and investment of the Fund, receiving advice as appropriate from the Pension Board, which is a statutory requirement to assist the Scheme Manager (ESCC) in securing compliance with all relevant pensions' law, regulations and directions. The administration of the Pension Fund is currently being transferred from Business Operations to Finance.
- 1.4. We reviewed the adequacy of governance arrangements over the East Sussex Pension Fund, to cover strategy and the internal controls.
- 1.5. This review is part of the agreed Internal Audit Plan for 2020/21.
- 1.6. This report has been issued on an exception basis, whereby only weaknesses in the control environment have been highlighted within the main body of the report.

2. Scope

- 2.1. The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:
 - Governance arrangements are resilient and provide sufficient and effective oversight;
 - Risk management arrangements are robust;
 - Communication is efficient and effective; and
 - Reporting arrangements ensure that poor performance is identified and corrected.

3. Audit Opinion

- 3.1. **Reasonable Assurance is provided in respect of Pension Fund Governance 2020/21.** Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.

Appendix A provides a summary of the opinions and what they mean and sets out management responsibilities.

4. Basis of Opinion

- 4.1. There is a Pension Board and Pension Committee in place that meet regularly and have good oversight over the Fund. Following meetings, clear minutes are provided to record decisions, and form the basis for following up action points.
- 4.2. A risk register is in place, which is an active document, and is subject to regular scrutiny from both the Pension Board and the Pension Committee. It is regularly updated and contains appropriate mitigations for each identified risk.
- 4.3. There is sufficient contingency in place for officers, with a number of officers possessing the relevant knowledge and skills in order to undertake others' roles.
- 4.4. Both the Pension Board and Committee undergo knowledge assessments and training to ensure that they possess sufficient knowledge to exercise adequate governance over the Pension Fund.
- 4.5. There were, however, a small number of areas identified where improvements could be made.
- 4.6. Whilst the Fund has made efforts to gain agreement within the ACCESS Pool to finalise and implement the Governance Manual and establish a performance management process for fund managers, this has not yet been successful. These important elements are not yet in place, thus weakening Governance. The Fund is continuing to work with the other members of the ACCESS Pool to strengthen its governance arrangements.
- 4.7. Contact details for Pension Board representatives are not published, reducing the ability for members to be able to contact their representative.

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.	1	1
Low	This represents good practice; implementation is not fundamental to internal control.	1	2
Total number of agreed actions		2	

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 Governance 2020/21

Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
1	<p>ACCESS Governance Manual</p> <p>The previous audit contained an action in which it was agreed that the Fund would work with its partners in the ACCESS Pool to ensure that the Governance Manual for the ACCESS Pool is approved and implemented.</p> <p>This should include appropriate measures to enable the Fund to manage the performance of, or if necessary, to remove, fund managers.</p> <p>Whilst the Fund has been working with the ACCESS Pool, the Governance Manual has not yet been agreed and implemented, meaning that governance arrangements over the Pool may not be fully effective.</p> <p>We acknowledge that the agreement and implementation of the Governance Manual is the responsibility of the Pool as a whole, rather than the East Sussex Pension Fund in isolation.</p>	Without robust and clear governance arrangements, the performance of the ACCESS Pool may be reduced.	Medium	ACCESS allocated a technical lead to progress this item in March 2021 with the expectation for this to be brought to the joint committee later in the year for approval. Officers will support the ACCESS project as much as possible and feed in to ensure the manual meets the ESPF needs where possible throughout the ACCESS project, taking into account this is a collaborate pool entity and not in ESPF's control.
Responsible Officer:		Russell Wood – Pensions Manager, Investments and Accounting	Target Implementation Date:	30 October 2021

Internal Audit Report – Pension Fund Governance 2020/21

Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
2	<p>Pension Board - Contact Details</p> <p>The Pension Board is made up of both employees' and employers' representatives, to represent their respective stakeholders. Despite this representative role, there are no published contact details in a single, easily accessible location to allow members and employers to contact representatives, should they wish to do so.</p>	<p>Failure to publish contact details for Board members makes it more difficult for those they represent to contact them, thus reducing the effect of their representation and increasing the potential for members' dissatisfaction.</p>	Low	<p>The Pension Fund is fully compliant with all publication requirements in relation to the Pension Board within the Public Service Pensions Act and TPR's Code of practice. Representatives are appointed to represent the membership and employer base and should be selected based on merit as to what they can actively bring to the board based on their knowledge and experience. There is no requirement or expectation for them to directly communicate with those they represent.</p> <p>The Fund will raise this item with Board members through the newly agreed Communications working group to consider how Board members could be contacted within appropriate communication and correspondence parameters. Outcome from this discussion will form part of the communications project and be fed back to Board and Committee with an appropriate action if any to provide a</p>

Internal Audit Report – Pension Fund Governance 2020/21

Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
				method for people to contact Board members. In addition the Fund will look at best practice across the LGPS with respect this recommendation and feed this into the working groups discussion.
Responsible Officer:		Michael Burton – Pensions Manager, Governance and Compliance	Target Implementation Date:	30 September 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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Internal Audit Report

Pension Fund Investments and External Control Assurance 2020/21

Final

Assignment Lead: Jodie Lulham, Senior Auditor

Assignment Manager: Danny Simpson, Principal Auditor

Prepared for: East Sussex County Council

Date: May 2021

Internal Audit Report – Pension Fund Investments and External Control Assurance 2020/21

Report Distribution List

Sian Kunert, Head of Pensions
Russell Wood, Pension Fund Investment Manager
Ian Gutsell, Chief Finance Officer
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.

East Sussex County Council - Internal Audit Key Contact Information

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1. Introduction

- 1.1. East Sussex County Council (ESCC) administers and manages the East Sussex Pension Fund (the Fund) on behalf of 127 employers.
- 1.2. The Fund is responsible for managing assets for the long-term benefit of scheme members in accordance with statutory regulations.
- 1.3. The Fund is a member of the ACCESS Pool, a collaboration of 11 LGPS Administering Authorities who are working together to reduce investment costs and gain economies of scale; this was implemented in line with the 1 April 2018 deadline set by Central Government. The ACCESS Pool currently has a value of £53.9bn with the ESPF representing £3.9bn of this.
- 1.4. As part of this audit, we reviewed the arrangements to manage investments, including pooling arrangements, and the internal controls of external fund managers.
- 1.5. This review was part of the agreed Internal Audit Plan for 2020/21.
- 1.6. This report has been issued on an exception basis whereby only weaknesses in the control environment have been highlighted within the main body of the report.

2. Scope

- 2.1. The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:
 - Investment performance is in line with the expectations of the Fund;
 - Investment returns are received in full in a timely manner;
 - Investment transactions are accurately reflected within the accounting system;
 - The ACCESS Operator, Fund Managers and the Custodian maintain adequate systems of internal control; and
 - Benefits of economies of scale deliver cost savings and value for money.

3. Audit Opinion

- 3.1. **Substantial Assurance is provided in respect of Pension Fund Investments and External Control Assurance 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. Based on the testing undertaken, we have been able to provide **Substantial Assurance** over the controls in place because:
- 4.2. There is an investment management process in place within the ACCESS Pool which allows for investment performance to be reported back to the Fund, with sufficient opportunities for challenge, where required.
- 4.3. Professional advice in relation to investments is obtained from both investment advisors and the Fund Actuary, increasing the likelihood that investments are appropriate and in the best interests of the Fund.
- 4.4. The Fund maintains appropriate records of all investment managers, including the custodian, and is currently involved in the Cost Transparency Initiative to gain a clear understanding of all investment management fees.
- 4.5. Quarterly reconciliations have been introduced to reconcile balances between the Custodian's Passport system and SAP, through these would benefit from an independent review process to reduce the risk of error.
- 4.6. Due to their accumulating nature, investment returns are automatically re-invested, ensuring that their value is realised, and benefits utilised as soon as possible.
- 4.7. There were, however, a number of areas identified where improvements could be made to strengthen the control environment. These are outlined below:
- 4.8. Not all investment managers have provided External Control Assurance reports in a timely manner, reducing our understanding of the controls in place to safeguard our investments.
- 4.9. Opportunities to secure value for money in the ACCESS Pool have been lost because there is no co-ordinated approach to reviewing External Control Assurance reports across the Pool.
- 4.10. There is no process documentation available in relation to Fund accounting, thus reducing resilience and increasing the risk of non-standard processes being undertaken.
- 4.11. We also found that there is no process to follow up inadequate performance of investments within the ACCESS Pool or to manage the performance of the Link Operator, also within the ACCESS Pool. However, robust actions have been already agreed within our Governance report. As a result, these findings are not restated in this report and do not contribute to the opinion.

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.	0	0
Low	This represents good practice; implementation is not fundamental to internal control.	4	1-4
Total number of agreed actions		4	

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 Investments and External Control Assurance 2020/21
Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
1	Accuracy of Reconciliations As agreed, following a previous audit, quarterly reconciliations now take place between the Fund and the Custodian. However, there is currently no process in place for a secondary check to ensure the accuracy of the data and reduce the risk of any inputting errors going unnoticed.	A lack of secondary check increases the risk of inputting errors going unnoticed, thus resulting in inaccuracies in the accounts.	Low	The Fund has implemented quarterly posting of investment balances as a result of the previous audit recommendations which is reviewed prior to posting by the Head of Pensions. The Fund is increasing the resource within the investment team. This will be utilised to improve the reconciliation process by ensuring posting of this information is then reconciled to provide us with the necessary assurance that the Custodian's figures and the interim accounts positions are accurate.
Responsible Officer:		Russell Wood	Target Implementation Date:	31 July 2021

Internal Audit Report – Pension Fund Investments and External Control Assurance 2020/21

Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
2	<p>Timely Provision of Assurance Reports</p> <p>External Control Assurance Reports allow the Fund to assess the internal controls that have been implemented by Investment Managers and are important to provide assurance that assets and investments are appropriately safeguarded.</p> <p>At the time of testing, no External Control Assurance report had been provided by one of the Investment Managers.</p>	<p>Failure of an investment manager to provide an External Control Assurance report reduces the Fund's ability to assure itself that its investments are appropriately safeguarded and to take actions where this is not the case.</p>	Low	<p>The External Control Assurance Reports are retrospective reports and are published up to 6 months after the reporting date so is inherently not an accurate picture of the current risks associated with the managers. The risk of managers safeguarding our assets is mitigated with the due diligence reviews that Link are undertaking for those managers within the ACS and that we ask Eversheds to carry out on non-pooled investments. In addition ISIO provide a more up to date comment around concerns with our managers this is not just limited to performance as they provide comment on areas such as the ability of investment team, legal issues and if money is moving out of a manager.</p> <p>The External Control Assurance Reports are collated annually towards the end of the financial year as these are a requirement for the external auditors. To enhance the process going forward we are putting in place a</p>

Internal Audit Report – Pension Fund Investments and External Control Assurance 2020/21
Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
				control spreadsheet to monitor when reports are due and chasing these as appropriate. We will also be putting 6-monthly reviews of to ensure this is being collected in a timely fashion.
Responsible Officer:		Russell Wood	Target Implementation Date:	31 July 2021

Internal Audit Report – Pension Fund Investments and External Control Assurance 2020/21

Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
3	<p>ACCESS Review of External Control Assurance Reports</p> <p>One of the key benefits of the ACCESS Pool is that economies of scale can be exploited in order to reduce the need for each individual authority to undertake the same work, thus saving time and reducing the associated costs.</p> <p>Currently, there is no centralised process in place to review External Control Assurance reports, so that these reviews are duplicated across the Pool's constituent funds.</p>	A lack of collaborative approach for the review of External Control Assurance reports within the ACCESS Pool, reduces the benefits of the pooling arrangement and means that economies of scale are not being fully exploited, thus resulting in the use of additional time and, therefore, costs.	Low	The ACCESS Pool is a collaboration between 11 Authorities in response to the Governments asset pooling initiative. The main focus of ACCESS was to get assets into the pool in line with government expectations. We will continue to work with the other ACCESS authorities to identify areas where we can improve the efficiencies from pooling. However, ACCESS works on a consensus basis so we are limited to a certain degree around how quickly we can implement this particular action.
Responsible Officer:		Russell Wood	Target Implementation Date:	31 March 2022

Internal Audit Report – Pension Fund Investments and External Control Assurance 2020/21
Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
4	<p>Availability of Relevant Documentation</p> <p>It is important to ensure that training documentation, procedure notes and relevant guidance can be easily accessed by all members of the team, in order to encourage its use.</p> <p>At the current time, guidance on Fund accounting, such as accounting manuals and CIPFA guides, is not stored in a central location, making it less accessible to officers undertaking tasks within the Fund and reducing the likelihood of their being used.</p> <p>Furthermore, there are currently no process notes in place for Fund accounting, covering the required standards and policies.</p> <p>We do, however, note that a project is currently being undertaken to ensure that these documents are stored in an easily accessible central location.</p>	<p>Should officers have difficulty locating relevant training and best practice guidance it may discourage their use, thus leading to work being undertaken which is not in line with appropriate accounting standards or policies, resulting in poor quality output or inconsistencies.</p> <p>A lack of process notes in relation to Fund accounting may result in inconsistencies or errors being made, thus reducing the accuracy of Fund accounting.</p>	Low	<p>With the expansion of the Pension team, the Fund is beginning to develop new processes across the whole Fund. To strengthen these processes and controls from an accounts perspective and reduce key person risk, the Fund will be creating a new suite of process notes in this area and a store of resources. This will be done throughout the year and reviewed annually.</p>
Responsible Officer:		Russell Wood	Target Implementation Date:	31 March 2022

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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Internal Audit Report

Pension Administration - Information Governance (2020/21)

Final Report

Assignment Lead: Elaine Laycock, Principal Auditor
Assignment Manager: Mark Winton, Audit Manager
Prepared for: East Sussex County Council
Date: May 2021

Internal Audit Report – Pension Administration - Information Governance (2020/21) Detailed Findings

Draft Report Distribution List

- Paul Punter, Head of Pensions Administration
- Sian Kunert, Head of Pensions
- Sarah Turner, Senior Information Governance Officer

Final Report Distribution List

As draft report with the inclusion of the following:

- Phil Hall, Interim Chief Operating Officer
- Ian Gutsell, Chief Finance Officer
- Matt Scott, Chief Technology Officer
- Heidi Judd, Data Protection Officer
- Nikki Wilkins, Head of Strategy & Engagement
- 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.

East Sussex County Council - Internal Audit Key Contact Information

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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. As at 31 March 2020, the Fund comprised 128 scheme employers with 23,835 active, and 31,622 deferred, scheme members. The governance of the Fund is the responsibility of the East Sussex Pension Committee, and the Pension Board, supported by the Chief Finance Officer for East Sussex County Council.
- 1.2. The Council, as the administering authority and data controller for the fund, hold significant volumes of personal data in order to accurately administer and manage the fund and also to satisfy the legal obligations outlined within the Local Government Pension Scheme Regulations (LGPS). This can include, but is not limited to, names, addresses, contact telephone numbers and email addresses but also information relating to dependents/nominated beneficiaries and, in some cases, special category data such as health status.
- 1.3. Failure to adequately protect scheme member data can result in a personal data breach. Under the General Data Protection Regulations certain personal data breaches are required to be reported to the Information Commissioner's Office (as supervisory authority). These breaches can include, but are not limited to, access by unauthorised individuals and the sending of personal data to incorrect recipients. The Council is responsible to deciding on whether the breach needs to be reported based upon the risk to the individual's 'rights and freedoms'.
- 1.4. The Council has produced and published a Memorandum of Understanding regarding Compliance with Data Protection Law in relation to the LGPS which is available on the Council's website. This document details the basis on which data will be shared between interested parties and the administering authority's expectations of scheme employers.
- 1.5. This review is part of the agreed revised Internal Audit Plan for 2020/21.
- 1.6. This report has been issued on an exception basis whereby only weaknesses in the control environment have been highlighted within the main body of the report.

