



PENSION BOARD

TUESDAY, 14 SEPTEMBER 2021

10.00 AM COUNCIL CHAMBER, COUNTY HALL, LEWES

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

AGENDA

- 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 - 14*)
- 6 Governance Report (*Pages 15 - 52*)
- 7 Pensions Administration Report (*Pages 53 - 60*)
- 8 Internal Audit (*Pages 61 - 88*)
- 9 Engagement Report (*Pages 89 - 92*)
- 10 Report of the Pension Board to the Pension Committee (*Pages 93 - 96*)
- 11 Pension Fund Risk Register (*Pages 97 - 108*)
- 12 Work Programme (*Pages 109 - 124*)
- 13 Any other non-exempt items previously notified under agenda item 4
- 14 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).
- 15 Pension Fund Breaches Log (*Pages 125 - 130*)
- 16 Employer Admissions and Cessations Report (*Pages 131 - 138*)
- 17 Any other exempt items previously notified under agenda item 4

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6 September 2021

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Agenda Item 1

PENSION BOARD

MINUTES of a meeting of the Pension Board held via Teams and at CC2, County Hall, Lewes on 1 June 2021.

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

PRESENT

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

ALSO PRESENT

Ian Gutsell, Chief Finance Officer
Sian Kunert, Head of Pensions
Paul Punter, Head of Pensions Administration
Russell Wood, Pensions Manager: Investment and Accounting
Michael Burton, Pensions Manager - Governance and Compliance
Tim Hillman, Pensions Manager - Employer Engagement
Dave Kellond, Compliance and Local Improvement Partner
Mariana Obetzanova, Pensions Training Coordinator
Isabel Widdowson
Nigel Chilcott, Audit Manager
Danny Simpson, Principal Auditor

Councillor Nick Bennett, Lead Member for Resources & Climate Change
Councillor Gerard Fox, Chair of the Pension Committee

1 MINUTES

1.1 The minutes of the meeting held on 15 February 2021 were agreed as a correct record.

2 APOLOGIES FOR ABSENCE

2.1 Apologies for absence were received from Councillor Chris Collier. Councillor Collier has been elected as an East Sussex County Council (ESCC) councillor and has stood down from the Pension Board.

2.2 The Chair thanked Councillor Collier on behalf of the Board for all the work he has done whilst serving on the Pension Board.

3 DISCLOSURE OF INTERESTS

3.1 There were no disclosures of interests. The Chair reminded the Board Members that they could make disclosures at any point on the agenda should the need arise.

4 URGENT ITEMS

4.1 There were none notified.

5 PENSION COMMITTEE AGENDA

5.1 The Pension Board considered a report containing the draft agenda of the Pension Committee meeting for 22 June 2021. Sian Kunert (SK), Head of Pensions, outlined that the reports on the Pension Committee agenda are the same as those being considered by the Board with the exception of the Investment report and Carbon Footprint report. The Pension Committee will also meet on 12 July 2021 and the meeting will be focussed on investment issues.

6 GOVERNANCE REPORT

6.1 SK outlined that the report covers a number of items and updates relating to the Governance of the East Sussex Pension Fund (The Fund or ESPF).

Internal Dispute Resolution Procedure (IDRP)

6.2 The report outlines a proposed change to the wording of the Internal Dispute Resolution Procedure (IDRP) to bring it in line with the wording used in the Pensions Act 1995. The Chair asked how members of the Fund access the IDRP. SK explained that the IDRP is on the website where the policy and the forms to complete can be found. A reference to the IDRP is also made in all documents and correspondence to explain how complaints can be made. The Board agreed to note the change in wording of the IDRP.

Risk Management Policy

6.3 SK outlined that this is a new policy that was developed as a consequence of the review of the risk register. The Chair noted that the new draft consolidated Code of Practice from the Pensions Regulator had followed many governance requirements of the European Union Pension directive, and will as drafted require the Fund to have a risk officer. SK responded that if this is a requirement of the Ministry of Housing, Communities and Local Government (MHCLG) statutory guidance then the Fund will act accordingly. It was clarified that the Pension Committee is the owner of the Risk Management Policy and it is on the agenda of the Pension Committee for it to approve the Policy. The Pension Board had no comments on the Risk Management Policy and agreed to note the Policy.

Regulatory Change

6.4 The Pensions Regulator (TPR) has launched a consultation on proposed changes to combine the codes of practice for private and public pension schemes into a single code. Due to the short timescales for a response the Chair has responded to the consultation on behalf of the Board. The consultation response is contained in appendix 3 of the report. It covers the introduction of new terms (such as 'Governing Body') which may be confusing, and the response recommends keeping separate codes of practice for public and private schemes.

6.5 Lynda Walker (LW) asked why the consultation was done at such speed and whether there were any significant changes. The Chair commented that TPR saw this as a consolidation of existing codes and had only held a limited consultation with the pension industry. The Chair's view is that this was a more fundamental change and hopefully TPR would reconsider. LW commented that she would bring the proposed changes to the attention of the other forums that she is involved with. The Board agreed to note the potential change in TPR expectations.

Financial Hardship Policy

6.6 At present the Fund receives requests to waive fees for financial hardship reasons in respect of requests for information the Fund does not have to provided free of charge. These mainly relate to requests for pension valuations in the case of members divorcing, and the

subsequent work involved in Pension Sharing Orders, and second in providing more than one Cash Equivalent Transfer Value for deferred members within a twelve-month period. The new policy would provide officers with a way of responding to these requests to waive fees due to financial hardship. It was clarified that the level of fees has been compared with other Local Government Pension Scheme (LGPS) pension funds.

6.7 Diana Pogson (DP) commented that there was no reference to the charges on the website or the schedule of fees charged. SK responded that the pricing schedule is provided at the point the request is made, but details can be published on the website. DP added that the requirement for 6 months bank statements is quite onerous and perhaps the policy should be amended to say up to 6 months banks statements may be required. SK responded that this could be looked at but is based on similar requirements that the Benefits Team uses when considering financial hardship. LW commented that it was good to have a Hardship Policy and supported the introduction of one. The unions also provide hardship support, and it may be helpful to signpost this service to members and their families who may be experiencing financial difficulties. The Board had no further comments and agreed to note the new approach to requests to waive fees in the case of financial hardship.

Governance and Compliance Statement.

6.8 SK outlined that the Governance and Compliance Statement has been updated and refreshed to reflect the work undertaken on governance over the last 18 months. This also links to the requirement for the Pension Board to produce an annual report which is outline elsewhere in the report. The Statement will be reviewed annually and will be updated in line with any changes recommended by the Scheme Advisory Board (SAB). It was clarified that the Governance and Compliance Statement is a public document and will be part of the of accounts and published on the web site. The Chair commented that the chart on the ACCESS pool governance arrangements needs to be revised and simplified. SK agreed to revise the chart when the statement is next reviewed. The Board agreed to note the revised Governance and Compliance Statement.

Annual Report of the Pension Board

6.9 The Board noted the need to produce an annual report and agreed that the Chair will work with officers to draft a report for agreement by the Board at the September Pension Board meeting.

McCloud Working Group

6.10 The Board discussed the McCloud Working Group update. The Working Group has met and the templates requesting data from employers are ready to be sent out. A reference to the McCloud judgement will be included in the Annual Benefits Statement (ABS). The Chair asked if there were likely to be any negative impacts on members of the Fund. SK commented that the team is not aware of any negative impacts on members. Members will be given the greater of the Final Salary or CARE benefits at retirement where this is applicable. The Pension Board noted the update.

Good Governance Project Update

6.11 The Board noted the update on the Scheme Advisory Board (SAB) Good Governance Project. The SAB published its phase 3 report in February and is now liaising with MHCLG to incorporate the changes into the statutory guidance. The Fund will review these changes once they are made to ensure that they are consistent with the governance arrangements the Fund has implemented.

Additional Voluntary Contributions (AVCs)

6.12 SK reported that there have been a number of administrative issues with the performance of the current AVC provider, Prudential, which the Fund has been addressing. The main complaints have been about poor service including long response times for telephone and other enquiries. This has been due to a change in service provider by Prudential who have assured the Pensions Team that this is being addressed. This will be raised with the Pension Committee. The Committee will also be asked to agree that officers carry out a review of the AVC scheme provider once Prudential have had time to address the current service issues. The Chair asked if the Fund has to choose from a shortlist of providers. SK responded that although there are currently three main LGPS AVC providers in the market, the market is changing, and the Fund is not constrained by the SAB in which providers it can include in any tender exercise.

The Board RESOLVED to:

- 1) Note a change in the wording of the Internal Dispute Resolution Policy
- 2) Note the new Risk Management policy
- 3) Note the potential change in The Pension Regulator (TPR) expectations
- 4) Note new approach to requests for fees to be waived due to financial hardship
- 5) Note 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

7 ABATEMENT POLICY REPORT

7.1 SK introduced the report and outlined the background to the Abatement Policy. Such a policy can make it difficult to re-recruit previous employees. The recommendation of the report is to remove the Abatement Policy so that it no longer applies from April 2021.

7.2 The Chair commented that he agreed with the removal of this policy and asked what approach will be taken to compensate or re-imburse those who have previously had their pension abated. SK responded that pension will be corrected from April 2021 onwards, but it is very difficult to identify how many members have been affected by this policy. If there is a recommendation from the Pension Board which is agreed by the Pension Committee, the Fund can consider backdating the cessation of the policy which would then require re-imbursements or adjustments.

7.3 LW asked how many members are affected and what the rationale was behind the original policy. SK said it was difficult to establish the number of previously affected members as the administration system does not hold details and any abatements were made manually. The Chair commented that the original rationale was driven by tax legislation as it was seen to be tax beneficial if people could retire early and get a tax free lump sum and receive pension benefits and then return to work in a similar job. Most private pension schemes removed abatement in the 1980's and in the public sector from 1998.

7.4 Cllr Tom Druitt (TD) suggested implementing the change over time to deal with the back-dating issue.

7.5 Stephen Osborn (SO) commented that the number of members affected is likely to be small compared with the workload impact that backdating would entail. Therefore, he is in favour of not making the change retrospective.

7.6 SK responded that the numbers affected is likely to be relatively small and they will be difficult to identify. Taking a phased approach would allow the Team to report back on the numbers affected and the likely impact of making the change retrospective. Paul Punter (PP), Head of Pensions Administration, added that the way abatement is applied does not generally affect people coming back into employment on a lower salary (which is the majority), but only really affects those on a higher salary. Abatement, where it has been applied, is in place until the member stops working and then the onus is on affected member to notify the Fund once their employment ceases.

7.7 The Chair summarised the Board's view which is to support stopping abatement from April 2021 onwards and ask officers to report back to the Pension Board and Committee once the number of members affected is known and what the likely impact of back-dating will be.

7.8 The Board RESOLVED to:

- 1) Note the proposed amendments to the Abatement Policy; and
- 2) Request officers report back to the Pension Board and Committee once the number of affected members is known and what the impact of backdating the change in policy will mean for the Fund and its administration.

8 PENSIONS ADMINISTRATION REPORT

8.1 Paul Punter (PP), Head of Pensions Administration, introduced the report. He highlighted that the trends in performance were in line with expectations due to the implementation of the new pensions administration system (Altair). Performance against the various performance indicators in quarter 1 of the year was 92% compared with 98% in quarter 4 of last year. April's performance is expected to be around 94.5% and May's performance is expected to be closer to normal as the new system beds in. These figures are based on the old Orbis service level agreement (SLA). The new SLA and related performance indicators will be implemented in June/July which may show performance at slightly lower levels as the new performance measures will be tougher to meet.

8.2 The helpdesk now has a new SLA and activity during February and March has included training the new team and clearing backlogs. The transition to the new service has been delayed due to some technology issues regarding access to emails and the implementation of the self-service system. The three-month transition period is due to finish at the end of June. There are now more staff working on the helpdesk for the ESPF and there are rising performance targets for the helpdesk.

8.3 TD suggested that if the response time for emails was shortened it may reduce the number of telephone calls. PP acknowledged that quicker email responses would reduce chasing phone calls, as many people expect an almost immediate response. The long-term strategy is to try and deal with the most frequent member enquiries via the self-service facility. Emails are automatically acknowledged and the 'first sight' of email enquiries has been moved to the helpdesk, which it is hoped will speed up response times. It is hoped that once the system is operating as the Team would like, the number of chasing phone calls will reduce.

8.4 PP gave an update on staffing. Progress is being made and 17 staff have been transferred to the ESCC Pensions Administration Team. Three additional staff have been recruited but the Service has struggled with recruitment, which is a top priority. LW requested that PP keep her updated on the recruitment situation.

8.5 The ESPF transition to the new pensions administration system (Altair) is complete and the new system is live, as well as the self-service facility. The project will be closed at the end of June once all the system documentation regarding ongoing information technology (IT) systems support is in place.

8.6 The Guaranteed Minimum Pension (GMP) equalisation project work is coming to a conclusion, and it will soon be possible to share the outcome of the modelling work to calculate the under and over payments. This will be shared with the Working Group and the Pension Board and Committee as soon as it is available.

8.7 The Board RESOLVED to note the Pensions Administration update and thanked the Team for all their hard work.

9 INTERNAL AUDIT REPORTS AND INTERNAL AUDIT STRATEGY FOR THE PENSION FUND (ESPF)

9.1 Nigel Chilcott (NC), Audit Manager, introduced the report which provides an update on the three audits completed in the last quarter and outlines the Internal Audit Strategy and Plan for 2021/22. It was clarified that the Internal Audit and Counter Fraud Team will remain part of Orbis.

9.2 The audits completed in the last three months have all received an opinion of substantial or reasonable assurance. The report on Pension Fund Administration People, Processes and Systems audit is being finalised and is likely to receive an opinion of reasonable assurance, which is a significant improvement on the previous minimal assurance opinion a year ago.

9.3 DP commented that there appeared to be an inconsistency in the audit outcome of the Pension Fund Governance audit in comparison with the other audit which received reasonable assurance. SK explained that although there were not many findings in the audit, the main issue was with the governance manual for the ACCESS Pool. Danny Simpson (DS), Principal Auditor, added that whilst this is largely outside the Fund's control it was identified as a fundamental issue and a medium risk. Therefore, the outcome of the audit was reasonable assurance. The ACCESS Pool governance arrangements will be reviewed as part of this year's audit plan.

9.4 TD asked if the target date of 30 October 2021 (Ref 1, page 114 of the report) is realistic in resolving this issue. SK outlined that there is a project taking place, led by West Sussex County Council with the ten other Funds to address the governance manual for the ACCESS Pool. The findings of this project will be presented to the next Joint Committee meeting in July. It is hoped that on this basis October is a realistic target to resolve this issue.

9.5 DS outlined the contents of the Internal Audit Strategy and Plan for 2021/22. This was written following consultation with the Pension Board and the Pension Committee as well as key officers. There is no significant change in the approach to audits and the plan has 100 audit days allocated to it. The previous work on information governance in the plan will be replaced by audit work on application controls for the new Altair system.

9.6 The Pension Board discussed whether 100 audit days were still needed following the significant improvement in audit outcomes. DS commented that there is sufficient time allocated to carry out all the audit work and to see that the progress made is being sustained. NC added that the increase in audit days was previously agreed with the Chair of the Pension Committee in response to lower audit opinions last year, but is happy to review the amount of days in consultation with the Board and Committee.

9.7 Councillor Gerrard Fox (GF), Chair of the Pension Committee, thanked officers for all their hard work and the improvements that had been made. He would be happy to discuss the amount of audit time with the Pension Committee, but due to the amount of change and the legacy issues that have been dealt with, he would prefer to keep the amount of audit time elevated and take a cautious approach. The Chair of the Pension Board agreed that it is better to have the number of audit days in the plan and then review once the Pension Administration Team is fully resourced.

9.8 The Board RESOLVED to:

- 1) Note the outcome of the audits and the updates; and
- 2) Recommend the Pension Committee approve the Internal Audit Strategy and Plan for 2021/22.

10 EXTERNAL AUDIT PLAN FOR EAST SUSSEX PENSION FUND 2020/21

10.1 SK introduced the report which is the external audit plan submitted in March by Grant Thornton, the external auditors, which outlines the work they plan to undertake as part of the audit for 2020/21. The risks are the same as previous years and the level of materiality has dropped slightly to £34.7 million due to the lower valuation of the Fund. The report is for information and noting.