2. Scope

- 2.1. The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:
 - Employees within the pension service are aware of their roles and responsibilities under the relevant legislation including, the General Data Protection Regulations, Data Protection Act and Local Government Pension Scheme Regulations in relation to the security and ownership of data.
 - There are clear processes in place that are instigated should there be a suspected data protection breach.

Internal Audit Report – Pension Administration - Information Governance (2020/21)

Detailed Findings

- The Council have issued a Privacy Notice which is available to all scheme members and pensioners and outlines the information they hold and how it is safeguarded.
- The Pension Fund systems (including the employer portal) are maintained to the required standard and system administration exercises and updates are completed by appropriately qualified officers.
- The “Principle of Least Privilege” is adopted for all pensions fund systems and information sources meaning that users are given the minimum levels of access/permissions needed to perform their role/responsibilities.
- Data sharing agreements are in place with all relevant parties.
- Data Protection system requirements are being incorporated into the procurement process for the new sovereign Pension Fund system.

3. Audit Opinion

- 3.1. **Reasonable Assurance is provided in respect of Pension Administration - Information Governance (2020/21).** This opinion means that most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives. *Appendix A provides a summary of the opinions and what they mean and sets out management responsibilities.*

4. Basis of Opinion

- 4.1. At the time of this review the council was in the process of returning the Pensions Administration service back to sovereign control within Finance, having previously been part of the Orbis cross authority Business Operations service. As a result of this a new service structure has been created, a number of administrative staff have TUPE transferred to the council and a recruitment exercise is underway for the remaining vacant posts.
- 4.2. The council has recently entered into a contract for the provision of a sovereign Pension Fund administration system and is in the process of a data migration exercise to transfer scheme member data to the newly procured system. An internal audit review of the data migration process has been commissioned and is underway. This data migration review is focussing on risks relating to data mapping, the security and integrity of data and system testing and will be reported separately.
- 4.3. Under the Orbis Pensions Administration service, Surrey County Council employees have held responsibilities relating to system administration including, but not limited to, system upgrades, patches and user administration. We understand that the sovereign team, with support from officers from IT & Digital, will take responsibility for these areas for the new system and work, as this arrangement is in its infancy we have not sought to provide any assurance over these arrangements at this time.
- 4.4. During this review we were notified of a personal data breach relating to the transfer of data between the payroll and pensions teams using the iConnect module. This breach was investigated by the Head of Pensions Administration with remedial action taken and safeguards put in place to highlight any further recurrence of this issue. We note that this was not recognised as a personal data breach by the Pensions Officer handling the initial complaint and there is a risk therefore that there may have been other potential breaches that have not been reported or investigated as required.
- 4.5. Corporate policies detailing the action to be taken following reports of potential data breaches are clear and available to all employees via the council's intranet. In addition to this clear records are maintained on the corporate breaches log.
- 4.6. Should a potential breach be reported, support is available to service managers and affected employees provided by named individuals within the Information Governance team.

- 4.7. A breaches log (including regulatory breaches) is maintained within the Pension Administration service and reported to the Pension Committee on a quarterly basis.
- 4.8. We found that data subjects have not been provided with access to a Summary Privacy Notice and that the Full Privacy Notice is incomplete and therefore not compliant with General Data Protection Regulations. In addition to this we note that there are discrepancies between the length of time data is retained and the information provided to data subjects regarding data retention.
- 4.9. Testing identified that the council and fund websites contain out of date policy documents. This issue has been raised in the review of Pension Fund - Compliance with Regulatory Requirements 2020/21 and therefore is not included further within this report.
- 4.10. Through a review of recently advertised job descriptions we note that no reference is made to General Data Protection Regulations. Whilst this appears to be in line with peer funds the council may wish to consider the inclusion of this within all job descriptions where the postholder is required to handle personal data.
- 4.11. It is important to acknowledge that the recently recruited Head of Pension Administration and Head of Pension Fund welcomed this review and are aware of the need to strengthen the documents provided to data subjects. An additional recruitment exercise has recently been completed for the post of Pensions Manager – Governance and Compliance and this officer has been delegated with responsibility to lead on this area.

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.	2	2 & 3
Medium	Existing procedures have a negative impact on internal control or the efficient use of resources.	1	1
Low	This represents good practice, implementation is not fundamental to internal control.	1	4
Total number of agreed actions		4	

- 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 Administration - Information Governance (2020/21)

Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
1	<p>GDPR Training</p> <p>We were informed during the audit that there had been a recent report of a personal data breach within pensions administration.</p> <p>Whilst a thorough investigation was undertaken by the Head of Pensions Administration with remedial action taken and appropriate safeguards put in place for the future, we note that there was a missed opportunity to recognise the issue as a data breach by the Pensions Officer initially responsible for handling the affected scheme member's enquiries.</p> <p>In this case this delay did not result in any further breach of personal data. However, failure to act in a timely manner could result in further breaches of data and also risk the council's ability to report, if required, to the Information Commissioners Officer within statutory timeframes.</p> <p>We understand there have been no further reports of suspected personal data</p>	<p>Failure to identify suspected personal data breaches could result in further data loss and result in reputational damage and financial penalty to the council and the fund and cause harm/distress to affected individuals.</p>	Medium	<p>All staff are regularly required to complete the Information Governance training module – it was a compulsory task for staff when they TUPE transferred on 1/12/20 and for all new starters since. Completion and a test pass email will go straight to ICT.</p> <p>Shortly after the data breach staff were reminded that any such incidents should be escalated to their Manager asap and that there is an online form and process on the intranet.</p>

Internal Audit Report – Pension Administration - Information Governance (2020/21)
Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action	
	breaches relating to the pensions service within the current financial year.				
Responsible Officer:		Paul Punter	Target Implementation Date:	Complete	

Internal Audit Report – Pension Administration - Information Governance (2020/21)

Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
2	<p>Privacy Notices</p> <p>Under the General Data Protection Regulations (GDPR) any organisation that processes personal data is required to inform the data subject of what information is held, how this is collected, retained and utilised. This is commonly achieved through the issuing of Privacy Notices.</p> <p>The Local Government Association (LGA) commissioned a legal firm to create template 'summary' and 'full' Privacy Notices which would be made available to LGPS funds to adapt and adopt. These templates are available via the Local Government Pension Scheme (LGPS) website and are dated May 2018.</p> <p>The summary version is intended to be a simpler guide with the full version containing more detail. The LGA expects both versions to be available to data subjects. The full template Privacy Notice states that <i>"This template will need to be tailored to the specific circumstances of each fund."</i></p>	<p>The current full Privacy Notice is not compliant with the requirements under the General Data Protection Regulations to act in a transparent manner and provide the "identity" of data controllers.</p> <p>Whilst this information may be available upon request this, in addition to the lack of a summary Privacy Notice, is not in line with the expectations under GDPRs relating to ease of access.</p>	High	The Fund will develop a new 'full' Privacy Notice and design a 'summary' Privacy Notice. In doing so regard will be had to the need to refer to Internal Audit and the additional information needed, as identified in this report.

Internal Audit Report – Pension Administration - Information Governance (2020/21)

Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
	<p>We understand that a summary Privacy Notice has not been made available to scheme members.</p> <p>Whilst the full Privacy Notice is available to Members via the East Sussex Pension Fund website, we found that it is incomplete. For example, the table contained within the <i>"organisations that we may share your personal data with"</i> does not identify the "identity" of the data controllers as required under Article 13 of the GDPRs and detailed in the template document.</p> <p>We also found that that the table does not include reference to Internal Audit nor companies such as those providing data cleansing support which have recently been engaged by the council.</p>			
Responsible Officer:		Michael Burton	Target Implementation Date:	31 July 2021

Internal Audit Report – Pension Administration - Information Governance (2020/21)

Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
3	<p>Data Retention</p> <p>Under the General Data Protection Regulations data subjects have a right to be informed of the length of time their data will be held for.</p> <p>The full Privacy Notice includes a statement on <i>"how long we keep your data"</i> and states that data will be held for as long as needed to fulfil the duties of the pension fund. This expands to state <i>"In practice, this means that your personal data will be retained for such period as you (or any beneficiary who receives benefits after your death) are entitled to benefits from the Fund and for a period of 15 years after those benefits stop being paid."</i></p> <p>However, the Data Protection Impact Assessment, drafted as part of the project to return the pensions administration service to sovereign control, states that <i>"Data is stored for the lifetime of the Scheme."</i></p> <p>The LGPS template includes footnotes recognising the difficulty of pension funds</p>	<p>The information given to data subjects via the Privacy Notice regarding the retention of their data is incorrect and not in line with current practice. This is therefore not compliant with the requirements under the GDPRs and risks reputational damage to both the council and the fund. In addition to this there is a risk of financial loss due to fines being imposed by the Information Commissioner's Office.</p> <p>The lack of inclusion of scheme member data within the corporate Records Retention and Disposal Policy may lead to a lack of oversight and scrutiny of the treatment of such data.</p>	High	<p>It is noted and agreed that there is a disparity between the existing Privacy Notice and the length of time data is held.</p> <p>The Privacy Notice is to be re-considered, see recommendation 2 (above). Since the Privacy Statement was drafted claims against other schemes have shown that deleting data so soon after a benefit stops being payable can lead to findings of fault as the position cannot be adequately defended. For example, a member who transfers out aged 30 could raise a claim stating they are still a member and entitled to a payment at age 60 and we would not have the evidence to disprove this.</p> <p>The LGA has suggested different retention dates for different elements of data, whilst it acknowledges the difficulty in being GDPR compliant and that the risk of sanction is low. We will</p>

Internal Audit Report – Pension Administration - Information Governance (2020/21)
Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
	<p>to comply with GDPRs in relation to the retention of member data due to the nature of pension schemes. This template states that holding data indefinitely is <i>"unlikely to comply with GDPR"</i> and advises that there may be certain categories of data that could be removed from scheme records at earlier dates.</p> <p>The council has a corporate Records Retention and Disposal Schedule which includes reference to Pension Administration but not the treatment of scheme member data.</p>			<p>take these into account as part of our consideration of next steps.</p> <p>A new policy will need to be approved by the Pensions Board & Committee before being formally adopted.</p>
Responsible Officer:		Michael Burton	Target Implementation Date:	30 September 2021

Internal Audit Report – Pension Administration - Information Governance (2020/21)

Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
4	<p>Job Descriptions</p> <p>The service is currently in the process of recruiting to a number of vacancies following the return of Pensions Administration to sovereign control.</p> <p>A review of four job descriptions for posts that were advertised at the time of the audit identified that:</p> <ul style="list-style-type: none"> reference to the Local Government Pension Scheme (LGPS) regulations and qualifications/experience were included where relevant. none of the four job descriptions contained reference to General Data Protection Regulations (GDPR), information governance or data security. <p>Benchmarking of pensions related roles advertised by other public sector bodies identified that:</p> <ul style="list-style-type: none"> 50% contained reference to the scheme regulations e.g. LGPS. 25% contained reference to GDPR. 	<p>Newly recruited employees, or those (TUPE) transferring, may lack awareness regarding their specific responsibilities under GDPR and in relation to data security. This may lead to the mishandling of data or non-identification of data breaches and result in reputational damage and financial penalty to the council and the fund and cause harm/distress to affected individuals.</p>	Low	<p>A review will be undertaken of job descriptions for posts within the Pension Fund. Where appropriate a knowledge of GDPR will be added either as essential or desired knowledge.</p> <p>Upon appointment all staff are tasked with undertaking training on data security. Staff cannot access external websites etc until this training is complete, this training is refreshed annually. When the Training Co-ordinator is in post a review will be conducted of further available training on this topic to boost officer understanding of data security. This training will also be provided to Local Pension Board and Pension Committee members as appropriate.</p>

Internal Audit Report – Pension Administration - Information Governance (2020/21)
Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
	Whilst it appears that the job descriptions are broadly in line with those of peer organisations, best practice would be for the expectations in relation to GDPR responsibilities to be defined.			
Responsible Officer:		Michael Burton	Target Implementation Date:	30 September 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.

Internal Audit Briefing Document - Altair Data Transfer

Introduction:

Until recently, the administration of the Pension Fund has been managed through a collaboration with Surrey County Council as part of Orbis Business Operations. However, there is currently a project in place to disaggregate the administration team and bring East Sussex Pension Administration back in-house.

The current contract for the pension administration system, Altair, was due to expire in early 2021, and a new contract between the East Sussex Pension Fund and Aquila Heywood was negotiated for the provision of Altair at a total cost of approximately £1.7m over five years, beginning April 2021.

Given the timescales involved in the project to transfer to the new system, with the original planned go-live on 1 April 2021, there was only limited time to provide audit advice and support into this. We therefore agreed, via a terms of reference agreed on 3 March 2021, to focus specifically on reviewing the arrangements for data migration and testing, where there are clear information governance risks and risks to the quality, completeness and accuracy of data. Given the short timescales involved in the transition, it would not have been possible for us to complete any additional work in this area.

We would like to take the opportunity of thanking project management and the project team for their assistance in completing this short review, at a time of considerable pressure to them.

Conclusion:

In completing our work, we identified various issues/risks for consideration by project management as part of their go-live decision. In discussing these, we are comfortable that adequate arrangements are in place to mitigate the issues raised and this was reported to the Oversight Group on 25 March 2021 and the Change Advisory Board (CAB) on 26 March 2021. The decision to proceed with go-live was made by CAB at the same meeting.

Findings:

Proposal to Maintain a Duplicate Database

We had some concerns around the proposal to maintain a duplicate database within the Surrey County Council (SCC) version of Altair, (for a period of 6 months) for business continuity reasons, as we understood this was to be done on a 'good faith' basis, outside of the Inter-Authority Agreement, and could result in data relating to members of the East Sussex Pension Fund (ESPF) being lost should SCC experience a data breach.

We also raised concerns around the information governance arrangements within the project, to ensure there was appropriate liaison with, and approval, from the Data Protection Officer in relation to data being held outside of the organisation, and to ensure there was a Data Protection Impact Assessment (DPIA) in place for the transfer of data and the disaggregation of the administration function.

We understand that these issues are being addressed as part of the collaborative effort between the Fund and the Information Governance Team, as agreed at the exceptional meeting of the Change Advisory Board on 26th March.

Potential Unauthorised Changes to the ESPF Module within the SCC Database

We raised a potential issue that, although there were plans in place to 'lock down' the ESPF module within the SCC database to reduce the risk of changes being made in the SCC database that are not reflected within the new ESPF system, we were unaware of plans to confirm that no such changes had been made. Since our work, however, we understand that there is a plan for Aquila Heywood to undertake a final reconciliation of the database before and after the data transition which will highlight any differences for investigation.

Technical Risk Assessment

No technical risk assessment has been completed by IT&D on this instance of Altair, as IT&D consider that the one completed on the previous version is sufficient.

We did, however, make a general observation around information security and it has since been confirmed that only a small number of officers will be given administration rights over the Altair system to create and remove users and reset passwords. In addition, a quarterly review of access levels and permissions is proposed to maintain information security.

Project Risk Register

Although there is a risk register in place for the disaggregation and Altair implementation, at the time of our work, some risks had not been assigned an individual owner, potentially resulting in appropriate mitigations not being implemented as required. The project team have since amended these risks to remove the whole team ownership and assign two individuals as owners; one member of the project team and an employee from Aquila Heywood, in order to exercise full oversight.