10.2 The Board noted that it was disappointing not to have details of the audit fee and the fees for 2019/20 were significantly higher than previous years. Ian Gutsell (IG), Chief Finance Officer, responded that the fees are set by Public Sector Audit Appointments (PSAA) Ltd. The external audit sector is pressured to deliver to heightened levels of assurance and scrutiny, during the pandemic and in response to a number of high-profile local authority audits which have identified key financial difficulties. Fees variations are increasing and setting new fee levels is at present proving challenging. The Government has announced a £15 million grant to help local authorities cover the cost of increased audit fees.

10.3 The Board RESOLVED to note the external audit plan for the East Sussex Pension Fund for 2020/21.

11 EMPLOYER ENGAGEMENT AND CONTRIBUTIONS REPORT

11.1 SK introduced the report which gives an update on the Engagement Team's activities and the work on employer contributions. The Team has been working with the Pensions Administration Team on the Annual Benefits Statements and i-Connect projects, as well as communications. The report also contains information on the employer contributions monitoring work that has been undertaken, which has flagged up any persistent late payments. Many of the late payments are from small employers who pay by cheque.

11.2 TD asked if it was possible to encourage employers who pay by cheque to use the Bankers' Automated Clearing System (BACS) for electronic fund transfers. Tim Hillman (TH), Pensions Manager - Employer Engagement, explained that many of the smaller employers were Parish Councils who do not have the technology to be able to pay by BACS and have multiple signatories on their cheques.

11.3 It was reported that East Sussex College Group have been working extensively with the Engagement Team and are keen to start using the i-Connect system. One of the main issues has been the format of payroll references used to identify employees, who may have multiple concurrent employments. It is hoped to have the new system working for this employer shortly.

11.4 Examples of newsletters for employers, members and pensioners are included in the report, which are being reviewed by the Communications Working Group. It was clarified that at present the employer newsletter is sent out quarterly and the pensioners and active members newsletter once a year. These are the formats previously used by Orbis and will be reviewed by the Working Group along with the frequency they are issued.

11.5 The Chair invited the new members of Pension Fund staff who were present at the meeting to introduce themselves. Tim Hillman, Pensions Manager - Employer Engagement; Michael Burton, Pensions Manager - Governance and Compliance; and Mariana Obetzanova, Pensions Training Coordinator introduced themselves to the Board.

11.6 The Board RESOLVED to note the report.

12 EAST SUSSEX PENSION FUND 2020/21 BUDGET QUARTERLY REPORT

12.1 SK introduced the report. The report provides an outturn figure for the ESPF budget for 2020/21. The main changes are that the expenditure figures are slightly lower than last reported at around £6 million total costs. This is due to a slight over estimation of the Pension Administration costs. It should also be noted that investment management fees have increased, which is related to new asset managers not deducting their fees directly from returns. The report now provides a higher level of detail on costs.

12.2 The Board welcomed the report and commented that it was good to see a greater level of transparency and detail in the costs of the Fund.

12.3 The Board RESOLVED to note the 2020/21 financial outturn position for the East Sussex Pension Fund.

13 PENSION FUND RISK REGISTER

13.1 SK outlined that following the overhaul of the risk register, the Pensions Manager - Governance and Compliance has carried out a review of all the risks and has added some new risks to the register. The new risks mainly relate to the risk from scams and fraud and are shown in green on the risk register. The risk register will be updated and reviewed quarterly when it is reported to the Pension Board and Committee. It will also have a major review annually, which again will be reported to Board and Committee.

13.2 The Chair asked about the workload impact of the extra checks on pension transfers required by the Regulator (risk A5). PP responded that most of the work is already in hand and everyone in the Pensions Administration Team has done or is doing the online training, consequently the impact will be minimal.

13.3 The Board RESOLVED to note the Pension Fund Risk Register.

14 WORK PROGRAMME

14.1 SK introduced the report. The work programme includes the normal standing items and there will be reports at the September meeting on the Covenant Review; Annual Pension Board report; Communications Policy and the General Data Protection Regulation (GDPR) review. The Chair reported that he has received a request from Cllr Druitt to have a report on the representation of councils other than ESCC on the Pension Committee at the September meeting and this will be added to the work programme.

14.2 SK invited members of the Pension Board to report back on any training they had attended since the last meeting. The Chair outlined that he had attended the Pensions and Lifetime Savings Association (PLSA) training where there had been a presentation from Storebrand and Cllr Fox.

14.3 As the Covid restrictions are due to be lifted on 21 June 2021, the Board discussed the format of the future Pension Board meetings and whether to hold them in person or continue to hold them virtually via Teams. DP commented she would like to meet in person, provided there is no requirement to wear masks. TD said he would also like to meet in person, but this would depend on what restrictions are in place in September. LW agreed that it would be good to meet in person again, but some people may be anxious, and the wearing of masks is a barrier to keeping the meeting accessible to all. The Board agreed that, if allowed, it would like to hold the meeting in September in person but would keep the situation under review.

14.4 The Board RESOLVED to agree the work programme.

15 ANY OTHER NON-EXEMPT ITEMS PREVIOUSLY NOTIFIED UNDER AGENDA ITEM 4

15.1 There were none.

16 EXCLUSION OF THE PUBLIC AND PRESS

16.1 The Board REOLVED to exclude the press and public from the meeting.

17 PENSION FUND BREACHES LOG

17.1 The Board considered the Pension Fund Breaches log report.

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

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

18 EMPLOYER ADMISSIONS AND CESSATIONS REPORT

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

18.2 The Board RESOLVED to note the report.

19 ANY OTHER EXEMPT ITEMS PREVIOUSLY NOTIFIED UNDER AGENDA ITEM 4

19.1 There were none.

The meeting ended at 12.48 pm.

Councillor Ray Martin (Chair)

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Agenda Item 5

Report to: **Pension Board**

Date of meeting: **14 September 2021**

By: **Chief Finance Officer**

Title: **Pension Committee Agenda**

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

RECOMMENDATION

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

1. Background

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

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

2. Conclusion and recommendation

2.1 in addition to its standing items, the Pension Committee will consider the following items:

- Report of the Pension Board to the Pension Committee
- Internal Audit Pension Fund Administration - People, Processes and Systems 2020/21 Risk Register
- Independent Auditors Report on the Pension Fund Account and Pension Fund Accounts 2020/21
- Investment Strategy Statement including Statement on Responsible Investment Principles

2.2 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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Agenda Item 6

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| Report to: | Pension Board |
| Date of meeting: | 14 September 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 the latest changes in the regulatory environment
 - 2) Note the change in membership of the Pension Board and Committee
 - 3) Note the update on the work of the McCloud Working Group
 - 4) Note the changes to the conflict of interest policy
 - 5) Note the changes to the abatement policy
 - 6) Note the changes in relation to GDPR on the Fund Privacy notices.
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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 changes to Pension Fund policy for comment and noting.

2. Regulatory change

2.1 In July 2021 the Department for Work and Pensions launched a consultation on proposed regulations connected to the Financial Guidance and Claims Act 2018. The new regulations are intended to require Trustees and Scheme Managers to point members towards appropriate guidance when seeking to exercise their pension freedoms.

2.2 The so-called “stronger nudge” would apply to members aged 50 and over seeking to transfer out of the Fund. The consultation ended in September 2021 is available on the gov.uk website. Officers will update the Board and Committee with any changes to regulation resulting from this consultation when available.

3. Change to the Pension Board and Committee

3.1 Following the Local Elections in May 2021 a member of the Pension Board, Cllr. Collier, was elected to the East Sussex County Council. Cllr. Collier was the Borough and District Councils Employer Representative on the Pension Board.

3.2 Cllr. Collier resigned his position on the Pension Board following his change of role and the various Borough and District Councils were asked to nominate a replacement. Three such nominations were received.

3.3 One of the people nominated withdrew from the process and the remaining nominees were invited to meet virtually with the Chair of the Pension Board and the Pensions Manager – Governance and Compliance to discuss the nature of the role and their suitability for the position.