User Acceptance Testing

We noted that there were two versions of the user acceptance testing (UAT) programme in place, with some overlap between the two. We highlighted the need for the project team to ensure that the programmes exercised sufficient coverage over the whole system in order to ensure that no defects existed post-go live.

We also noted two defects recorded within the defect tab of the UAT spreadsheet, one rated 'critical' and one 'low' which hadn't been resolved when completing our work. The 'critical' defect was escalated to the Head of Pensions Administration for resolution, whilst the 'low' defect has been noted to only impact three members, meaning that it does not require resolution for go-live. We understand from the CAB meeting of 26 March 2021 that all the UAT of the MSS Portal, Altair data migration and dual payroll is being signed off by the Head of Pensions Administration.

Altair Database

The new Altair database is being held on an Oracle server, which required external involvement to set up due to a lack of specialist knowledge in-house. We suggested that the risks relating to the logistics and associated costs of maintaining the system and responding to issues where in-house knowledge and provision is unavailable, should be considered. The Head of Strategy and Engagement agreed, at the meeting of the Oversight Group on 25th March, that she would take this issue forward from an IT&D perspective.

Jodie Lulham, Senior Auditor

31 March 2021

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East Sussex

Local Government Pension Scheme

Internal Audit Strategy and Plan

2021/22

1. Introduction

- 1.1. The Scheme provides retirement benefits for employees of the County Council and 130 other employer organisations, including Brighton & Hove City Council, district and borough councils and academic institutions.
- 1.2. We (the Orbis Internal Audit & Counter Fraud Team) provide internal audit services to the East Sussex Pension Fund.

2. Objective

- 2.1. The objective of this Pension Scheme Audit Strategy and Plan (The Strategy), which is formally reviewed on an annual basis, is to provide the Scheme with a consistent, risk-based approach to determining an internal audit programme for the Pension Fund, which takes maximum advantage of the available sources of internal and external assurance.
- 2.2. The ESPF pools funds with another 10 funds to create the ACCESS Pool, a collaboration of central, eastern and southern shires. The ACCESS pool has assets of £53.8bn with the ESPF representing £2.3bn of these. We are continuing to work with the other authorities in the Pool to arrange and ensure appropriate audit coverage, whilst avoiding duplication.
- 2.3. During the year 2020/21, procurement processes were undertaken for the selection of both the Fund's advisor and its actuary. These resulted in the appointment of ISIO as the Fund's advisor, with effect from 1 February 2021, and of Barnett Waddingham LLP as the Fund's actuary, as from 1 January 2021.
- 2.4. A procurement exercise for the pension administration system was carried out during 2020. The result was a decision to remain with the existing system, Altair, although there will be changes to the way in which it is configured and supported. The new version of Altair has been implemented and is now live. Alongside this, will be a new portal to allow the submission of data from employers to the Scheme.
- 2.5. The Pension Administration Team has been transferred from a Surrey-based Orbis team, to the Finance Team in East Sussex and is now managed by a sovereign East Sussex Head of Pension Administration. This transfer also brings the team under the direct control of the Council's Chief Finance Officer (Section 151 Officer). These changes are expected to provide greater oversight and accountability. Where appropriate, we shall continue to provide advice to support the Fund's transformation.
- 2.6. The Strategy seeks to provide assurance on the following aspects of pension fund activities:
 - Pension Fund governance;
 - The Pension Fund's compliance with regulatory requirements;

- Pension Fund investments and pooling arrangements;
- The introduction of the new version of the administration system, Altair, and a new employer portal, i-Connect; and
- Pension Fund administration – people, processes and systems.

2.7. If any audits from 2020/21 give an opinion of partial assurance or less, we shall carry out follow-up audits to ascertain the degree to which agreed actions in these areas have been implemented. It should be noted that we shall follow up each action, agreed the previous year, irrespective of the opinion given.

3. Approach

- 3.1. The Strategy uses risk assessment as its foundation. On a periodic basis, risks will be reviewed in consultation with the Chairs of the Pension Committee and Board and with management to identify any new risks. The risk assessment will consider the materiality and significance of the processes involved, any negative factors such as problems or significant changes and any positive factors, which provide comfort or assurance. It should be borne in mind that the Pension Fund is a material and fundamental financial system in its own right and, as such, should be subject to a level of coverage that complements the work of the Scheme's external auditors.
- 3.2. The outcome of the risk assessment will be an objective view of those areas of the business where the organisation requires assurance that risks are being managed effectively. Internal Audit will then use a number of potential sources to provide that assurance.
- 3.3. Throughout the year, there will be routine liaison between Internal Audit and officers representing the Fund to identify emerging risks and ensure that this Strategy continues to reflect the needs of, and risks to, the Fund. COVID-19 has affected the way many areas of the pension administration service are being delivered, as well as having a wider impact on the Fund, in particular on the performance of its investments. It affected the way we delivered the Audit Strategy and Plan in 2020/21 and we recognise that it may have an impact on the way we deliver the Audit Strategy and Plan for 2021/22.
- 3.4. During the year 2020/21, we found that controls had been strengthened, in some cases, significantly, and this has been reflected in the improved audit opinions we were able to provide. This resulted from the successful efforts of the Pension Team in addressing the issues we identified during the previous year.
- 3.5. Where appropriate, audit coverage will be varied from year to year. In areas where no significant findings were made in the previous year, the scope may be widened to other areas to maximise the breadth of coverage. For instance, where new policies have been introduced, we shall review compliance with these. We shall also assess the effectiveness of the transition of the administration from Surrey to East Sussex.

- 3.6. Where possible, direct access to source data will be obtained, including to data held in the administration system (Altair), information passed via the Pension Regulator's on-line portal and HMRC's event reporting portal. Where access cannot be obtained, this will be reported.
- 3.7. We plan to deliver 100 audit days for the year 2021/22. This level of coverage will be kept under review to ensure that it remains appropriate to the needs of the Fund.

4. Professional Standards

- 4.1. Audits of the Pension Fund will be carried out in accordance with the professional standards set out in the Public Sector Internal Audit Standards.

5. Reporting Arrangements

- 5.1. Internal Audit work will be reported in the following manner:
- Terms of Reference will be drafted and agreed with management;
 - An initial draft report will be issued to management for its comments on factual accuracy and response to the issues and risks identified;
 - A final report that includes agreed actions and implementation dates will be published to management.
 - The results of audit work on the Scheme will be reported:
 - in full, to the Pension Board and Pension Committee; and
 - in summary form, to the Audit Committee as part of our quarterly progress reports.
- 5.2. Audit work for 2021/22 will be reported in six separate reports (in addition to any specific follow-up audits), covering the risks detailed below:
- Governance
 - Inadequate governance arrangements, including unclear delegation of key functions, result in poorly defined Fund objectives and ineffective strategic oversight.
 - Lack of resilience on the part of the Fund, or an inexperienced Board or Committee may weaken stewardship of the Fund.
 - Ineffective risk management arrangements result in financial loss and reputational damage to the Council.

- Ineffective communication or poor professional advice results in a lack of understanding amongst relevant stakeholders and/or poor decision making.
- Inaccurate reporting (including performance targets and breaches) results in a failure to identify and correct poor performance.
- Without appropriate checks and guarantees on the funding levels of new and existing employers, the Fund may be exposed to additional financial risk.¹
- Investments
 - Poor performance of the Fund results in financial loss and reputational damage.
 - Investment returns are not received in full in a timely manner.
 - Accounting of the Pension Fund is inaccurate resulting in mis-statement of Fund accounts.
 - East Sussex Pension Fund assets or investment opportunities may be lost, due to the ACCESS Operator, Fund Managers²/Custodian not maintaining adequate systems of internal control.
 - The ACCESS pool does not exploit benefits of economies of scale resulting in a failure to save costs and the pool not returning excellent value for money.
- Compliance with Regulatory Requirements
 - Scheme governance arrangements do not meet regulatory requirements, leading to regulatory sanction and/or reputational damage to the Council.
 - Investment management arrangements do not meet regulatory requirements, leading to regulatory sanction and/or reputational damage to the Council.
 - Pension administration arrangements do not meet regulatory requirements, leading to regulatory sanction and/or reputational damage to the Council.
- Pension Administration – People, Processes and Systems
 - Inaccuracies in the calculation of pension benefit entitlements may cause financial loss to the Scheme or financial hardship to members and reputational damage for the Council.

¹ Also noting that undue delay to signing an admission agreement may result in new pensioners not receiving their pension.

² Includes the internal controls of external fund managers.

- Poor or inadequate delivery of the pension administration service (including as a result of inadequate procedure notes) may result in reputational damage for the Council and/or complaints by members.
- Non-collection of, or inaccuracies in, pension contributions increases the risk of Pension Fund deficit.
- Poor data quality leads to inaccuracies in transactions, or a failure to meet statutory requirements (e.g. ABS production and distribution or the submission of common data sets to the Pension Regulator), resulting in financial loss, and/or regulatory sanction.
- Altair – Application Controls
 - Unauthorised or inappropriate access to confidential information is obtained, resulting in a breach of GDPR, fraud and/or malicious damage to data.
 - Incorrect data is input into the system resulting in inaccurate records being held by the Council.
 - System outputs are incorrect weakening management information and leading to poor decision-making.
 - System updates and enhancements are not introduced in a controlled manner, potentially resulting in a negative impact on service delivery and/or vulnerabilities to malicious attacks against the system.
 - The introduction of the employer portal interface (i-Connect) leads to errors in data transfer, undermining data quality, the accuracy of outputs, including payments, and increases the risk of data breaches.
 - Changes to the system are not communicated or supported effectively, potentially resulting in a negative impact on service delivery.
- The implementation of Altair
 - Data transfer is incomplete or inaccurate, leading to over or under-payments to pensioners or errors in reporting.
 - Access rights to Altair are not set up correctly, increasing the risk of fraud or breaches of GDPR.
 - Governance arrangements, including procedures and guidance are ineffective, increasing the risk of fraud or error.



EAST SUSSEX PENSION FUND INTERNAL AUDIT PLAN 2021/22

Please note that the following provides a high-level scope of the work we are proposing. At the beginning of each review (as with all our work), a detailed term of reference will be developed in consultation with management.

Review Name	Outline Objective	Estimated Timing
Governance	We shall assess the effectiveness of the Fund's governance arrangements and seek to provide assurance that strategic oversight, risk management, reporting and communication processes are in place to maximise the likelihood that the Fund's objectives are met. This review will also cover controls to ensure that only new employers with adequate funding levels are admitted to the Scheme.	Q2
Investments and External Control Assurance	A review to assess the adequacy of controls over the Fund's investments, including the performance of investments, the performance of the ACCESS Operator, and the receipt of, and accounting for, investment income.	Q4
Compliance with Regulatory Requirements	We shall review the arrangements in place designed to ensure compliance with regulatory requirements in relation to governance, investments and administration.	Q2
Pension Administration – People, Processes and Systems	We shall review controls over the calculation and payment of pension benefits, transfers to and from the Pension Fund and the collection and recording of pension contributions from scheduled and admitted bodies.	Q3
Altair - Application Controls	This application audit will review all major input, processing and output controls. It will also cover the controls over the interface with the employer portal (i-Connect), and any other systems, to ensure appropriate system ownership and responsibilities are defined.	Q2



Review Name	Outline Objective	Estimated Timing
The implementation of Altair	We shall review management arrangements over the new instance of Altair, following the transfer of the administration function to East Sussex Finance. The review will cover the effectiveness of data transfer, the allocation of access rights and the establishment of procedures.	Q1

Report to: Pension Board

Date of meeting: 1 June 2021

By: Chief Financial Officer

Title: External Audit Plan for the East Sussex Pension Fund 2020/21

Purpose: To inform the Board of the content of the East Sussex Pension Fund external audit plan for 2020/21

RECOMMENDATION

The Board is recommended to:

- 1) to note the external audit plan for the East Sussex Pension Fund for 2020/21
-

1. Background

- 1.1 Grant Thornton (GT), as the East Sussex Pension Fund's (ESPF) external auditors, have provided the External Audit Plan for 2020/21 (Appendix 1) which provides an overview of the planned scope and timing of the statutory audit of the ESPF Annual Report and accounts and identifies any significant risks.
- 1.2 The External Audit Plan was not available for consideration and discussion at the previous Pension Board (15 February 2021) or Pension Committee (1 March 2021). It was available, however for the Audit Committee (26 March 2021) who resolved to note the report.

2. Supporting Information

- 2.1 The External Audit Plan for 2020/21 identifies a number of risks that require audit consideration as they could potentially cause a material error in the financial statements. These are:
 - ISA240: Fraudulent revenue recognition (this presumed risk has been rebutted);
 - Fraudulent expenditure recognition (this presumed risk has been rebutted);
 - Management override of controls (journals, estimates and transactions);
 - Valuation of level 3 investments;
 - IAS26: Pension Fund Disclosures.
- 2.2 The deadlines for the production and audit of the accounts for 2020/21 and 2021/22 have been confirmed as 30 September in line with the Independent Review for Local Authority Financial Reporting and Audit (the Redmond Review). The ESPF accounts are included within the statement of accounts of East Sussex County Council; the unaudited draft version of the financial statements are required to be prepared and published on the authority's website by 31 July. The Pension Fund Annual report and audited accounts will be presented to the Pension Committee on 27 September 2021 and Governance Committee on 30 September 2021. There is pressure on GT to deliver to these deadlines and given the slippage experienced in the 2019/20 audit and pressures on their resources, there is a risk that these key dates will be missed.

2.3 The planned audit fees for 2020/21 are yet to be confirmed by the Public Sector Audit Appointments (PSAA) but are likely to show an increase on the fees from 2019/20 which were £31,610.

3. Conclusion and Recommendation

3.1 The External Audit Plan is presented to Board for discussion and comment.

IAN GUTSELL
Chief Finance Officer

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East Sussex Pension Fund audit plan

Year ending 31 March 2021

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26 March 2021
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Key matters

Factors

Pension Fund development and the Impact of the Covid-19 Pandemic

The Pension Fund has engaged a new actuarial expert Barnett Waddingham during the 2020/21 year. Therefore the IAS26 disclosures will be produced by this new actuary. A new actuary could adopt different estimation methods and/or assumptions, and this could potentially significantly impact the content and values disclosed in the IAS26 disclosures. We have identified a risk in regards of the IAS26 Pension Fund Disclosures, and our work to address this risk is set out on page 7.

We note that there is a significant project ongoing in the Pension Fund to transfer Pension Administration and staffing from Orbis in-house to the Fund. The live date for the new Pension Administration system is 6 April 2021, and existing systems are running in parallel while testing and preparations before this date take place. This is therefore not considered to be a significant risk for the Pension Fund financial statements at 31 March 2021.

During our 2019/20 audit we held extensive discussion and challenge of investment managers to establish if there was any significant uncertainty over the valuations at year end and whether any funds had been suspended for trading due to the overall market uncertainties. This led to the disclosure by the investment manager that some funds underlying the pooled investment had been suspended at 31 March 2020, and that there was a material valuation uncertainty over the full pooled investment at that date. This was not known to the Pension Fund finance team at the time, but was then correctly disclosed in the financial statements. We made a recommendation that management challenge further the valuations and assurances given by investment managers in the 2020/21 year, and we will follow up this recommendation during our planning processes.

Other matters

In the period December 2018 to January 2020 the Financial Reporting Council issued a number of updated International Auditing Standards (ISAs (UK)) which are effective for audits of financial statements for periods beginning on or after 15 December 2019. ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures includes significant enhancements in respect of the audit risk assessment process for accounting estimates. As part of this process auditors also need to obtain an understanding of the effectiveness of the role of those charged with governance relating to accounting estimates adopted by management, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Our response

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Fee discussions are currently in progress between audit firms and PSAA. Our audit plan sets out the starting point based on the 2019/20 proposed audit fee recognising there are further additional cost pressures in 2020/21.
- We will continue to provide you with sector updates via our Audit Committee updates.
- There is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. We have rebutted this risk for all types of revenue. We have also considered the risk of material misstatement due to fraud related to expenditure, and concluded that this is not a significant risk for the Pension Fund.
- There is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. We have therefore identified a significant risk in regards to management override of control – refer to page 6.
- A material uncertainty was declared in 2019/20 by an investment manager for pooled property investments underlying the net pension liability. The Covid-19 pandemic is likely to continue to impact the valuation of investments and as such we will make additional inquiries to investment managers as to whether there are any material uncertainties in their valuations. We have identified a significant risk in regards to the valuation of Level 3 investments specifically as the valuation of these investments is very sensitive to key assumptions – refer to page 6.
- During this financial year, the Pension Fund has reviewed the equity portfolio and has engaged a number of new investment managers. This increases the risk of misstatement of the valuation of Level 3 investments, as the new managers apply potentially different methods and assumptions.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of East Sussex Pension Fund ('the Pension Fund') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as your auditor. We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Pension Fund's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit committee).

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. It is the responsibility of the Pension Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Pension Fund is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Pension Fund's business and is risk based.

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls
- Valuation of Level 3 Investments

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be ££34.7m (PY £36m) for the Pension Fund statements (equating to 1% of the net assets of the prior year end). We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £1.7m (PY £1.8m) for the Pension Fund.

Audit logistics

Our interim visit will take place in March 2021 and our final visit will take place between July and September 2021. Our key deliverables are this Audit Plan and our Audit Findings Report. Our audit logistics and planned timings are on page 13.

Our fee for the audit is still being assessed. Since appointment as your auditor, there have been a number of developments, particularly in relation to the updated ISAs which are relevant for the 2020/21 and subsequent audits. These together with the findings of the recent Redmond Review mean that we expect the fee to be in excess of the 2019/20 audit fee. Discussions with PSAA are currently ongoing. The 2019/20 fee was £31,610 (pending approval of a fee variance by PSAA).

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
ISA240 fraudulent revenue recognition	The Pension Fund	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> there is little incentive to manipulate revenue recognition opportunities to manipulate revenue recognition are very limited the culture and ethical frameworks of local authorities, including East Sussex County Council and East Sussex Pension Fund, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for East Sussex Pension Fund.</p>	Significant risk rebutted.
Fraudulent expenditure recognition	The Pension Fund	<p>We have also considered the risk of material misstatement due to the fraudulent recognition of expenditure. We have considered each material expenditure area, and the control environment for accounting recognition.</p> <p>We were satisfied that this did not present a significant risk of material misstatement in the 2020/21 accounts as:</p> <ul style="list-style-type: none"> - The control environment around expenditure recognition (understood through our documented risk assessment understanding of your business processes) is considered to be strong; - We have not found significant issues, errors or fraud in expenditure recognition in the prior 2 years audits; - Our view is that, similarly to revenues, there is little incentive to manipulate expenditure recognition. <p>Therefore we do not consider this to be a significant risk for East Sussex Pension Fund.</p>	Significant risk rebutted.

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	The Pension Fund	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Fund faces external scrutiny of its spending and stewardship of funds and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk.</p>	<p>We will:</p> <p>Evaluate the design effectiveness of management controls over journals;</p> <p>Analyse the journals listing and determine the criteria for selecting unusual journals;</p> <p>Test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;</p> <p>Gain an understanding of the accounting estimates and critical judgements applied by management and consider their reasonableness with regard to corroborative evidence; and</p> <p>Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</p>
Valuation of Level 3 Investments	The Pension Fund	<p>You revalue your investments on an annual basis with the aim of ensuring that the carrying value of these investments is not materially different from their fair value at the balance sheet date.</p> <p>By their nature level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (£618 million) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p> <p>Management utilise the services of investment managers as valuation experts to estimate the fair value as at 31 March 2021. During this financial year, the Pension Fund have reviewed the equity portfolio and have engaged a number of new investment managers. This increases the risk of misstatement, as the new managers apply potentially different methods and assumptions.</p> <p>We therefore identified valuation of Level 3 investments as a significant risk.</p>	<p>We will:</p> <p>Evaluate management's processes for valuing Level 3 investments;</p> <p>Review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; against the requirements of the Code;</p> <p>Independently request year-end confirmations from investment managers and custodian;</p> <p>For a sample of investments, test the valuation by obtaining and reviewing the audited accounts at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconcile those values to the values at 31 March 2021 with reference to known movements in the intervening period;</p> <p>In the absence of available audited accounts, we will evaluate the competence, capabilities and objectivity of the valuation expert;</p> <p>Test revaluations made during the year to see if they had been input correctly into the Pension Fund's asset register; and</p> <p>Where available review investment manager service auditor report on design effectiveness of internal controls.</p>

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report.

Other audit risks

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
IAS26 Pension Fund Disclosures	The Pension Fund	As mentioned above the Pension Fund has engaged a new actuary Barnett Waddingham in the 2020/21 year. Therefore the IAS26 disclosures will be produced by this new actuary – there could be different/changed methods/assumptions and judgements made in calculating these disclosures, and as such there is a greater risk of error.	<p>We will;</p> <p>Update our understanding of the processes and controls put in place by management to ensure that the IAS26 disclosures are accurate;</p> <p>Evaluate the instructions issued by management to their management expert (an actuary) for producing the disclosures of the net liability estimate and the scope of the actuary's work;</p> <p>Assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation and produce the IAS26 disclosures; and</p> <p>Undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report.</p>

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report.

Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

We identified 1 recommendation in our 2019/20 audit in relation to the Pension Fund's estimation process and disclosures around the valuation of level 3 investments. We will follow up progress on this recommendation with management as we complete our audit planning processes.

Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?



Accounting estimates and related disclosures

Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2021.

Based on our knowledge of the Pension Fund we have identified the following material accounting estimates for which this is likely to apply:

- Valuation of level 2 and level 3 investments

The Pension Fund's Information systems

In respect of the Pension Fund's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Pension Fund uses management experts in deriving some of its more complex estimates, e.g. asset and investment. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Pension Fund (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.



Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- **What the assumptions and uncertainties are;**
- **How sensitive the assets and liabilities are to those assumptions, and why;**
- **The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and**
- **An explanation of any changes made to past assumptions if the uncertainty is unresolved.**

Planning enquiries

As part of our planning risk assessment procedures we are addressing additional written enquiries to management and to those charged with governance in order to obtain the expanded understanding of the entity's internal controls required under ISA (UK) 540. We would appreciate a prompt response to these enquiries in due course.

Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540-Revised-December-2018-final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540-Revised-December-2018-final.pdf)

Other matters

Other work

The Pension Fund is administered by East Sussex County Council (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements. Therefore, as well as our general responsibilities under the Code of Practice a number of other audit responsibilities also follow in respect of the Pension Fund, such as:

- We read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.
- We consider our other duties under legislation and the Code, as and when required, including:
 - Giving electors the opportunity to raise questions about your 2018/19 financial statements, consider and decide upon any objections received in relation to the 2018/19 financial statements;
 - Issue of a report in the public interest or written recommendations to the Fund under section 24 of the Act, copied to the Secretary of State.
 - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
 - Issuing an advisory notice under Section 29 of the Act.
- We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Going concern

As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on:

- whether a material uncertainty related to going concern exists; and
- the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements.

The Public Audit Forum has been designated by the Financial Reporting Council as a "SORP-making body" for the purposes of maintaining and updating Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (PN 10). It is intended that auditors of public sector bodies read PN 10 in conjunction with (ISAs) (UK).

PN 10 has recently been updated to take account of revisions to ISAs (UK), including ISA (UK) 570 on going concern. The revisions to PN 10 in respect of going concern are important and mark a significant departure from how this concept has been audited in the public sector in the past. In particular, PN 10 allows auditors to apply a 'continued provision of service approach' to auditing going concern, where appropriate. Applying such an approach should enable us to increase our focus on wider financial resilience and ensure that our work on going concern is proportionate for public sector bodies.

Materiality – Pension Fund

The concept of materiality

Materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the net assets of the fund at the year end. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £34.7m (PY £36m) for the Pension Fund, which equates to 1% of your prior year net assets.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

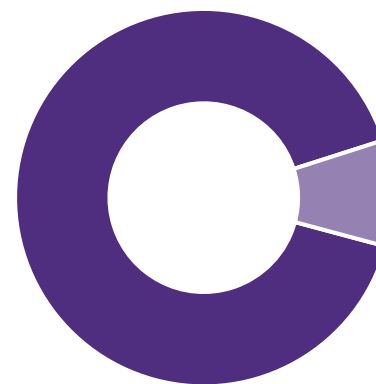
Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £1.7m (PY £1.8m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

Prior year net assets of the scheme

£3,479.1m Pension Fund
(PY: £3,632.9m)

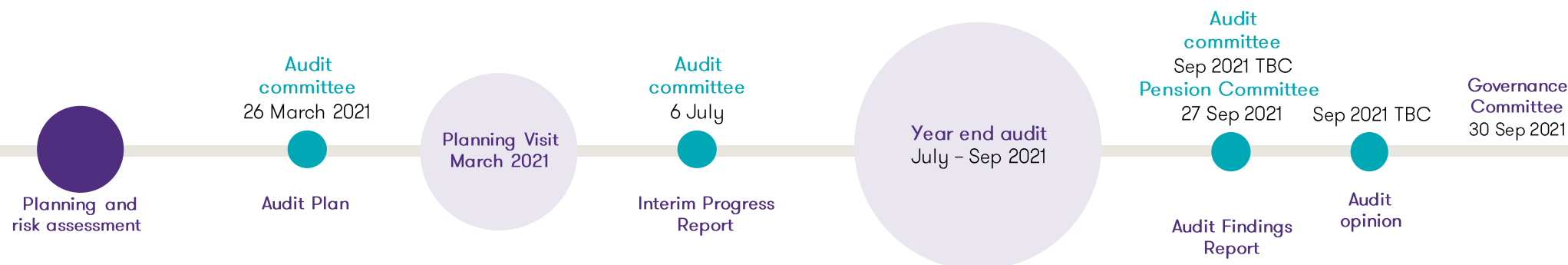


■ Prior year net assets of the scheme

Materiality



Audit logistics and team



Darren Wells, Key Audit Partner

Darren will be the main point of contact for the Chair and the Chief Executive and Board Members. Darren will share his knowledge and experience across the sector providing challenge, sharing good practice, providing pragmatic solutions and acting as a sounding board with the Corporate Management Team and Audit Committee. Darren will ensure our audit is tailored specifically to you and is delivered efficiently. Darren will review all reports and the team's work focussing his time on the key risk areas to your audit.

Andy Conlan, Audit Senior Manager

Andy will work with the senior members of the finance team ensuring early delivery of testing and agreement of accounting issues on a timely basis. Andy will attend Audit Committee, undertake reviews of the team's work and draft reports, ensuring they remain clear, concise and understandable to all. Andy will work with Internal Audit to secure efficiencies and avoid duplication.

Ezgi Aslan, Audit In-charge

Ezgi will lead the onsite team and will be the day to day contact for the audit. Ezgi will monitor the deliverables, manage the query log with your finance team and highlight any significant issues and adjustments to senior management. Ezgi will undertake the more technical aspects of the audit, coach the junior members of the team and review the teams work.

Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the agreed timetable you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

Audit fees

In 2018, PSAA awarded a contract of audit for East Sussex Pension Fund to begin with effect from 2018/19. Since that time, there have been a number of developments, particularly in relation to the revised ISA's which are relevant for the 2020/21 audit.

As communicated on pages 8-10, the new ISA540 also requires significant enhancements in respect of the audit risk assessment process for accounting estimates.

Additionally, across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as noted in the number of revised ISA's issued by the FRC that are applicable to audits of financial statements commencing on or after 15 December 2019, as detailed in Appendix 1.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. Our proposed work and fee for 2020/21, as a result of the additional work above, and the impact of the Redmond Review, is still being fully assessed. We will communicate the fee with your Chief Finance Officer and subsequently with the Audit Committee when this fee has been assessed:

	Actual Fee 2018/19	Actual Fee 2019/20	Proposed fee 2020/21
Pension Fund Audit	£23,487	£31,610	£TBC
Total audit fees (excluding VAT)	£23,487	£31,610	£TBC

Assumptions

In setting the above fees, we have assumed that the Pension Fund will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Audit fees –detailed analysis

Scale fee published by PSAA	£20,487
<i>Ongoing increases to scale fee first identified in 2019/20</i>	
Raising the bar/regulatory factors	£3,000
Enhanced audit procedures for Valuation of Level 3 Investments	£4,000
Fee variance - additional work which was necessary to be carried out during the audit due to the added complexities of the impact of Covid-19. Communicated in the Annual Audit Letter.	4,123
Audit fee 2019/20	£31,610
<i>New issues for 2020/21</i>	
Increased audit requirements of revised ISAs	£TBC
<i>Proposed increase to agreed 2019/20 fee</i>	£TBC
Total audit fees (excluding VAT)	£TBC

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Other services

The following other services provided by Grant Thornton were identified.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Pension Fund

Service	Fees £	Threats	Safeguards
Audit related			
Provision of IAS 19 Assurances to Scheme Employer auditors	5,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £5,000 in comparison to the total fee for the audit of £31,610 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

Appendix 1: Revised Auditor Standards and application guidance

FRC revisions to Auditor Standards and associated application guidance

The following Auditing Standards and associated application guidance that were applicable to 19/20 audits, have been revised or updated by the FRC, with additional requirements for auditors for implementation in 2020/21 audits and beyond.

	Date of revision	Application to 2020/21 Audits
ISQC (UK) 1 – Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Service Engagements	November 2019	✓
ISA (UK) 200 – Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing (UK)	January 2020	✓
ISA (UK) 220 – Quality Control for an Audit of Financial Statements	November 2019	✓
ISA (UK) 230 – Audit Documentation	January 2020	✓
ISA (UK) 240 – The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements	January 2020	✓
ISA (UK) 250 Section A – Consideration of Laws and Regulations in an Audit of Financial Statements	November 2019	✓
ISA (UK) 250 Section B – The Auditor’s Statutory Right and Duty to Report to Regulators of Public Interest Entities and Regulators of Other Entities in the Financial Sector	November 2019	✓

Appendix 1: Revised Auditor Standards and application guidance continued

	Date of revision	Application to 2020/21 Audits
ISA (UK) 260 – Communication With Those Charged With Governance	January 2020	✓
ISA (UK) 315 – Identifying and Assessing the Risks of Material Misstatement Through Understanding of the Entity and Its Environment	July 2020	
ISA (UK) 500 – Audit Evidence	January 2020	✓
ISA (UK) 540 – Auditing Accounting Estimates and Related Disclosures	December 2018	✓
ISA (UK) 570 – Going Concern	September 2019	✓
ISA (UK) 580 – Written Representations	January 2020	✓
ISA (UK) 600 – Special considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)	November 2019	✓
ISA (UK) 620 – Using the Work of an Auditor’s Expert	November 2019	✓
ISA (UK) 700 – Forming an Opinion and Reporting on Financial Statements	January 2020	✓

Appendix 1: Revised Auditor Standards and application guidance continued

	Date of revision	Application to 2020/21 Audits
ISA (UK) 701 – Communicating Key Audit Matters in the Independent Auditor’s Report	January 2020	✓
ISA (UK) 720 – The Auditor’s Responsibilities Relating to Other Information	November 2019	✓
Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom	December 2020	✓



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Report to: Pension Board

Date: 1 June 2021

By: Chief Financial Officer

Title: Employer Engagement Report

Purpose: This report updates the Board on Employer Engagement activities including communications and the collection of Employer contributions up to March 2021 which were due on 19 April 2021.