3.4 The Governance Committee, which is responsible for the appointment of new members to the Pension Board, met in July 2021 and determined that Cllr. Illingworth of Wealden District Council should be appointed. He has met with the Head of Pensions, Pensions Manager – Governance and Compliance and the Pensions Training Co-ordinator to discuss his training needs to help meet legislative requirements.

3.5 In addition to the changes to Pension Board, there is a change in membership to the Pension Committee. Cllr Adeniji requested to step down from the Pension Committee in July 2021 and has been replaced with Cllr Hollidge from the same political group to comply with the legislative requirement for political balance in line with ESCC on this committee.

4. Conflicts of Interest Policy

4.1 The existing conflicts of interest policy approved in November 2020 has been reviewed and amended to note the risk associated with a perceived conflict of interest; in addition to actual and potential conflicts of interest. Additionally, references to officers having responsibilities to the Orbis partnership have been removed as the Fund is no longer party to that arrangement. The revised policy is included in **Appendix 1**.

5. Abatement policy

5.1 At the June 2021 meeting, the Pension Committee determined that the Administering Authority should no longer abate the pensions of members who re-enter the workplace after retiring. The decision was taken that abatement would cease as of the start of the 2021/22 financial year.

5.2 Officers have amended the Abatement Policy to action the Pension Committee's decision. The amended document is included as **Appendix 2**. The document still refers to members informing the Administering Authority if they retire then re-enter the workforce to ensure complete data to be held.

5.3 Implementing the new abatement strategy, a notification was placed on the Fund website advising of the policy change inviting anyone effected to contact the team. In addition, the Pension Administration Team (PAT) have reviewed any case where a suspension is in place and contacted the individuals advising their pension would be reinstated from April 2021 and their backdated and pension payments were included in the August payroll. There were 20 cases of suspended pensions from Abatement, now in payment.

6. McCloud Working Group

6.1 This Group has not met since April 2021. The Government announced in May 2021 an intention to consult on its proposals. Further information will be required before the most appropriate response for the Administering Authority can be determined. Information has been requested from employers to support this with a response deadline of October 2021.

6.2 An update email was sent to all members of the working group on 1 June 2021 as the Local Government Minister made a [Written Ministerial Statement on McCloud and the LGPS](#). The

statement confirmed the key changes to scheme regulations that will be made to remove age discrimination from the LGPS. The Statement confirms

- The age requirement for underpin protection will be removed
- A member will not need to leave with an immediate entitlement to benefits to qualify for underpin protection
- The remedy period will end on 31 March 2022
- The underpin calculation will be based on final pay at the underpin date, even if this is after 31 March 2022
- There will be two stages to the underpin calculation: the first on the underpin date which is the date of leaving or age 65, if earlier, the second when the benefits are paid
- The regulations will be retrospective to 1 April 2014

A degree of uncertainty remains for some elements where the Statement is silent, however, it is expected that Ministry of Housing Communities and Local Government (MHCLG) will issue a full response to the consultation and to publish draft regulations later this year. Further details will be shared with the working group, Board and Committee as it becomes relevant.

7. Communicating with Pension Board Representatives

7.1 One of the recommendations from the internal audit on Governance in 2020/21 was that despite the Pension Board being the stakeholder representatives for Fund members and Fund employers there were no details published on how those stakeholders could contact their representative should they wish to, reducing the ability to represent those stakeholders.

7.2 Providing contact details for individual Pension Board members is not a legal requirement and as Pension Board members are not employed by the Council or Pension Fund, they do not have official inboxes to receive communication. The Fund was fully compliant with the regulations without these contact details, however, agreed that in the best interest of stakeholders, and the ability for Board members to be truly representative, a solution should be considered.

7.3 The Communications Working Group discussed the most suitable way to enable more direct communications and established that a mailbox monitored by officers to forward onto the Chair of the Board or a named Board member as relevant, would be the most effective manner to allow easy communication without disclosing personal email addresses. Details of this mailbox will be included in the Fund's new website for transparency to stakeholders.

8. Privacy Statements and Data Retention

8.1 As part of the internal audits discussed at the June 2021 Board and Committee meetings, it was determined that both a full and summary privacy notice should be published on the Council's website, whereas previously only a full version was available.

8.2 The new summary privacy notice has been created and will be published when the Fund's new website is launched, and the full privacy notice has been updated to reflect the current data arrangements within the Fund. A copy of the privacy statements can be found in **Appendix 3 and 4.**

8.3 As part of the review of the privacy statements changes were also made to the retention period for member data. Previously it was stated that data would be held for 15 years after a benefit ceased to be payable. This has been shown not to be fit for purpose. For example, the legal

case known as “Lloyds 3”, which resulted in the review of Guaranteed Minimum Pension, required records up to around 30 years old to be amended.

8.4 Going forward the Administering Authority will retain member data until such a time that is it satisfied that no claim can be made upon it. A request has been made to East Sussex County Council to amend the retention policy in line with this change. Due to Council timeframes and the relevant committee meeting bi-annually, this change is expected to be made in January 2022.

9. Conclusion

9.1 The Pension Board is recommended to note the amended policies as outlined in this report to ensure the Fund operates effectively, note the proposed legislative change and the work of the McCloud Working Group.

IAN GUTSELL
Chief Finance Officer

Contact Officer: Mike Burton, Pensions Manager Governance and Compliance
Email: Michael.Burton@eastsussex.gov.uk

CONFLICTS OF INTEREST POLICY

September 2021



CONFLICTS OF INTEREST POLICY

Contents

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Introduction

The potential for conflicts of interest have always existed for those with Local Government Pension Scheme (LGPS) administering authority responsibilities as well as for advisers to LGPS funds. This simply reflects the fact that many of those managing or advising LGPS funds will have a variety of other roles and responsibilities, for example as a member of the scheme, as an elected member of an employer participating in the LGPS, as an officer with responsibilities for or within a shared service or as an adviser to more than one LGPS administering authority. Further any of those persons may have an individual personal, business or other interest which might conflict, or be perceived to conflict, with their role managing or advising LGPS funds.

It is generally accepted that LGPS administering authorities have both fiduciary and public law duties to act in the best interest of both the scheme beneficiaries and participating employers. This, however, does not preclude those involved in the management of the fund from having other roles or responsibilities which may result in an actual or potential conflict of interest. Accordingly, it is good practice to document within a policy, such as this, how any such conflicts or potential conflicts are to be managed.

This is the Conflicts of Interest Policy of the East Sussex Pension Fund (the Fund), which is managed by East Sussex County Council (the Council) in its capacity as Administering Authority. The Policy details how actual and potential conflicts of interest are identified and managed by those involved in the management and governance of the Fund whether directly or in an advisory capacity, and seeks to ensure consistency with the Council's policies and codes.

This Conflicts of Interest Policy is established to guide the Pension Committee members, Pension Board members, officers and advisers. It aims to ensure that those individuals do not act improperly or create a perception that they may have acted improperly. It is an aid to good governance, encouraging transparency and minimising the risk of any matter prejudicing decision making or management of the Fund otherwise.

This conflict of interest policy also identifies areas of potential conflict that are specific to the Local Government Pension Scheme (LGPS) that would be dealt with in the same manner as conflicts of interest under the Members' codes of conduct and Employees' codes of conduct.

In preparing this policy it is noted that it is not just actual or potential conflicts which pose a risk to the Fund. Where there is a perception that a conflict exists, even where it is not the case, this must be taken into account.

Aims and Objectives

In relation to the governance of the Fund, the Administering Authority's objectives are to:

- Act in the best interests of the Fund's members and employers
- Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies
- Ensure the Fund is managed, and its services delivered, by people who have the appropriate knowledge and expertise
- Act with integrity and be accountable to stakeholders for all decisions, ensuring they are robust and well based
- Understand and monitor risk
- Strive to ensure compliance with the appropriate legislation and statutory guidance, and to act in the spirit of other relevant guidelines and best practice guidance
- Clearly articulate its objectives and how it intends to achieve those objectives through business planning, and continually measuring and monitoring success
- Ensure the confidentiality, integrity and accessibility of the Fund's data, systems and services is protected and preserved.

The identification and management of potential and actual conflicts of interest is integral to the Council achieving its governance objectives as the administering authority of the Fund.