RECOMMENDATION

The Board is recommended to note the report

1. Background

1.1 This report is brought to the Pension Board to provide an update on employer engagement tasks that directly affect the East Sussex Pension Fund (the Fund).

1.2 Under the Local Government Pension Scheme (LGPS) Regulations, East Sussex County Council (ESCC) 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.

1.3 The Employers (scheduled and admitted bodies) are required to pay both employee and employer contributions to the Fund monthly. The contribution 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.

1.4 The Employers are required by regulations to make the payment of contributions to the Fund by 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

Employer Engagement

2.1. Officers have been focusing on establishing relationships with a number of the different employers across numerous projects. The team continue to develop a complete list of employer contacts for all employers within the Fund. This list will then be used going forward and updated when employers join or leave or any changes in staff within the individual employers.

2.2. The Employer Engagement Team have been busy communicating with employers in reference to them providing the end of year salary data requirements. This data is required to allow for the preparation of Annual Benefit Statements (ABS). The team have actively helped resolve employer queries on completing the data requests and sent reminders and chasers to employers in line with the ABS project plan. There has been a good response from employers so far and help

and support is being provided to those employers that are needing more assistance in getting the relevant data returned.

2.3. The last quarter has seen a progression with the next stage of the i-Connect project. The roll out to first few employers was slightly delayed due to the migration from Surrey to East Sussex, however the largest employer in the Fund (ESCC) has been onboarded and will utilise the i-Connect system to provide monthly uploads of employer data. The Employer Engagement Team have been working alongside the Pensions Admin Team on the onboarding of the employers and will continue to work in collaboration for the duration of the project.

2.4. The next stage of the i-Connect project is to roll out the i-Connect system to the larger employers in the Fund, alongside other employers who are already using the i-Connect system in other authorities. The i-Connect project is a good opportunity to help cleanse employee data and in time will allow a more efficient method of data transfer between the employer and the Fund. The Engagement team are aware that some employers may find the transition to i-Connect problematic with limits on time and technology. They will offer the relevant time and support to allow for a smooth transition alongside appropriate training.

Communications

2.5. As requested in the February Board meeting a new Communications Working Group has been established with the first meeting planned to be carried out at the start of June 2021. This group will consider the current terms of reference and strategy and provide feedback on recent communications sent to employees and employers in the Fund.

2.6. The Engagement Team have produced and released the spring newsletters (see Appendix 1,2,3) for employers, actives, and pensioners in the Fund. The newsletters provide an update on current news within East Sussex Pension Fund and relay details on existing and forthcoming projects. The format and timetabling of newsletters will be reviewed as part of the communications working group and a full review of these communications will be carried out.

2.7. Officers have also started assessing the content held on the East Sussex Pension Fund website. All content held on the website needs to meet the East Sussex accessibility criteria. Work is progressing to make sure any documents, forms or articles meet the required standards. The Team will continue to monitor the documentation and information on the website and will work alongside the Pensions Admin team on reviewing the forms and documents used by employees.

2.8. There is still a vacancy in the Employer Engagement Team for a Pensions Employer Engagement officer. The advert for the role closes at the end of May with the intention that suitable candidates will be assessed and interviewed in June.

2.9. Future projects that the Engagement Team will be focusing on in the coming months include the McCloud data project in which we will be writing to employers to request data sets for eligible employees. They will also be involved in the next stage of the Annual Allowance project where further information from employers may be required.

2020/21 Contributions

3.1 In line with regulations, the Fund 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 March 2021.

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
*Total payments due	120	120	120	120	120	122	123	125	126	126	128	128
Payments received late	8	3	3	2	4	3	3	3	8	3	3	7

**Total payments shown in February report have been amended to show the full year.*

3.2 In the accounting year 2020/21 there have been 50 late payments of contributions out of 1478 expected payments. The main cause of late payments are due to a few smaller employers making payments by cheque. Due to Covid restrictions cheques are not always paid into the bank on a daily basis; this can lead to some delays in the cheque being received and credited. There have also been instances of cheques not arriving in the post causing a delay in cheques being cancelled and resent. The Engagement Team are liaising with these employers to establish a more robust method of sending cheques via recorded delivery and providing e-mail copies of date stamped cheques. The Team are also suggesting the use of BACs payments wherever possible. As Covid restrictions are removed it should improve efficiency of collating and paying in of cheque payments. The introduction to i-Connect may also provide an opportunity for cheque paying employers to review their processes.

3.3 The Engagement Team also note that in March and April the number of discrepancies on contributions can increase. This is normally due to the new contribution rates not being actioned correctly by the employers. The Team notify all employers of the new contribution rates in sufficient time for employers to adjust contribution payments for April. Any discrepancies from the employers' contributions are checked straight away and employers are notified of any adjustments that are required. The notification of employer rates will be reviewed to establish if efficiencies can be made in this area.

3.4 As part of the contribution reconciliation it was found that some employers who were due to pay additional strain costs for 'ill health early retirements' were not paying the correct amounts. The relevant employers have been notified and over or under payment adjustments have been carried out.

Improvements to the contributions monitoring

3.5 The Fund has undertaken a thorough reconciliation of the current position of contributions owed and paid across by employers in the Fund. After significant work and reconciliation of the last financial year 2020/21, the Fund now has detailed information in relation to employer contributions and have a clear understanding of any late or missing payments. The Fund's Employer Engagement Team have been 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. Where the Engagement Team have found discrepancies in amounts due and amounts paid they have resolved these issues through meetings and providing the evidence of under or overpaid contributions.

3.6 The Fund will continue to engage with employers to understand the issues behind missed payments and providing support in order to reconcile. Since the Engagement Team have started engaging with employers on contribution issues the number of queries or repeat offenders has dropped. The Engagement Team are aware that 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. If any employers continue to provide incorrect payments or pay contributions late then employers will be warned and issued with relevant fines accordingly. The Fund is also assessing all 'new employer admissions' to the Fund and making sure any backdated contributions have been paid and reconciled, whilst also establishing the expectations of all employers in the Fund.

3.7 Improvements with reconciliations included the Fund setting up a more robust process for keeping track of employer contributions and identifying quickly where contributions are missing or inaccurate, this has been achieved by enhanced reports and a documented procedure. 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.

3.8 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 due to the contribution reporting features on i-connect. 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.

4. Conclusion and reasons for recommendation

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

IAN GUTSELL
Chief Finance Officer

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

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

We are pleased to publish the latest edition of our Employers' Newsletter; produced to keep you informed of your responsibilities as a Local Government Pension Scheme (LGPS) employer. Inside you'll also find the latest developments in the LGPS and any changes in the services we offer.

An Announcement

As you may be aware, **with effect from 1 April 2021 the provision of our pension administration is migrating back from Orbis to the sovereign authority East Sussex County Council.**

As a result, going forwards all communication received from us will feature 'East Sussex Pension Fund' and 'East Sussex County Council' branding. We will also be replacing the Orbis logo on all forms with the East Sussex logo's— this will not change the validity of any existing forms or in-progress enquiries.

Rest assured, there will be no changes to the quality or type of pensions service you receive from us. However please note that as part of the transition from Orbis to East Sussex the internal pensions admin system will need to be migrated, resulting in a blackout period between 26 March to 7 April 2021. There may be a slight delay on member related queries and calculations due to this downtime but we will work hard to reduce any backlogs so that we can remain dedicated to providing all our members and employers with the same reliable service as before.

The Member Self Service (MSS) will also undertake a blackout period in line with the dates above and a new MSS East Sussex site will be active from 7 April 2021. If members have used the old Orbis MSS site then previous log in details are still correct and can be used on the new site. We will update the new MSS website address for the new East Sussex Member Self Service on the go live date [here](#).

Part of the migration back to the sovereign authority will mean there is a new helpdesk phone number and e-mail address. Please can you use the following contact details when communicating with the pension Fund.

Please can we ask that you provide this new contact information to your employees when they make enquiries for their pension benefits. E-mail -Pensions@eastsussex.gov.uk Phone Number: **0300 200 1022**

McCloud Update

Later in the year we will be sending you the spreadsheet to complete with member data, as detailed in our [December newsletter](#).

Once you have received the spreadsheet and instructions, if you have any queries we will provide you with the relevant contact details to support you with this process.

More information on the McCloud case, including an FAQ and an example data collection template, can be found on the [lgpsregs.org website](https://lgpsregs.org/website), under the Administration Resources > McCloud. Please note this project will take time to complete.

i-Connect

You will be aware that we have previously advised that the cloud service for flow of employee information from your payroll system to the Funds pension administration system called 'i-Connect' is being rolled out across the East Sussex Pension Fund Employers. It is worth noting that the old 'Pensions Web' service will be switched off later this year so the i-connect service will be the main method of information sharing going forward.

We are currently onboarding some of the larger employers and will shortly be extending the roll out to all employers within the East Sussex Pension Fund.

For reference you may want to watch the demonstration that was provided on i-connect at the November 2020 Employers Forum (see link below).

[I-Connect Demonstration - Employer Forum November 2020 - YouTube](#)

Yearly Increase

From the 1 April 2021, the CARE portion of an Active member's pension (pension built up since 1 April 2014) is revalued with a cost of living adjustment. This year that increase will be 0.5%.

There will also be a Pensions Increase for member's who have left the LGPS. This is also an increase of 0.5% which will become effective from 12 April 2021.

New Contribution Rate

The contribution rate that a member pays depends upon their annual pensionable salary. Every year, the contribution bands are increased by Consumer Price Index. This year, the increase is 0.5%. The following table shows the contribution bands for the 2021/22 financial year.

Contribution table 2021/22			
If their actual pensionable pay is:		They pay a contribution rate of:	
		main scheme	50/50 section
Up to	£ 14,600.00	5.50%	2.75%
£ 14,601.00	£ 22,900.00	5.80%	2.90%
£ 22,901.00	£ 37,200.00	6.50%	3.25%
£ 37,201.00	£ 47,100.00	6.80%	3.40%
£ 47,101.00	£ 65,900.00	8.50%	4.25%
£ 65,901.00	£ 93,400.00	9.90%	4.95%
£ 93,401.00	£ 110,000.00	10.50%	5.25%
£ 110,001.00	£ 165,000.00	11.40%	5.70%
£ 165,001.00	or more	12.50%	6.25%

New Starters Process

Information the employer must provide:

As the employer, when a new member of staff is employed and you enrol them into the LGPS, you must provide them with the following information:

- Their individual contribution rate
- Date of joining the LGPS
- The right of appeal (IDRP)

As the employer must decide if the member is eligible for the LGPS (and assess their contribution rate) the employee may appeal these decisions with the employer. Therefore, the information that you provide to the new member of staff must include your right of appeal procedure (IDRP.)

Our New Starter Information Leaflet provides details of the LGPS and where the member may obtain further information. Feel free to send this to your new employees.

What information you need to provide to us:

Once the member starts, you should include their details in your next monthly data return. Depending on your organisation, this may be via a SAP return, i-Connect or by sending us the new starter datafile.

If you are still sending us forms, we will contact you and request that the information be submitted via the new starter datafile.

We have a legal requirement to send the member a notification of joining the LGPS within two months of their start date. Therefore, we need to have received your new starter information by the 15th of the following month (19th via i-Connect).

What information we send to the member:

Once we have received your new starter details, we will send the member their new starter information, which includes:

- How to opt out of the scheme
- How to move to the 50:50 scheme
- Increasing their pension benefits
- How to transfer in previous pension rights
- Expression of wish
- Details of how to access the 'My Pension' Portal

We aim to send this via an email to the member as it is more efficient and cost effective.

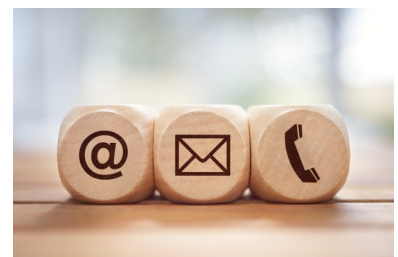
Make sure you complete the email address with your new starter details

This will enable us to communicate with the member via email.

Keep Us Updated!

We would like to remind all employers of how vital it is to update the Pension Fund if you change your payroll provider.

If you have decided to move to a different provider, or to bring the payroll back in house, please let us know as a matter of urgency to make sure the details we hold on our contacts list remains correct.



You can contact us at: employer.engagement@pensions.ex.gov.uk

£95K Exit Cap Update

The Government's [£95k Exit Payment Cap legislation](#) came into force on 4 November 2020 and was later rescinded on the 12 February 2021.

All Redundancy and Interest of Efficiency retirements effective from 12 February 2021 onwards will be paid in accordance with the existing Regulations:

If you have a member of staff who left your employment due to Redundancy or Interest of Efficiency between 4 November 2020 and the 12 February 2021, and their exit payments were restricted due to the £95k exit cap limit, please contact us using the contact details below.



End of Year Data

The Annual Return spreadsheet has been sent to all employers, and 3rd party payroll providers, and requests member data up to the **31 March 2021**. Where applicable, please ensure your payroll provider has received the spreadsheet and understands their obligation to provide the members data on your behalf.

Please make sure the spreadsheet is submitted by **30 April 2021** to Pensions.Technical@eastsussex.gov.uk

LTA Update

The Chancellor announced a 5 year freeze on increases to Lifetime Allowance (LTA) in the budget.

The current limit is £1,073,100 and will remain at this level until April 2026.

The LTA is the total value of all pension benefits that a member can receive without triggering an excess benefits tax charge on retirement.

The current value of the member's LTA, for their LGPS benefits only, can be found on their Annual Benefit Statement.

For further information on Lifetime Allowance, please refer them to the LGPS member site at: <https://lgpsmember.org/ats/about-tax.php>

Annual Allowance

If, after we have completed our initial calculations on the End of Year Data, it shows that any of your employees has exceeded their Annual Allowance limit, we will contact employers to request pay data to 5 April. This will enable us to complete the calculation and provide the member with their tax statement.

More information on Annual Allowance (AA) can be found on the [LGPS factsheet AA.pdf \(lgpsmember.org\)](#). The member may also wish to contact the Pensions team for further information.

Members can view their pension online:
[Member Self-Service \(eastsussex.gov.uk\)](#)

Problem accessing the 'My Pension' portal?

 0300 200 1022

Or [Check our 'My Pension' portal guide](#), on

www.eastsussexpensionfund.org

Contact The Employer Engagement Team

 07935 014575

Employer.engagement@eastsussex.gov.uk

County Hall,
St Anne's Crescent,
Lewes, East Sussex
BN7 1UE

Spring 2021

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

We are pleased to publish the latest edition of our newsletter; produced to keep you updated on any changes to the Local Government Pension Scheme (LGPS) which may affect you. Inside you'll also find useful information about your pension and other areas of interest.

An Announcement

As you may be aware, **with effect from 1 April 2021 the provision of our pension administration is migrating back from Orbis to the sovereign authority East Sussex County Council.**

As a result, going forwards all communication received from us will feature 'East Sussex Pension Fund' and 'East Sussex County Council' branding. We will also be replacing the Orbis logo on all forms with the East Sussex logo's— this will not change the validity of any existing forms or in-progress enquiries.

Rest assured, there will be no changes to the quality or type of pensions service you receive from us. However **please note that as part of the transition from Orbis to East Sussex the internal pensions admin system will need to be migrated, resulting in a blackout period between 26 March to 7 April 2021.** There may be a slight delay on queries and calculations due to this downtime but we will work hard to reduce any backlogs so that we can remain dedicated to providing all our members with the same reliable service as before.

Part of the migration back to the sovereign authority will mean there is a new helpdesk phone number and e-mail address. Please can you use the following contact details when communicating with the pension Fund.

E-mail - Pensions@eastsussex.gov.uk

Phone Number: **0300 200 1022**

'My Pension' Portal

The '[My Pension' Portal](#)' allows you to view and update your personal details, update nomination beneficiaries and view your membership details.

Most importantly, you are able to view your Annual Benefit Statements and use the benefit projector tool to calculate your retirement benefits and options. [East Sussex's Member Self Service Portal](#) is live from **7 April 2021**.

What do I need to do?

If you haven't done so, register by:

- 1) Going to **[Member Self-Service \(eastsussex.gov.uk\)](#)**
- 2) If you haven't got a username or password please click on '**[Request One.](#)**'

If you have used the old Orbis MSS site then previous log in details are still correct and can be used on the new site.

Got a question about the portal?

[Guidance Notes](#) available on the East Sussex Pension Fund site.

The McCloud Judgement

When the LGPS changed from a final salary to a career average pension scheme in 2014, protections for older scheme members were introduced, this is known as the underpin.

Similar protections were provided in other public pension schemes.

The Court of Appeal ruled that younger members of the Judges' and Firefighters' Pension schemes have been discriminated against because the protections do not apply to them.

The government has decided that the general principles established will apply to all public sector pension schemes and, therefore, it has consulted on amending the LGPS.

What does this mean?

The proposed changes would mean that a revised underpin will apply to all members, regardless of their age, who:

- Were active on 31 March 2012.
- Build up benefits in the 2014 Scheme
- Do not have a disqualifying break of more than 5 years.

If the members benefits would be better, the underpin will be automatically applied.

What is the current underpin?

Currently within the LGPS, the underpin applies for member's who were both active members of the scheme on 31 March 2012 and on 1 April 2012 were 10 years or less from their normal pension age.

The test is done by comparing the benefits accrued under the current 2014 Regulations compared to what would have been paid if the member had remained in the final salary scheme and accrued pension at a rate of 1/60ths of their final pay to the underpin date. If the underpin is higher, the benefits are increased by the difference.

What do I have to do?

Nothing. When the new Regulations come into force, if a member meets the above criteria and their benefits would be better at the point of payment, the underpin would be automatically applied.

We will be working alongside employers to gather relevant data needed to action any changes. Please note this project may take a year or two to complete.

Remember : You do not need to apply for the underpin.

LTA Update

The Chancellor announced a 5 year freeze on increases to Lifetime Allowance (LTA) in the budget. The current limit is £1,073,100 and will remain at this level until April 2026.

The LTA is the total value of all pension benefits that you can receive without triggering an excess benefits tax charge on retirement.

The current value of your LTA, for your LGPS benefits only, can be found on your Annual Benefit Statement. For further information on LTA, please refer to the LGPS member site at: <https://lgpsmember.org/ats/about-tax.php>



CARE Increase

On the 1 April each year, the CARE portion of your pension (pension built up since 1 April 2014) is revalued with a cost of living adjustment.

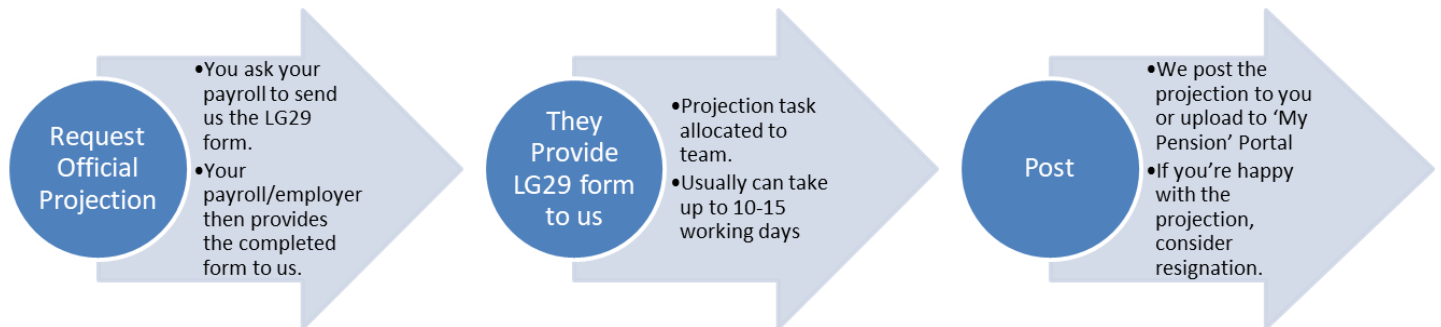
This year, CARE pension will increase by 0.5% on the 1 April 2021.

How to Retire & Start Claiming your Pension

It pays to be prepared as retirement nears. Around two years before you want to stop working is a good time to start thinking about your retirement options and the choices you'll need to make. Consider getting impartial financial advice before making your decision.

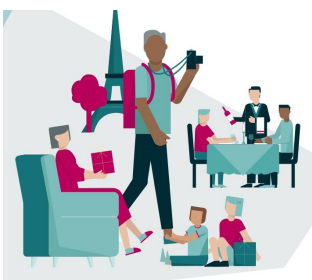
You can use the [‘My Pension’ portal’s](#) benefit projectors to help you plan your retirement. More information on the portal can be found on page 1. When you are within 6 months of your intended retirement date, you can request an official quotation and forms from the pensions team.

Once you have decided you would like to retire:



1. Provide your Employer with your resignation, **making sure to specify that you are retiring.** Your Employer will then begin the process by notifying HR & Pension Services.
2. Complete the pension claim form that will be sent to you via post and provide the required documents (not originals).
3. A confirmation letter will be sent to you by post/secure email. This letter explains how much you will get paid and when you will receive your pension benefits - this includes annual pension and lump sum.
4. Your first pension payment will be paid after your retirement date in line with East Sussex Pension Fund payroll date. Any lump sum is payable separately and will be paid as soon as possible (but can take up to 4 weeks). *Please note that we will not be able to pay any monies until we have received the Pension Claim form for you and the Final Pay information from your employer which may take up to 2 months. Your pension will then be paid in the next available payroll including any arrears due.*

Retirement Planning



The Pensions and Lifetime Savings Association have launched the Retirement Living Standards to help you plan your retirement. The standards show you what life in retirement looks like at three different levels, as well as what a range of common goods and services would cost for each level.

Please visit the link below to view the guidance:

The £95K Cap

The Government's [£95k Exit Payment Cap legislation](#) came into force on 4 November 2020 and was later rescinded on the 12 February 2021.

All Redundancy and Interest of Efficiency retirements effective from 12 February 2021 onwards will be paid in accordance with the existing Regulations:

- For staff aged 54 or under, the pension benefits will be deferred, and the redundancy payment will be paid.
- For staff aged 55 or over, the full unreduced pension will be paid together with the redundancy payment.

For further details please refer to the [LGPS Member website](#)



New Contribution Rate

As a member of the LGPS, the contribution rate that you pay depends upon your annual pensionable salary. Every year, the contribution bands are increased by Consumer Price Index. This year, the increase is 0.5%. The following table shows the contribution bands for the 2021/22 financial year.

Contribution table 2021/22			
If your actual pensionable pay is:		You pay a contribution rate of:	
		main scheme	50/50 section
Up to	£ 14,600.00	5.50%	2.75%
£ 14,601.00	£ 22,900.00	5.80%	2.90%
£ 22,901.00	£ 37,200.00	6.50%	3.25%
£ 37,201.00	£ 47,100.00	6.80%	3.40%
£ 47,101.00	£ 65,900.00	8.50%	4.25%
£ 65,901.00	£ 93,400.00	9.90%	4.95%
£ 93,401.00	£ 110,000.00	10.50%	5.25%
£ 110,001.00	£ 165,000.00	11.40%	5.70%
£ 165,001.00	or more	12.50%	6.25%

Active Member Survey Report 2020

In 2020, Orbis Pensions service sent out a survey to our Active members in order to get feedback on the services we offer, as well as enabling us to better plan for the future.

Thank you to everyone who took the time to complete the survey.

The results of the survey are published on the East Sussex Pension Fund site [here](#).

Beware Scammers

Scams remain a huge problem within the pensions industry, with people often losing vast sums of money.

Scammers are approaching members, promising attractive offers to get them to transfer their pension pot or to release funds from it. If you are contacted about releasing your LGPS pension benefits, then remember to take financial advice before releasing any funds.

For further information:

Please visit the Financial Conduct Authority or the Pensions Regulator websites:

[fca.org.uk/scamsmart](https://www.fca.org.uk/scamsmart)

[thepensionsregulator.gov.uk](https://www.thepensionsregulator.gov.uk)

Want to Transfer-in your Pension?

Remember, **you only have 12 months** from your start date to transfer-in your pension across from a previous provider.

If you would like to transfer a pension into the LGPS from another provider, complete Form LG8

which can be found at [Pension Fund](#) Site:

www.eastsussexpensionfund.org > Forms and

Publications. This form should be sent to your

previous pension provider to complete and

forward to the pensions admin team:

pensions@eastsussex.gov.uk

If you have previous LGPS benefits, please complete Form LG7 and send this to the pensions admin team.



Members can view their pension online:
[Member Self-Service \(eastsussex.gov.uk\)](#)

Problem accessing the 'My Pension' portal?

 0300 200 1022

Or [Guidance notes](#) available on the East Sussex Pension Fund site at

www.eastsussexpensionfund.org

Contact The Pensions Admin Team

 0300 200 1022

pensions@eastsussex.gov.uk

www.eastsussexpensionfund.org

County Hall,
St Anne's Crescent,
Lewes, East Sussex
BN7 1UE

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Spring 2021

An update for Pensioners of the Local Government Pension Scheme

We are pleased to publish the latest edition of our newsletter; produced to keep you updated on any changes to the Local Government Pension Scheme (LGPS) which may affect you. Inside you'll also find useful information about your pension and other areas of interest.

An Announcement

As you may be aware, with effect from 1 April 2021 the provision of our pension administration has migrated back from Orbis to the sovereign authority East Sussex County Council. We apologise for any inconvenience caused due to a short blackout period during the migration phase.

As a result, going forwards all communication received from us will feature 'East Sussex Pension Fund' and 'East Sussex County Council' branding. We will also be replacing the

Orbis logo on all forms with the East Sussex logo's— this will not change the validity of any existing forms or in-progress enquiries.

Rest assured, there will be no changes to the quality or type of pensions service you receive from us. Part of the migration back to the sovereign authority will mean there is a new helpdesk phone number and e-mail address:

✉: Pensions@eastsussex.gov.uk

☎: **0300 200 1022**

My Pension Portal

Last year we made the move towards going paperless—primarily contacting members by email, via the website and through the 'My Pension' portal where possible.

We apologise for the My Pension Portal being down for a few days during the migration period at the start of April.

Your payslips, P60 and pensions increase advice notification will continue to be sent through the post, but we would like to remind you that you can access these using the ['My Pension' portal](#).

The portal will allow you to keep track of your monthly pension being paid and any tax changes that may occur. The 'My Pension' portal also allows you to view and update your personal details such as contact details, UK bank details and home address. It will also allow you to

calculate death in retirement benefits for eligible dependents and update Nomination forms.

If you haven't done so, you can register now by following the three steps below:

- 1) Go to mypension.eastsussex.gov.uk
- 2) If you haven't got a username or password please click on '**Request One.**'
- 3) You will receive an email within 24 hours to complete your registration.

There is also a [FAQ](#) on the East Sussex Pension Fund Website: or contact the MSS Helpline on **0300 200 1034**

Having problems registering ?

Watch a helpful video: [How to register on Member Self Service - YouTube](#)

Keeping us Updated



It is vital that you tell us of any changes to your contact details. This helps us to keep our records up-to-date and allows us to keep you updated of any changes that may occur in the future.

Please note: In order to pay your monthly pension we must hold your current address in our records. It is your responsibility to keep us informed of any changes to your address.

You can inform us of any changes in writing using the contact details within your payslip or, alternately, by using our online '[My Pension' portal](#)—see item above.

In the event that we are informed that you are no longer living at the address shown on our records, **we reserve the right to suspend payment of your monthly pension until you have provided us with confirmation of your address.**

In a situation in which your pension has been suspended, please note that if you update your address on the '[My Pension' Portal](#) you will also need to contact the My Pensions Helpdesk (details on page 4) to confirm your new details.

Tell us how it's going?

We would like to hear from you. In order to improve the services we offer as a pension Fund; as well as enabling us to better plan for the future.

We would like to know what current pension services work well and any that you think we can improve upon.

- Do you find the Website a useful resource?
- Have you used the Member Self Service Portal ?
- What information would be useful to see in a newsletter?

Please can you send any feedback you may have through to the following e-mail address:

Employer.engagement@eastsussex.gov.uk

We will collate any responses we receive and use this to help plan our future communication and services. .



If however you have any specific questions relating to your personal benefits please use the following contact details:

✉: Pensions@eastsussex.gov.uk

☎: 0300 200 1022

The McCloud Judgement

When the LGPS changed from a final salary to a career average pension scheme in 2014, protections for older scheme members were introduced, this is known as the underpin.

Similar protections were provided in other public pension schemes.

The Court of Appeal ruled that younger members of the Judges' and Firefighters' Pension schemes have been discriminated against because the protections do not apply to them.

The government has decided that the general principles established will apply to all public sector pension schemes and, therefore, it has consulted on amending the LGPS.

Please note: This will not effect most pensioners but those it does will be written to in due course.

What does this mean?

The proposed changes would mean that a revised underpin will apply to all members, regardless of their age, who:

- Were active on 31 March 2012.
- Build up benefits in the 2014 Scheme
- Do not have a disqualifying break.

If the members benefits would be better, the underpin will be automatically applied.

What do I have to do?

When the new Regulations come into force, we will review all members receiving their pension, who started taking their pension from 1 April 2014 onwards.

If you meet the above criteria and your benefits would be better, the underpin will be automatically applied.

Remember: You do not need to apply for the underpin.

Explaining the Jargon

Consumer Price Index (CPI)

The Consumer Price Index (CPI) is the official measure of inflation of consumer prices in the UK. This is currently the measure used to increase (each April) the value of your pension in payment and any deferred pension that you may have in the scheme.

The adjustment ensures your pension keeps up with the cost of living.

GMP

The LGPS guarantees to pay you a pension that is at least as high as you would have earned had you not been contracted out of the State Earning Related Pension Scheme (SERPS) at any time between 6 April 1978 and 5 April 1997.

This is called the Guaranteed Minimum Pension (GMP.)

Scheme Year

The scheme year runs from 1 April to 31 March each year.

State Pension Age (SPA)

This is the earliest age you can receive the state basic pension and depends upon your date of birth.

You can use the Government's [State Pension Age calculator](#) to find out your state pension age.

For a full glossary of pension terms, please visit:

www.lgpsmember.org/glossary.php

Lifetime Allowance Freeze

The Chancellor announced a 5 year freeze on increases to Lifetime Allowance (LTA) in the budget. The current limit is £1,073,100.00 and will remain at this level until April 2026.

The LTA is the total value of all pension benefits that you can receive without triggering an excess benefits tax charge on retirement. It won't affect any pensions already in payment but may affect any other pensions that you bring into pay in the future.