To whom this Policy Applies

This Conflicts of Interest Policy applies to:

- all members of the Pension Committee and the Pension Board, including scheme member and employer representatives, whether voting members or not.
- all managers in the Council's Fund Management Team,
 - the Chief Finance Officer (Section 151 Officer),
 - the Chief Operating Officer, and
 - any other officer of East Sussex County Council who has responsibilities relating to the Fund, (from here on in collectively referred to as the officers for or of the Fund).
- all advisers and suppliers to the Fund, whether advising the Pension Board, Pension Committee or Fund officers.

The Head of Pensions will monitor potential conflicts for officers involved in the daily management of the Fund and highlight this Policy to them as they consider appropriate.

This Policy and the issue of conflicts of interest in general must be considered in light of each individual's role, whether this is a management, advisory or assisting role and including responsibilities representing the Fund on other committees, groups and bodies.

In this Policy, reference to advisers includes all advisers, suppliers and other parties providing advice and services to the Council as the administering authority in relation to Fund matters. This includes but is not limited to actuaries, investment consultants, independent advisers, benefits consultants, third party administrators, shared service partners, fund managers, lawyers, custodians and AVC providers. Where an advisory appointment is with a firm rather than an individual, reference to "advisers" is to the lead adviser(s) responsible for the delivery of advice and services to the Council rather than the firm as a whole.

In accepting any role covered by this Policy, those individuals agree that they must:

- acknowledge any potential conflict of interest they may have;
- be open with the Council and any other body on which they represent the Council, on any actual or potential conflicts of interest they may have;
- adopt practical solutions to managing those conflicts; and
- plan ahead and agree with the Council how they will manage any conflicts of interest which arise in future.

The procedures outlined later in this Policy provide a framework for each individual to meet these requirements.

Legislative and related context

The overriding requirements in relation to the management of potential or actual conflicts of interest for those involved in LGPS funds are contained in various elements of legislation and guidance. These are considered further below.

The Public Service Pensions Act 2013

Section 5 of this Act requires that the scheme manager (in the case of the Fund, this is the Administering Authority) must be satisfied that a Pension Board member does not have a conflict of interest at the point of appointment and from time to time thereafter. It also requires Pension Board members (or nominated members) to provide reasonable information to the Administering Authority for this purpose.

The Act defines a conflict of interest as “a financial or other interest which is likely to prejudice the person’s exercise of functions as a member of the board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme).”

[Further, the Act requires that the Council as administering authority must have regard to any such guidance that the national LGPS Scheme Advisory Board may issue (see below).]

The Local Government Pension Scheme Regulations 2013

Regulation 108 of these Regulations applies the requirements of the Public Service Pensions Act (as outlined above) to the LGPS, placing a duty on the Council as administering authority to satisfy itself that Pension Board members do not have conflicts of interest on appointment or whilst they are members of the Board. It also requires those Pension Board members to provide reasonable information to the Administering Authority in this regard.

Regulation 109 states that each administering authority must have regard to guidance issued by the Secretary of State in relation to local pension boards. Further, regulation 110 provides that the national LGPS Scheme Advisory Board has a function of providing advice to administering authorities and local pension boards. The LGPS Scheme Advisory Board issued guidance relating to the establishment of local pension boards, including a section on conflicts of interest. This Conflicts of Interest Policy has been developed having regard to that guidance.

The Pensions Act 2004

The Public Service Pensions Act 2013 also added a number of provisions to the Pensions Act 2004 related to the governance of public service pension schemes and, in particular, conflicts of interest.

Section 90A requires the Pensions Regulator to issue a code of practice relating to conflicts of interest for pension board members. The Pensions Regulator has issued such a code and this Conflicts of Interest Policy has been developed having regard to that code.

Further, under section 13, the Pensions Regulator can issue an improvement notice (i.e. a notice requiring steps to be taken to rectify a situation) where it is considered that the requirements relating to conflicts of interest for local pension board members are not being adhered to.

CIPFA Investment Pooling Governance Principles for LGPS Administering Authorities Guidance

The CIPFA governance principles guidance states "*the establishment of investment pooling arrangements creates a range of additional roles that committee members, representatives, officers and advisors might have.*" It includes some examples of how conflicts of interest could arise in these new roles. It highlights the need for administering authorities to:

- update their conflicts policies to have regard to asset pooling;
- remind all those involved with the management of the fund of the policy requirements and the potential for conflicts to arise in respect of asset pooling responsibilities; and
- ensure declarations are updated appropriately.

This Conflicts of Interest Policy has been updated to take account of the possibility of conflicts arising in relation to asset pooling in accordance with the CIPFA governance principles guidance.

Localism Act 2011

Chapter 7 of the Localism Act 2011 requires local authorities to produce a code of conduct for members. All members and co-opted members of the Pension Committee are required to register and declare 'disclosable pecuniary interests' and abide by the Council's Code of Conduct for Members. That Code contains provisions relating to Code Interests and Disclosable Pecuniary Interests, their disclosure and limitations on members' participation where they have any such interest.

The Seven Principles of Standards in Public Life

Sometimes known as the 'Nolan Principles', the seven principles of public life apply to anyone who holds public office. This includes people who are elected or appointed to public office, nationally and locally, and all people appointed to work in:

- the civil service
- local government
- the police
- the courts and probation services
- non-departmental public bodies
- health, education, social and care services

The principles also apply to all those in other sectors that deliver public services. Many of the principles are integral to the successful implementation of this Policy.

- Selflessness
- Integrity
- Objectivity
- Accountability

- Openness
- Honesty
- Leadership

Advisers' Professional Standards

Many advisers will be required to meet professional standards relating to the management of conflicts of interest, for example, the Fund Actuary will be bound by the requirements of the Institute and Faculty of Actuaries. Any protocol or other document entered into between an adviser and the Council in relation to conflicts of interest, whether as a requirement of a professional body or otherwise, should be read in conjunction with this Policy.

Administering Authority Requirements

Pension Committee Members

Committee Elected Members and co-opted members of East Sussex County Council are required to adhere to the **Council's Members' Code of Conduct (annex 1)** which, in Part 2 and 3, includes requirements in relation to the disclosure and management of personal and prejudicial interests.

Pension Board Members

Pension Board members are required under (xxi) of the Board's terms of reference to adhere to the Members' Code of Conduct which, in Part 2 and 3, includes requirements in relation to the disclosure and management of personal and prejudicial interests.

Officers

Officers of the Council are required to adhere to the Council's **Code of Conduct and Conflict of Interest Policy for Employees (annex 2)** which includes requirements in relation to the disclosure and management of all potential conflicts of interests that may impact on their work or that of the Council.

Employees of Surrey County Council who, as part of their responsibilities provide services to or on behalf of the Fund under the Orbis shared service, are required to adhere to the Surrey County Council Code of Conduct for Employees which has similar requirements relating to the disclosure and management of their work for Surrey County Council, which will include their responsibilities for carrying out work for the Fund.

Advisers and suppliers

Advisers and suppliers to the Fund are required to sign up to the **Orbis Supplier Code of Conduct (annex 3)** as part of the tendering process for all East Sussex County Council services. Suppliers are required to declare any conflicts of interest when quoting or submitting a tender for any contract. The terms of contracts for all advisers and suppliers of the Fund will also include specific requirements around conflicts of interest deemed necessary for this specialised type of service.

Conduct at Meetings

There may be circumstances where a representative of employers or members wishes to provide a specific point of view on behalf of an employer

(or group of employers) or member (or group of members). The Administering Authority requires that any individual wishing to speak from an employer's or member's viewpoint must state this clearly, e.g. at a Pension Board or Pensions Committee meeting, and that this will be recorded in the minutes.

What is a Conflict or Potential Conflict of interest and how will they be managed?

General conflicts of interest

The Public Service Pensions Act 2013 defines a conflict of interest as a financial or other interest which is likely to prejudice a person's exercise of functions.

Conflicts of interest for Pension Board and Pension Committee members

Conflict of interests as they apply to Pension Board and Pension Committee members are defined in the Members' Code of Conduct which is set out at Annex 1.

As well as the definition in the Code of Conduct, paragraph xxxvi of the terms of reference of the Pension Board states 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)."