For further details go to the LGPS member site at: <https://lgpsmember.org/ats/about-tax.php>

Useful Links

Scam Advice

Scams remain a huge problem within the pensions industry, with people often losing vast sums of money. Scammers are approaching members, promising attractive offers to get them to transfer their pension pot or to release funds from it. If you have any pensions which aren't yet in payment, then remember to take financial advice before releasing any funds.

For more information, please visit the Financial Conduct Authority or the Pensions Regulator websites.

fca.org.uk/scamsmart

thepensionsregulator.gov.uk

Impartial Pensions & Retirement Advice

moneyandpensionservice.org.uk

thesilverline.org.uk

moneyadvice.service.org.uk



Tell Us Once Service

Tell Us Once is a service that lets you report a death to most government organisations all at once.

If an informant does not notify us of a death of a pensioner member directly, the Tell Us Once service will notify us and we will contact the informant for further information.

For more information, please watch this short video: www.youtube.com/watch?v=Xw0Ob59HFEY

Members can view their pension online:
[Member Self-Service \(eastsussex.gov.uk\)](https://eastsussex.gov.uk)

Problem accessing the 'My Pension' portal?

☎ 0300 200 1034

Or [Guidance notes](#) available on the East Sussex

Pension Fund site at

www.eastsussexpensionfund.org

Contact: My Pensions Helpdesk

☎ 0300 200 1022

✉ : pensions@eastsussex.gov.uk

County Hall,
St Anne's Crescent,
Lewes, East Sussex
BN7 1UE

Report to: Pension Board

Date of meeting: 1 June 2021

By: Chief Financial Officer

Title: East Sussex Pension Fund (ESPF) quarterly budget report

Purpose: This report provides the 2020/21 Financial Outturn report

RECOMMENDATION

The Board is recommended to:

- 1) note the 2020/21 financial outturn position for the East Sussex Pension Fund
-

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 scheme employers.

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 for the Council to be able to perform its role as the administering authority in a structured way. The Pension Committee is charged with meeting the duties of the Council in respect of the Pension Fund.

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

1.4 Figures may move between this report and the version presented at Pension Committee due to more information identified through the statement of accounts process.

2. Supporting information

2020/21 Investment and Administration Expenses Outturn Report

2.1 In March 2021, the Pension Committee agreed to the revised forecast position of £5.9m from the original £3.7m budget agreed in March 2020. The position reported to Pension Committee was slightly amended to that reported at Pension Board in February which was reported at £6.0m, the amendment in the Committee version related to staffing costs.

2.2 The comparator movement data in the tables below reflect the approved version from the 1 March 2021 Pension Committee.

2.3 The increase in budget requirements for the year was significantly increased due to the insourcing of Pensions Administration which included one off costs for the dissolution from the Orbis partnership and a better understand of ongoing costs as the funding costs

became more transparent from the project increasing projections by £1m. In addition, a number of Investments were moved from Fund Managers who deducted fees from the asset valuation into new Fund Managers who invoiced fees directly to the Fund increasing the reportable costs through budget monitoring by £1m.

2.4 The forecast outturn for 2020/21 is £5.996m, against the revised forecast position of £5.9m, an increase of £0.101m. The 2020/21 projected outturn against line items is shown at Table 3 below.

2.5 The overspend, relates to increased investment fees invoiced directly to the fund, offset by a reduction in the costs associated with Pensions Administration. Main movements to the forecast are set out in Table 1 below and movements detailed in Paragraphs 2.6 to 2.9.

Table 1

	2020/21 Forecast Outturn, March Committee	2020/21 Outturn	Variance from last reported position
Staffing - Para 2.6	435	486	51
Investment Management Fees - Para 2.7	2,167	2,365	198
Legal costs - Para 2.8	187	285	98
Pensions Administration - Para 2.9	2,069	1,806	(263)
Other line items – minor variations	1,037	1,054	17
Total	5,895	5,996	101

2.6 Since the last report the Fund has been able to work to provide total figures on the staffing costs incurred for the new structure. This has resulted in an increase of £51,000 from the last report, mainly due to agency staff costs.

2.7 The investment management fees has been increased due to the availability of asset values as at the 31 March 2021 upon which the calculations are based. The overspend on this item has increased by £198,000.

2.8 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, and to complete significant due diligence in relation to the new investments made through the year to ensure the fund is well protected. The overspend on this item has increased by £98,000.

2.9 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 has been some movement on elements of the final cost for the administration and this will be £1.806m, which is £0.263m less than reported at the last meeting. Table 2 provides a breakdown of the Pension admin costs.

Table 2 Pensions Administration Forecast 2020/21

Line item	2020/21 Forecast Outturn, March Committee £000	2020/21 Outturn £000	Movement from previous forecast	One off or ongoing details
Orbis Business Operations Support services	1,077	1,020	(57)	Last year of Orbis contract, 2021/22 budget replaces this with ongoing staffing and software licence costs
PAT staffing, post TUPE	360	231	(129)	Direct Staff costs December 2020 to March 2021 as a result of TUPE
One off Data migration costs	75	95	20	One off costs, ESCC share to replicate Altair system
Systems and licences	323	282	(41)	Altair BAU support, Employer website, i-Connect
IT equipment	77	78	1	One off IT associated costs for data migration including new servers and equipment for staff
Consultancy and project costs	150	90	(60)	Mostly one off projects, including GMP reconciliation, Mortality screening, licence for data access, address tracing
Other general expenditure	7	10	3	
Pensions Administration total forecast line	2,069	1,806	(263)	

Table 3 2020/21 Outturn Report

2019/20 Outturn £000	Item	2020/21 Budget £000	2020/21 Forecast Outturn March Committee £000	2020/21 Outturn £000	Variance to the last reported Forecast £000
	<u>Pension Fund Oversight and Governance</u>				
345	Actuarial Fund Work	250	309	341	32
97	Actuarial Employer Work	150	90	87	(3)
(97)	Employer reimbursement	(150)	(76)	(70)	6
88	Good Governance Program	47	25	25	0
75	Data Improvement Program	100	40	40	0
8	Independent Pension Board Chair	5	12	11	(1)
307	Fund Officers*	385	435	486	51
	Recruitment Costs	-	50	53	3
30	External Audit – Grant Thornton	26	30	24	(6)
-	Democratic Services Support	-	22	28	6
17	Internal Audit*	19	37	37	0
119	Legal Fees	115	187	285	98
11	Subscriptions and other Expenses	70	96	77	(19)
1,000	Sub Total	1,017	1,257	1,424	167
	Investment activities				
114	Investment Consultant	120	182	200	18
-	PIRC ESG Report	11	11	12	1
-	EIRIS Carbon Report	24	25	25	0
11	Independent Advisor Basic	12	12	12	0
5	Independent Advisor Project work	8	16	9	(7)
54	Custodian	150	67	61	(6)
3,003	Investment Manager Fee Invoices	1,200	2,167	2,365	198
3,187	Sub Total	1,525	2,480	2,684	204
	ACCESS				
67	ACCESS Support Unit	98	88	82	(6)
(3)	Fund Officer Time Rebates	(20)	(2)	(2)	0
64	Sub Total	78	86	80	(6)
	Pension Board/Committee Training:				
-	Training Costs	30	3	2	(1)
-	Sub Total	30	3	2	(1)
1,106	Pension Administration:	1,080	2,069	1,806	(263)
5,357		3,730	5,895	5,996	101

3. Investment Management Fees – Cost Transparency

3.1 The information in table 4 below sets out the investment management fees based on the Scheme Advisory Board's cost transparency initiative (CTI) templates. These are completed annually by the investment management firms. These are not however all completed at the same date and include additional costs that we do not include above or are not relevant for accounting purposes, so these costs cannot be compared to the figures above or in the accounts. This has been provided to allow the board to get a better understanding of all the costs the Fund likely incurs during a year.

Table 4 CTI Templated cost figures for East Sussex Pension Fund (figures adjusted to represent a full 12 month period).

PORTFOLIO TRANSACTION COSTS	Total
Total transaction costs	5,968
ONGOING CHARGES	
Fund and investment management	15,546
Invoiced fees (incl. VAT)	1,450
Fees and charges paid through NAV	10,802
Investment advisers fees paid through NAV	0
Payments for research (RPA) through NAV	0
Less: management fee rebates	(426)
Indirect fees and charges	3,720
Administration	1,103
Investment administration	15
Custody / depositary fees	110
Payments for research (RPA)	21
Collateral management fees	0
Facility fees e.g. prime brokerage	1
Other administration charges	956
Governance, regulation and compliance	91
Audit costs	30
Legal and professional fees	31
Engagement and voting fees	0
Performance measurement	0
Risk monitoring	0
Tax advice and structuring costs	2
Other governance and compliance charges	28
Distribution, comms and client service	1
Distribution costs	1
Communication material	0
Other distribution charges	0
Total ongoing charges figure	16,741
INCIDENTAL COSTS	
Performance fees invoiced	0
Performance fees paid through NAV	0
Carried interest charged	2,305
Total incidental costs	2,305
Total lending and borrowing costs	650
Total property expenses	318

Total one-off costs	156
TOTAL COSTS	26,138

3.2 The Majority of the costs are directly linked to the cost of the investment management fees £15.546m 59.5% of total costs. The next largest single cost are transaction fees at £5.968m 22.8%.

4. Conclusion and reasons for recommendation

4.1 The Board is recommended to note the Final 2020/21 outturn position; and the Investment management costs based on the CTI template.

IAN GUTSELL
Chief Finance Officer

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Report to: Pension Board

Date of meeting: 1 June 2021

By: Chief Finance Officer

Title: Pension Fund Risk Register

Purpose: To consider the Pension Fund Risk Register

RECOMMENDATIONS: The Pension Board is recommended to:

1) Review 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 Pension Fund. It is not a process for avoiding or eliminating risks. A certain level of risk is inevitable in achieving the Fund objectives, but it must be controlled.

1.2 Effective risk management is an essential part of any governance framework as it identifies risks and the actions required to mitigate their potential impact. For a pension fund, those risks will come from a range of sources, including the funding position, 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.

1.3 Since the last meeting of the Pension Board and Pension Committee, where the Risk Register had been redesigned to meet expectations of the Board and Committee, officers have continued to review the Risk Register and have identified a number of areas where additional risks should be captured within the register. This has led to a number of recommendations regarding risks to be added and some changes to existing risks. Going forward there will be a further review of cyber risks, particularly around cyber resilience.

2. Supporting Information

2.1 **The Risk Register** at Appendix 1 has been updated since the last meeting for the circumstances outlined below. Changes to the report are in green text to help with identification.

2.2 Risk E3 has been added. This relates to delays in signing Admission Agreements and the impact this would have on the Fund in the event of an insolvency where no security package had been agreed. The risk notes that new template documents are being produced to aid the process and also ensure the Fund is secured against employer insolvency.

2.3 Risks A1 and A2 have been amended to expand on the risks to the Fund. The risk scoring and mitigations remain the same.

2.4 Risk A5 has been added. This risk relates to the reputational risk to the Fund of members falling victim to scam activity as a result of the Fund failing to meet best practice when reviewing Cash Equivalent Transfer Requests. A review is being undertaken of The Pensions Regulator's pledge on combatting scams, which includes a new training opportunity.

2.5 Risk A6 has been added. This risk relates to a major incident preventing access to County Hall. The experiences during the Covid-19 pandemic has demonstrated that the Fund can operate effectively with most staff working from home, however there is a residual need to attend the office to access post.

2.6 Risk G2 has been added. This risk relates to the need for members of the Pension Board to have the required level of knowledge and understanding to fulfil their role. This risk also refers to the importance of Committee members having sufficient knowledge and understanding. With changes to the membership of the Committee, this shows the importance of monitoring this risk to ensure training can be provided as needed.

2.7 Risks G3 and G4 have had further mitigation added to update the Board and Committee on steps to be taken to reduce the chance of these risks from crystallising and the impact of the risks should that occur.

2.8 Risk I7 has been added. This relates to the need to monitor cash flow and cash requirements to ensure that sufficient cash is available to pay benefits as they fall due without the need to withdraw money from investments at potentially inopportune moments.

2.9 Risks I8 and I9 have been added. These risks relate to the damage that would be caused to the Fund by fraudulent activity from internal and external sources. It is important to monitor the risks relating to fraud because the crystallisation of such risks would lead to the loss of assets, impacting the ability of the Fund to pay benefits, along with reputational risk.

3. Assessment of Risk

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

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

4. Conclusion and reasons for recommendations

4.1 Monitoring of the Risk Register is an important role for the Pension Committee and Pension Board. The Board are asked to consider the appropriateness of the new risks and consider whether further risks should be reviewed for inclusion.

IAN GUTSELL
Chief Finance Officer

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Pension Fund Risk Register May-June 2021/22												
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 Failure to collect contributions in line with Rates and Adjustments certificate Failure to monitor and reconcile contributions Liquidity failures with employers due to business risk or Covid 19 implications Incorrect coding of contributions Employer unable to pay increased contributions on a trigger event New outsourced arrangements made without thought to Pensions implications and contribution costs Poor employer covenant	Inaccurate financial statements Cashflow risk to pay out pensions Funding deficits Failure to track employer cashflows leading to inaccurate FRS17/IAS19 report and Valuation reports Future reduction in funding level Future Increase in employer contributions Employer forced into liquidation Increase in investment risk taken to access higher returns Forced to sell investments to meet cashflow requirements	3	3	9	Monthly Employer contribution monitoring Monitoring of late payments with new Employer engagement team to address breaches for late payment Contributions recorded in Finance system by employer to track all employer cashflows in line 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
E2	Employer data Risk Employers fail to provide accurate and timely data to the PAT team	Failure to provide Starter and Leavers information Failure to provide EOY returns on time and to a an acceptable data standard Covid 19 has reducing the ability of employers to participate in the data cleansing Inability for Employers to respond to additional data requests for changes in regulations	Risk of financial loss and damage to reputation. Incorrect employer’s contribution calculations Delays to triennial actuarial valuations process. Fines and enforcement action by The Pension Regulator Inability to produce ABS in time or accurately to comply with legislation	4	3	12	New Administration Strategy approved in September 2020 and out for consultation with Employers October to November; The new strategy was the focus of the Employer Forum in November 2020 Employing authorities are contacted for outstanding/accurate information; User Guide and Training provided to Employers for outsourcing implications with LGPS November 2020 Regular communication and meeting with administration services regarding service updates and additional data, when required. New employer engagement team established from January 2021 to support employer and provide training where required Issuance of a quarterly employer newsletter to support employers in their understanding of current pensions issues and activity for the Pension Fund A data cleansing plan was completed in June 2020 lead by Hymans. The PAT have been finalising outstanding areas handed over. New Data Improvement plan process to start in 2021 by the PAT BAU team and supported by the DIP working Group Data Improvement (DIP) working group set up to discuss data issues resulting from employers Introduction of I-Connect system will limit employer ability to submit incorrect data 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
E3	Delay in employers agreeing Admission Agreement	Complexity around agreeing contribution rate Negotiations around provision of security	Inability to recover missed payments in event of employer insolvency event	2	2	4	New templates being developed - this will speed up the process of agreeing new admission agreements	1	2	2	Head of Pensions	On-going

Pension Fund Risk Register May-June 2021/22													
Reference	Risk	Potential Triggers of risk	Consequences of risk	Pre Mitigation			Risk Control / Response	Post Mitigation			Risk Owner	Timescales	
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Administration													
A1	Pensions service Delivery Risk Inadequate delivery of Pensions Administration	The Scheme is not administered correctly resulting in the wrong benefits being paid or benefits not being paid, including as a result of poor data Paying pension benefits incorrectly Members not provided with required information	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 Active members not aware of delay in employee contributions being paid	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 Policies 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	
A2	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 Pensions Dashboard Other changes to legislation or regulatory guides	Members of pensions scheme exposed to financial loss Inaccurate record keeping Damaged reputation Delays due to conflicting deadlines on heavy workloads Penalty applied due to non-compliance	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	

Pension Fund Risk Register May-June 2021/22												
Reference	Risk	Potential Triggers of risk	Consequences of risk	Pre Mitigation			Risk Control / Response	Post Mitigation			Risk Owner	Timescales
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A4	Risk on Dissolution of Administration from Orbis to ESCC	Risk that infrastructure will not be in place on time	Reputational damage	4	4	16	Project plan in place, with regulator meetings and project groups for various aspects of the dissolution	2	3	6	Head of Pensions Administration	Ongoing
		Recruitment risk to support areas in addition to BAU	Inability to provide pensions administration services one separated				Specific risk register is in place for this project and all risks currently Green or Amber, project is on track					
		Risk to data transfer and software mapping	Risk to communications with employers and members due to structural changes				Head of Pensions Administration in place to lead on the dissolution with project updates to S151, COO and Head of Pensions					
A5	Failure to comply with CETV anti scam checks	Lack of clear process Process not followed	Reputational damage TPR intervention and penalties Loss to Fund due to requirement to pay compensation	3	2	6	Process in place for making checks required by law and/or recommended by TPR. Appropriate training to be identified and offered to staff to build understanding of risk and appropriate mitigations. Member informed of "red flags" identified Scorpion campaign material provided to members seeking a CETV Quality assurance checks ensure appropriate checks carried out	1	2	2	Head of Pensions Administration	on-going
A6	Major Incident preventing staff access to office	Major weather, technological or illness event	Staff unable to access post/documents Staff unable to issue payment instructions to bank	2	2	4	Administrative team equipped with laptops and can work virtually Officer's able to instruct payment be made to pensioner members	1	2	2	Head of Pensions	on-going

Pension Fund Risk Register May-June 2021/22												
Reference	Risk	Potential Triggers of risk	Consequences of risk	Pre Mitigation			Risk Control / Response	Post Mitigation			Risk Owner	Timescales
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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
Page 210 G2	Lack of decision making caused by loss of Pension Committee/Pension Board member	Several Committee members lose seats in an election Members resign posts Terms of multiple members expire at same time	Committee/Board not quorate and unable to fulfil role Inability of Pension Board to support Committee due to loss of Knowledge and Understanding Clear instructions not given to officers Action taken by TPR for failure meet basic compliance standards	3	3	9	Record kept of terms of Office Pension Board terms of Office staggered Deputy Chairs in place to cover chair absence Officers aware of election cycle	2	3	6	Head of Pensions	On-going
G3	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 Pensions Team specific BCP to be developed	2	4	8	Head of Pensions	On-going

Pension Fund Risk Register May-June 2021/22												
Reference	Risk	Potential Triggers of risk	Consequences of risk	Pre Mitigation			Risk Control / Response	Post Mitigation			Risk Owner	Timescales
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G4	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 Training coordinator being appointed. This officer will liaise with chair of Pension Board and Committee to identify training needs	1	3	3	Head of Pensions	On-going
G5	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/Funding												
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, including Fund Manager performance 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

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Reference	Risk	Potential Triggers of risk	Consequences of risk	Pre Mitigation			Risk Control / Response	Post Mitigation			Risk Owner	Timescales
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13	Regulatory risk Failure to comply with regulations, legislation and guidance from an accounting and investment perspective	<p>Failure to comply with CIPFA code of practice for accounting for the pension fund</p> <p>Failure to provide employers with accurate reporting for their financial statements</p> <p>Failure to comply with the LGPS investment regs</p>	<p>Risk of the accounts being qualified by the auditors.</p> <p>Risk to employers of qualified accounts causing reputational damage and potential costs</p> <p>Intervention by the secretary of state in investment strategy</p> <p>Breaches occurred</p>	3	3	9	<p>Pensions Officers are kept up to date with changes to legislative requirements via network meetings, professional press, training and internal communication procedures.</p> <p>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.</p> <p>Regular reconciliations are carried out between in-house records and those maintained by the custodian and investment managers.</p> <p>Internal Audits - carried out in line with the Pension Audit strategy.</p> <p>External Audit review the Pension Fund's accounts annually</p> <p>Breaches policy in place to ensure breaches mapped and reported</p>	1	2	2	Head of Pensions	On-going
14	Investment pooling risk	<p>Asset classes not available in line with the funds investment strategy</p> <p>Excessive asset transition costs</p> <p>Poor governance of the ACCESS pool</p> <p>Investment beliefs on ESG issues not shared within the pool</p> <p>Inability to report performance to the fund</p> <p>Inability to manage the investment managers and structure to deal with poor performance</p> <p>Insufficient Capacity in sub funds</p> <p>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.</p> <p>ACCESS pool unable to generate cost efficiencies</p>	<p>Increase in investment risk taken to access higher returns</p> <p>Increased costs</p> <p>Poor governance and reputational damage</p> <p>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.</p> <p>Asset transition costs are greater than forecast.</p> <p>Failure to control operational risks and transaction costs during the transition process</p> <p>Insufficient risk and return parameters to comply with guidance on pooling and the investment strategy</p> <p>Intervention of the secretary of state in failing to invest in line with the statutory guidance on pooling</p> <p>An increase in the set-up costs for implementing new asset classes and managers</p>	3	3	9	<p>ACCESS Support Unit team provide support to the pool</p> <p>Operator contract provided by Link for assets held within the ACS</p> <p>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</p> <p>KPI's introduced within revised operator agreements</p> <p>Consultants involved in analysing the creation of sub-funds and transitioning of our current assets into the pool, under a variety of scenarios.</p> <p>Opportunities to transfer securities in 'specie'. Reducing cost on transition</p> <p>Transition manager in place to preserving asset values, managing risk and project managing the transition process to ensure that costs are monitored and controlled.</p> <p>Due Diligence completed by legal advisers to ensure no hidden costs or governance issues not known at time of decision to invest.</p> <p>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</p> <p>Regular meetings between officers and ACCESS pool with officers on a number of working groups to ensure involvement in decision making</p>	2	3	6	Head of Pensions	On-going
15	Funding risk due to higher inflation leading to increased liabilities and a funding gap	<p>Inflation rises faster than the actuarial assumption as a result of Govt. response to COVID-19</p> <p>Bond yields return to much higher levels</p>	<p>Liabilities are higher than expected.</p> <p>Bond-equity correlations rise, and equities also fall in price</p> <p>Fund's solvency level falls</p>	2	2	4	<p>Investment strategy include weighting to index linked gilts, infrastructure and real estate which are all inflation correlated to mitigate increases in liabilities from inflation.</p> <p>Potential to further increase infrastructure weightings</p> <p>Fund monitor portfolio sensitivity to inflation via expert investment consultants</p> <p>Triennial Valuation assumptions include local knowledge of the Administering authority on anticipated pay inflation.</p> <p>Quarterly monitoring of funding position helps identify risk early</p>	1	2	2	Head of Pensions	On-going

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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>Poor corporate Governance or corruption in underlying investments</p> <p>Risk of regulatory policy changes resulting in fines to underlying investments</p> <p>Risk of natural disasters on underlying investments</p> <p>Risk of changes in oil prices</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
17	Insufficient cash to pay benefits as they fall due	<p>Too much investment in illiquid assets</p> <p>Failure to track payments due</p> <p>Large investment commitments not anticipated and planned for</p> <p>Contributions not collected when due</p>	<p>Benefits not paid as they fall due</p> <p>Beneficiary financial hardship</p> <p>Forced sale of investments</p> <p>Reputational risk</p>	2	4	8	<p>Contributions monitored on monthly basis</p> <p>monitoring of members close to retirement</p> <p>Daily cash position monitored.</p> <p>Distributing investments to ensure stream of income from investment activity</p> <p>Income from investments is considered as a key risk in all investment strategy decisions and the income profile managed</p> <p>liaison between administration and investment team on cash requirements</p>	1	4	4	Head of Pensions	on-going
18	Internal fraud	<p>Member of staff has multiple accounts and can self authorise</p> <p>Lack of internal controls and sign off procedures</p> <p>Failure to monitor staff actions</p> <p>Failure to monitor payments from the Fund</p>	<p>Loss of Fund assets</p> <p>Reputational risk</p> <p>Loss of member confidence</p> <p>Loss of Fund assets</p>	2	3	6	<p>Quarterly review of log in credentials</p> <p>Senior officer's have sight of bank account</p> <p>Senior officer's are signatories to bank account</p> <p>Multiple sign off needed to make payment</p>	1	3	3	Head of Pensions	On-going
19	External fraud	<p>Failure to properly authenticate benefit claims</p> <p>Failure to identify deceased members</p>	<p>Reputational risk</p> <p>Loss of member confidence</p>	2	3	6	<p>Monthly mortality checks</p> <p>Regular member tracing exercises</p>	1	3	3	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-today routines.	Management action required to overcome short-term difficulties.	Key targets missed. Some services compromised.	Prolonged interruption to core service. Failure of key Strategic Project
					FINANCAL	Little loss anticipated.	Some costs incurred. Handled within management responsibilities.	Significant costs incurred. Service level budgets exceeded.	Severe costs incurred. Statutory intervention triggered.
					REPUTATION	Little or no publicity. Little staff comments.	Limited local publicity. Mainly within local government community. Causes staff concern.	Local media interest. Comment from external inspection agencies. Noticeable impact on public opinion.	National media interest seriously affecting public opinion

Report to: Pension Board

Date of meeting: 1 June 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 Report	A report on governance issues effecting the fund, developments in the LGPS, policy amendments and McCloud working group update	Head of Pensions
Employer Engagement and Contributions Report	A report on Employer Engagement matters to note, Employer Contributions update, Communications from the Fund and Communications working group update	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		
External Audit Plan for the East Sussex Pension Fund 2020/21	Draft External Audit Plan for 2020/21 Pension Fund Financial Statements	Head of Pensions
Internal Audit Strategy and Plan	Draft internal audit Pension Fund Strategy and Audit Plan 2021/22	Internal Audit
14 September 2021		

Covenant Review Report	Report from PWC on the covenant review project	Head of Pensions
Annual Report of the Pension Board	Annual report of the Pension Board to the Scheme manager outlining the work throughout the year	Head of Pensions with the Chair of the Board
Communications Policy	Revision to the Communications Policy	Head of Pensions
GDPR	Refresh of the GDPR policies including the Privacy notice including the communications of these documents	Governance and Compliance Pensions Manager
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
Good Governance Decision making matrix	Report to outline the revise the decision-making matrix for the Pension Fund, delegations and representations in line with SAB Good Governance project	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

Business Plan and Budget 2022/23	Report to set the Budget for the Pension Fund for the Financial Year 2022/23 including the Business Plan with key deliverables for the year.	Head of Pensions
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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
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 September 2021 meeting
Decision making	To revise the decision-making matrix (including a RACI model) and to circulate it for information.	To be provided November 2021

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 Report	A report on governance issues effecting the fund, developments in the LGPS, policy amendments and McCloud working group update	Head of Pensions
Employer Engagement and Contributions Report	A report on Employer Engagement matters to note, Employer Contributions update, Communications from the Fund and Communications working group update	Head of Pensions
Pensions Administration report	An update on the performance of the Pensions Administration Team.	Head of Pensions Administration
Internal Audit reports	All internal audit reports on the ESPF are reported to the Board	Head of Internal Audit
East Sussex Pension Fund (ESPF) Quarterly budget report	An update on the ESPF's budget.	Head of Pensions
East Sussex Pension Fund (ESPF) Risk Register	A report on the ESPF's Risk Register	Head of Pensions

Work programme	A report on the Board and Committee's work programme	Head of Pensions
East Sussex Pension Fund (ESPF) Breaches Log	A report on the ESPF breaches log	Head of Pensions
Employer Admissions and Cessations	A report on the admission and cessation of employers to the ESPF.	Head of Pensions
15 June 2021		
External Audit Plan for the East Sussex Pension Fund 2020/21	Draft External Audit Plan for 2020/21 Pension Fund Financial Statements	Head of Pensions
Carbon Footprinting	A report on the carbon footprint of the portfolio of ESPF including whether investments are in line with transition pathways.	Head of Pensions
Internal Audit Strategy and Plan	Draft internal audit Pension Fund Strategy and Audit Plan 2021/22	Internal Audit
12 July 2021		
Investment Manager ESG report	Report on the Funds Investment managers Responsible investment impact assessment	Head of Pensions
Investment Strategy Statement review	Report reviewing Investment Strategy Statement	Head of Pensions

Training item - Cryptocurrency	Training item on Cryptocurrency	Head of Pensions
28 September 2021		
Statement on Responsible Investment Principles	Annual report on the review of the Statement on Responsible Investment Principles	Head of Pensions
Responsible Investment implementation Statement	Report outlining the implementation of Responsible investment within the Fund	Head of Pensions
2020 Stewardship Code	Report outlining the Funds compliance with the 2020 Stewardship Code	Head of Pensions
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
Covenant Review Report	Report from PWC on the covenant review project	Head of Pensions
Communications Policy	Revision to the Communications Policy	Head of Pensions
GDPR	Refresh of the GDPR policies including the Privacy notice including the communications of these documents	Governance and Compliance Pensions Manager

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
Business Plan and Budget 2022/23	Report to set the Budget for the Pension Fund for the Financial Year 2022/23 including the Business Plan with key deliverables for the year.	Head of Pensions

Actions requested by the Committee		
Subject Area	Detail	Date completed

Current working groups		
Title of working group	Detail and meetings since last Pensions Board and Committee meetings	Membership
Investment Implementation Working Group (IIWG)	<p>The Investment Working Group and ESG working group have been amalgamated, as agreed at Pensions Committee 21 September 2020.</p> <p>The IIWG has an advisory role to over oversee the implementation of decisions by the Pension Committee in relation to investment decisions and carry out detailed research and analysis for Pensions Committee.</p> <p>Recent meetings</p> <ul style="list-style-type: none"> 27 April 2021 	<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"> • 29 March 2021 • 14 April 2021 <p>Scheduled</p> <ul style="list-style-type: none"> • 27 May 2021 • 24 June 2021 	<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> <p>22 April – supported by Hymans</p>	<p>Cllr Fox, Stephen Osborn, Lynda Walker, Paul Punter, Sian Kunert, Dave Kellond</p>
Communications Working Group	<p>The Communications Working Group was established by the Pensions Board in February 2021 to drive forward improvements in communications with stakeholders with support from employee and employer representatives.</p> <p>The first meeting is scheduled for 2 June</p>	<p>Ray Martin, Lynda Walker, Diana Pogson, Sian Kunert, Tim Hillman</p> <p>Any other Board member is invited to join sessions</p>

Training and Development - recent and future events			
Title of Training/Briefing	Detail	Date	Attended
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	22 February 2021	Diana Pogson & Stephen Osborne
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	Cllr Nigel Enever
Title of Training/Briefing	Detail	Proposed Date	Invited
BW LGPS Refresher training	Training session for those new to Pensions boards or Pensions Committees or those looking to refresh their knowledge provided by Barnet Waddingham.	26 th April 2021	Pensions Board Members
PLSA Local Authority Conference	Online two-day programme with a mix of keynote speeches, roundtable discussions and educational sessions. Sessions will cover governance, investment, administration and communications challenges of the LGPS.	18-19 May 2021	All
Pension Committee Induction	2 hour training session for new Pension Committee members. Also open to officers, all elected members and Pension Board members for information. Session content – Roles and Responsibilities, Investment Strategy, Actuarial	3 June 2021	All

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