Conflicts of interest for Officers

The Council's Code of Conduct and Conflict of Interest Policy for Employees is set out at Annex 2 and defines personal interests in Section 8: Personal interests. Officers are also required to declare any outside commitments under Section 7 of the Code.

Conflicts of interest for advisers and suppliers

The terms of contracts for all advisers and suppliers of the Fund will specify what constitutes a conflict of interest and how it will be managed.

There may be circumstances where these advisers are asked to give advice to scheme employers, or even to scheme members or member representatives such as the Trades Unions, in relation to pension matters. Similarly, an adviser may also be appointed to another administering authority which is involved in a transaction involving the Fund and on which advice is required or to a supplier or organisation providing services to the Fund. An adviser can only continue to advise the Council and another party where there is no conflict of interest in doing so.

An adviser appointed to advise the Pension Committee or Pension Board, or Fund Officers can be the same person as there is no conflict of interest between the multiple responsibilities.

Areas of potential conflict that are specific to the LGPS

These are areas of potential conflict that the Scheme Advisory Board identifies as specific to the LGPS. They apply to Pension Committee and Pension Board Members, as well as officers, advisers and suppliers and are to be managed in the same way as other conflicts of interest under the relevant policy:

- Any commercial relationships between the administering authority or host authority and other employers in the fund/or other parties which may impact decisions made in the best interests of the fund. These may include shared service arrangements which impact the fund operations directly but will also include outsourcing relationship and companies related to or wholly owned by the Council, which do not relate to pension fund operations.
- Contributions setting for the administering authority and other employers.
- Cross charging for services or shared resourcing between the administering authority and the fund.
- Dual role of the administering authority as owner and client of a pool.
- Local investment decisions
- Any other roles within the Council being carried out by committee members or officers which may result in a conflict either in the time available to dedicate to the fund or in decision making or oversight. For example, some roles on other finance committees, audit or health committees or finance cabinet should be disclosed.

Members of the Pension Board or Pension Committee would need to consider whether they have a personal interest and whether that is prejudicial or pecuniary under the **Members' Code of Conduct**.

Officers would need to consider whether any of the above conflicts of interest apply to Section 7 or Section 8 of the **Code of Conduct and Conflict of Interest Policy for Employees**.

Advisers and suppliers to the Fund also need to consider whether any of the above conflicts of interest apply to the conflict of interest policy in their contract with the Administering Authority.

Therefore, a conflict of interest may arise when an individual:

- has a responsibility or duty in relation to the management of, or provision of advice to, the LGPS Fund administered by the Administering Authority, and
- at the same time has:
 - a separate personal interest (financial or otherwise) or
 - another responsibility in relation to that matter,

giving rise to a possible conflict with their first responsibility. An interest could also arise due to a family member or close colleague having a specific responsibility or interest in a matter.

Some examples of potential conflicts of interest relating to the areas of conflict specific to the LGPS are included in Appendix 1.

East Sussex County Council, as Administering Authority, will encourage a culture of openness and transparency and will encourage individuals to be vigilant, have a clear understanding of their role and the circumstances in which they may have a conflict of interest. East Sussex County Council will evaluate the nature of any interests or responsibilities that are highlighted and assess the impact on pension fund operations and good governance were an actual conflict of interest to materialise.

Gifts and Hospitality

The Members' Code of Conduct sets gifts and hospitality with worth estimated at over £50 as a personal interest under section 8 (3) (a) (iii).

Section 5 of the Code of Conduct and Conflict of Interest Policy for Employees forbids officers from the acceptance of any gifts other than those set out in 5.6. Section 6 sets out that officers should exercise caution in offering and accepting hospitality.

The suppliers code of conduct requires advisers and suppliers to maintain a gifts and hospitality register (relating to Council contracts) that is available on review.

Perceived conflicts of interest

A perceived conflict of interest occurs when it appears that a conflict of interest may exist, even if that is not the case. For example, a committee member might be in a sports team that plays against opponents connected to a third party provider that goes on to tender to provide a service to the Fund; creating a perception that a social connection may have swayed the decision making process.

In this example there is a reputational risk that a decision maker may have been unduly influenced even though they may not have been aware of the situation and it was not relevant to the decision being made.

Where individuals are aware of a perceived conflict this must be declared. Where no conflict exists, this decision can be documented to mitigate the reputational risk.

Managing conflicts of interest

Managing conflicts of interest for members of the Pension Board and Pension Committee

Section 9 of the Members' Code of Conduct sets out the requirements around Members disclosing an interest at a meeting of the authority at which any matter relating to the business is considered, including circumstances where they do not have to disclose an interest. Each agenda of the Pension Board and Pension Committee includes an agenda item seeking declarations of interest from members for all matters for discussion on the agenda.

Section 12 of the Members' Code of Conduct sets out the effect of prejudicial interests on participation at a meeting, including circumstances where they must withdraw from a meeting and where they may continue to attend a meeting but only for the purposes of making representations. Section 15 sets out dispensations to these restrictions. A Member declaring a personal, non-prejudicial interest would not be expected to take any action.

Section 13 of the Members' Code of Conduct deals with the requirement for Members to register in the register of members' interests all personal interests and personal interests that are also disclosable pecuniary interests.

Section 14 sets out the steps taken where a Member considers that the information relating to any of their personal interests is sensitive information, and the authority's Monitoring Officer agrees. Section 14 (3) states that "sensitive information" means information, the details of which, if disclosed, could lead to you or a person connected with you being subject to violence or intimidation.

Section xxxix of the Pension Board terms of reference requires Members of the Pension Board to 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.

Managing conflicts of interest for officers

The Code of Conduct and Conflict of Interest Policy for Employees says all potential conflicts of interest must be declared before the activity commences or the issue arises. If an individual's circumstances change, it is their responsibility to immediately inform their manager and make a new declaration.

Annually, all staff will be reminded of the need to declare potential conflicts of interest and required to complete an annual form, including where a NIL return has been made in the previous declaration.

Appendix 1 of the Code of Conduct and Conflict of Interest Policy for Employees describes how potential conflict of interest are dealt with.

Managing conflicts of interest for advisers and suppliers.

The contract between the adviser and supplier and the Administering Authority will specify how conflicts of interest are managed. This will include All of the advisers and suppliers to the East Sussex Pension Fund being expected to have their own policies on how conflicts of interest will be managed in their relationships with their clients, and these should have been shared with, East Sussex County Council.

All advisers and suppliers must:

- be provided with a copy of this Policy on appointment and whenever it is updated
- adhere to the principles of this Policy
- provide, on request, information to the Head of Pensions in relation to how they will manage and monitor actual or potential conflicts of interest relating to the provision of advice or services to the Council
- notify the Head of Pensions immediately should a potential or actual conflict of interest arise

Reporting conflicts of interest

Pension Committee Members

Section 13 of the Members' Code of Conduct requires Members and co-optees of East Sussex County Council to complete a registration of interests form within 28 days of election or appointment to officer (where that is later) containing details of personal and pecuniary interests.

A copy of the register of interest form is available on the Administering Authority's website and available to view on request.

Member Services officers will send an annual reminder to Members to review their registration of interests.

Any declarations of interest made at a Committee meeting will be recorded in the minutes.

Pension Board Members

Pension Board members are required under (xxi) of the Board's terms of reference to adhere to the Members' Code of Conduct.

Section 13 of the Members' Code of Conduct requires Members and co-optees of East Sussex County Council to complete a registration of interests form within 28 days of election or appointment to officer (where that is later) containing details of personal and pecuniary interests.

A copy of the register of interest form is available to view on request.

Member Services officers will send an annual reminder to Board Members to review their registration of interests.

Any declarations of interest made at a Board meeting will be recorded in the minutes.

Officers

Annually, all staff will be reminded of the need to declare potential conflicts of interest and required to complete an annual form, including where a NIL return has been made in the previous declaration.

The officers line manager/Assistant Director will retain a copy of an officer's conflicts of interest declaration?

Responsibility

The Council as the scheme administering authority manager for the Fund must be satisfied that conflicts of interest are appropriately managed. For this purpose, the Head of Pensions is the designated individual for ensuring the procedure outlined above is carried out.

However, it is the responsibility of each individual covered by this Policy to identify any potential instances where their personal, financial, business or other interests might come into conflict with their pension fund duties, to declare and register interests and seek advice and to withdraw from meetings if they are not complying.

Key Risks

The key risks to the delivery of this Policy are outlined below. All of these could result in an actual conflict of interest arising and not being properly managed. The Head of Pensions will monitor these and other key risks and consider how to respond to them.

- Insufficient training or poor understanding in relation to individuals' roles on pension fund matters
- Insufficient training or failure to communicate the requirements of this Policy or the relevant codes of conduct referred to in this policy
- Absence of the individual nominated to manage the operational aspects of this Policy and no one deputising, or failure of that individual to carry out the operational aspects in accordance with this Policy
- A decision by an individual to disregard advice and be subject to formal action under the Localism Act 2011.

Costs

All costs related to the operation and implementation of this Policy will be met directly by East Sussex Pension Fund. However, no payments will be made to any individuals in relation to any time spent or expenses incurred in the disclosure or management of any potential or actual conflicts of interest under this Policy.

Approval, Review and Consultation

This Conflicts of Interest Policy was approved on **28 September 2021** by the East Sussex Pension Committee. It will be formally reviewed and updated by the Committee at least every three years or sooner if the conflict management arrangements or other matters included within it merit reconsideration, including if there are any changes to the LGPS or other relevant Regulations or Guidance which need to be taken into account.

Further Information

If you require further information about anything in or related to this Conflicts of Interest Policy, please contact:

Sian Kunert
Head of Pensions, East Sussex County Council
E-mail - sian.kunert@eastsussex.gov.uk
Telephone – 07701394423

Appendix 1

Examples of situations where a conflict of interest may arise

- | |
|---|
| a) An employer representative on the Pensions Board may be required to consider a policy or covenant change which could result in an increase in employer costs by the employer he or she represents. |
| b) A member of the Pension Committee is on the board of an Investment Manager that the Committee is considering appointing. |
| c) A Pensions Committee or Pensions Board member is a beneficiary of the East Sussex Pension fund and a discussion item as a result of legislative change could affect members benefits. |
| d) An officer of the Pension Fund also has responsibilities within the administering authority or relating to a shared service initiative which provides services to the Fund, and which has objectives which are not fully aligned to that of the Fund. |
| e) An employer representative on the Pension Board is employed by a company to which the Council has outsourced its pension administration services and the Pension Board is reviewing the standards of service provided by that company. |
| f) The person appointed to consider internal disputes is asked to review a case relating to a close friend or relative. |
| g) The Pension Fund is considering alternative supply of services currently provided by the Administering Authority. The Chief Finance Officer, who has responsibility for the Council budget, is expected to approve the report to go to the Pension Committee which, if agreed would result in a material reduction in the recharges to the Council from the Fund. |
| h) Officers are asked to provide a report to the Pension Board or Pension Committee on whether the administration services should be outsourced which, if it were to happen could result in a change of employer or job insecurity for the officers. |
| i) An employer representative appointed to the Pension Board to represent employers generally could be conflicted if he or she only serves to act in the interests of their own authority/organisation, rather than those of all participating employers. Equally, a member representative, who is also a trade union representative, appointed to the Pension Board to represent the entire scheme membership could be conflicted if he or she only acts in the interests of their union and union membership, rather than all scheme members. |
| j) A Fund adviser is party to the development of a strategy which could result in additional work for his or her firm, for example, selection of new investment managers, providing assistance with monitoring the covenant of employers or where they are also advisers to the ACCESS Pool. |
| k) An employer or employee representative has access to information by virtue of his or her employment, which could influence or inform the considerations of the Pension Board. He or she has to consider whether to share this information in light of their duty of confidentiality to their employer. Their knowledge of this information will put them in a position of conflict if it is likely to prejudice their ability to carry out their functions as a member of the Pension Board. |
| l) An officer of the Fund or member of the Pension Committee accepts a dinner invitation or gift from an Investment Manager who has submitted a bid as part of a tender process. |

**Annex 1, 2 & 3 have not been reproduced in this policy update as no changes to the ESCC or
Orbis internal policies referenced here**

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Policy for Abatement of Retirement Pension in New Employment for the East Sussex Pension Fund

2021

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Introduction

This document outlines the position on the abatement of pensions adopted by the East Sussex Pension Fund (the Fund).

If you built up any pension in the Local Government Pension Scheme (LGPS) before 1 April 2014, take payment of your pension and then return to work in local government, or with an employer who offers membership of the LGPS, you must tell the LGPS fund that pays your pension about your new job. This is regardless of whether or not you join the LGPS in your new job. The LGPS fund that pays your pension will then let you know whether your pension in payment is affected in any way.

The East Sussex Pension Fund has resolved, that if a member has a pension with us, **the pension will not be subject to reduction or suspension** should they start a new period of employment with an LGPS eligible employer.

The only exception will be if you are in receipt of a tier 3 ill health pension benefit, which will be stopped if you take up "gainful" employment¹; so your pension may be affected if you return to work in this situation.

Regulatory Basis

Where a Scheme Member is in receipt of a pension in respect of previous membership of the LGPS, that pension may be subject to reduction or suspension where the Member enters a new employment with any Scheme Employer and is eligible to join the LGPS in that employment. A full definition of effected employments is described in Schedule 2 The Local Government Pension Scheme (Administration) Regulations 2008.

The Administering Authority is required to have, and regularly review, a policy on abatements. The relevant requirements can be found in Reg. 70 The Local Government Pension Scheme (Administration) Regulations 2008.

It is for the Administering Authority to decide its policy on abatements.

Policy Decision

In formulating this policy, the Administering Authority has had regard to:

- The level of potential financial gain² 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;
- The extent to which a policy not to apply abatement could lead to a serious loss of confidence in the public service;

¹ Gainful employment is defined in the scheme rules as any type of paid work, for at least 30 hours a week over a period of at least 12 months

² This is a reference to the financial gain which it appears to the Administering Authority may be obtained by a member as a result of their entitlement both to a pension and to pay under any new Local Government employment

- The changing pensions landscape and approach taken by other scheme's and funds to ensure fairness and consistency for members
- The impact of our employers recruitment policies and needs.

What this policy means for members

Previously when a member of the Fund had already started to claim their pension but started a new period of employment, where they were eligible to join the LGPS, the amount of pension paid was subject to a possible reduction or suspension if they breached their re-employed earnings limit.

This review will no longer happen and the pension amount paid will not be reduced or suspended. Members with an abated pension will be put back in the position they would have been in as if their pension had not been reduced from April 2021. If this applies to you please contact the Pensions team.

III Health tier 3 members should continue to inform us of changes to their employment status to ensure our records are correct going forward. The Fund will let you know whether your pension payments should stop in this case.

Contact Details

East Sussex Pension Fund

East F County Hall
St Anne's Crescent
Lewes
East Sussex
BN7 1UE
Phone: 0300 200 1022
Email: pensions@eastsussex.gov.uk



Privacy Notice Summary Version

September 2021

PRIVACY NOTICE (SUMMARY)

for the members and beneficiaries of the East Sussex Pension Fund

As the Administering Authority of the Fund we hold certain information about you ("personal data") which we need to administer the Fund.

We have summarised some of the key ways in which we deal with this information below. Further information can be found in the Full Privacy Notice at the following link:

[Privacy Notice \(eastsussexpensionfund.org\)](http://eastsussexpensionfund.org)

What personal data do we hold?

The types of data we hold and process will typically include:

- Contact details, including name, address, telephone numbers and email address.
- Identifying details, including date of birth and national insurance number.
- Information relating to your benefits in the Fund, including length of service or membership and salary.
- Other information in relation to your membership of the Fund or to enable the calculation or payment of benefits, for example bank account details.
- Information about your family, dependents or personal circumstances, for example, marital status and information relevant to the distribution and allocation of benefits payable on death.
- Financial information relevant to the calculation or payment of benefits, for example, bank account and tax details.
- Information about your health, for example, to assess eligibility for benefits payable on ill health, or where your health is relevant to a claim for benefits following the death of a member of the Fund.
- Information about a criminal conviction if this has resulted in you owing money to your employer or the Fund and the employer or Fund may be reimbursed from your benefits.

We obtain some of this personal data directly from you. We may also obtain data from your employer (for example, salary information) and from other sources including public databases.

What will we do with your personal data?

We will use this personal data to administer the Fund and to calculate and provide you (and, if you are a member of the Fund, your beneficiaries if you die) with benefits. We will also use this personal data for statistical and financial modelling and reference purposes (for example, when we assess how much money is needed to provide members' benefits and how that money should be invested), and to comply with our legal obligations.

From time to time we will share your personal data with third parties, including our contractors, advisors, government bodies and dispute resolution and law enforcement agencies and insurers in order to comply with our obligations under law, and in connection with the provision of services that help us carry out our duties, rights and discretions in relation to the Fund. These organisations are listed in the full Privacy Notice.

In some cases recipients of your personal data may be outside the UK. If this occurs, we will make sure that appropriate safeguards are in place to protect your data in accordance with applicable laws. Please use the contact details below if you want more information in connection with this.

What is the legal basis for our use of your personal data?

The legal basis for our use of your personal data will generally be one or more of the following:

- a) we need to process your personal data to satisfy our legal obligations as the Administering Authority of the Fund; and/or
- b) we need to process your personal data to carry out a task in the public interest or in the exercise of official authority in our capacity as a public body; and/or
- c) we need to process your personal data for the legitimate interests of administering and managing the Fund and liabilities under it, calculating, securing and paying benefits and performing our obligations and exercising any rights, duties and discretions the Administering Authority has in relation to the Fund; and/or
- d) because we need to process your personal data to meet our contractual obligations in relation to the Fund (for example, under an agreement that you will pay additional voluntary contributions to the Fund), or to take steps, at your request, before entering into a contract.

How long will we hold your data?

We will only keep your personal data for as long as we need to in order to fulfil the purpose(s) for which it was collected and for so long afterwards as we consider may be required to deal with any questions or complaints that we may receive about our administration of the Fund, unless we elect to retain your data for a longer period to comply with our legal and regulatory obligations. We keep your information for long enough to ensure that, if a query arises in the future about your benefits, we have enough information to deal with it where we have a legal obligation to do so. This information includes the data we need to identify a specific record. In practice, this means that your personal data will be retained for such a period as you (or any beneficiary who receives benefits after your death) are entitled to benefits from the Fund until such a time that the Fund is satisfied that there is no benefit due to be paid and no person, estate, or organisation exists that may be able to claim a benefit is due to be paid. This is likely to be at least 75 years after a benefit ceases to be payable. For the same reason, your personal data may also need to be retained where you have received a transfer, or refund, from the Fund in respect of your benefit entitlement.

Your rights

You have a right to access and obtain a copy of the personal data that we hold about you and to ask us to correct your personal data if there are any errors or it is out of date or incomplete. In certain circumstances you have the right to object to the processing of your personal data; for example you have the right to object to processing of your personal data which is based on the public interest or legitimate interests identified in the section above headed "*What is the legal basis for our use of your personal data?*", or where the processing is for direct marketing purposes. In some cases you may also have a right to ask us to restrict the processing of your personal data until any errors are corrected or to transfer or (in very limited circumstances) erase your personal data. You can obtain further information about these rights from the Information Commissioner's Office at: www.ico.org.uk or via its telephone helpline (0303 123 1113).

If you wish to exercise any of these rights, please contact the Fund Administrator below. You also have the right to lodge a complaint in relation to this summary notice, the full Privacy Notice or our processing activities with the Information Commissioner's Office, which you can do through the website above or their telephone helpline.

One of the reasons we collect and hold your personal data is to administer your benefits from the Fund. If you do not provide the information we request, or ask that the personal data we already hold is deleted or that the processing of the personal data be restricted, this may affect our ability to administer your benefits, including the payment of benefits from the Fund. In some cases it could mean that we are unable to put your pension into payment or have to stop your pension (if already in payment).

Please contact the Fund for further information.

East Sussex Pension Fund - Pensions Administration, County Hall East Block, F Floor, Lewes, BN7 1UE
pensions@eastsussex.gov.uk

Data Protection Officer

You may also contact our data protection officer for further information.

Data Protection Officer, East Sussex County Council County Hall West Block, G Floor, Lewes, BN7 1UE

To complain about the use of your information, please contact our [Customer Services Team](#) or our [Data Protection Officer](#).

[Further information on making a complaint.](#)

You can also contact the ICO for further information or to make a complaint:

Information Commissioner's Office
Wycliffe House
Water Lane
Wilmslow
Cheshire SK9 5AF

Phone: 0303 123 1113 (local rate) or 01625 545 745 if you prefer to use a national rate number

[Email ICO](#)

[Report a concern on the ICO website](#)



Privacy Notice Full Version

September 2021

FULL PRIVACY NOTICE

for the members and beneficiaries of the East Sussex Pension Fund

This notice is for members and beneficiaries of the East Sussex Pension Fund (the "**Fund**"). Those with a benefit due from paying Additional Voluntary Contributions ("**AVCs**") should also have regard to the Privacy Notice of our AVC Provider, currently Prudential.

This Notice has been prepared by East Sussex County Council (the "**Administering Authority**", or "**we**") in its capacity as the administering authority of the Fund.

This privacy notice is also provided at the following link:

[Privacy Notice \(eastsussexpensionfund.org\)](http://eastsussexpensionfund.org)

Why we are providing this notice to you

As the Administering Authority of the Fund we hold certain information about you ("**personal data**") which we use to administer the Fund and to pay benefits from it. This notice is designed to give you information about the data we hold about you, how we use it, your rights in relation to it and the safeguards that are in place to protect it.

The technical bit

The Administering Authority holds personal data about you in its capacity as data controller for the proper handling of all matters relating to the Fund, including its administration and management. This includes the need to process your data to contact you, to calculate, secure and pay your benefits, for statistical and financial modelling and for reference purposes (for example, when we assess how much money is needed to provide members' benefits and how that money should be invested), and to manage liabilities and administer the Fund generally. Further information about how we use your personal data is provided below.

The legal basis for our use of your personal data will generally be one or more of the following:

- a) we need to process your personal data to satisfy our legal obligations as the Administering Authority of the Fund; and/or
- b) we need to process your personal data to carry out a task in the public interest or in the exercise of official authority in our capacity as a public body; and/or
- c) we need to process your personal data for the legitimate interests of administering and managing the Fund and liabilities under it, calculating, securing and paying benefits and performing our obligations and exercising any rights, duties and discretions the Administering Authority has in relation to the Fund; and/or
- d) because we need to process your personal data to meet our contractual obligations to you in relation to the Fund (for example, under an agreement that you will pay additional voluntary contributions to the Fund), or to take steps, at your request, before entering into a contract.

What personal data we hold, and how we obtain it

The types of personal data we hold and process about you can include:

- Contact details, including name, address, telephone numbers and email address.
- Identifying details, including date of birth, national insurance number and employee and membership numbers.
- Information that is used to calculate and assess eligibility for benefits, for example, length of service or membership and salary information.
- Financial information relevant to the calculation or payment of benefits, for example, bank account and tax details.
- Financial Information relevant to any assessment of whether a fee charged for non-standard information can be waived.
- Information about your family, dependents or personal circumstances, for example, marital status and information relevant to the distribution and allocation of benefits payable on death.
- Information about your health, for example, to assess eligibility for benefits payable on ill health, or where your health is relevant to a claim for benefits following the death of a member of the Fund.
- Information about a criminal conviction if this has resulted in you owing money to your employer or the Fund and the employer or Fund may be reimbursed from your benefits.

We obtain some of this personal data directly from you. We may also obtain data (for example, salary information) from your current or past employer(s) or companies that succeeded them in business, from a member of the Fund (where you are or could be a beneficiary of the Fund as a consequence of that person's membership of the Fund) and from a variety of other sources including public databases (such as the Register of Births, Deaths and Marriages), our advisers and government or regulatory bodies, including those in the list of organisations that we may share your personal data with set out below.

Where we obtain information concerning certain "special categories" of particularly sensitive data, such as health information, extra protections apply under the data protection legislation. We will only process your personal data falling within one of the special categories with your consent, unless we can lawfully process this data for another reason permitted by that legislation. You have the right to withdraw your consent to the processing at any time by notifying the Administering Authority in writing. However, if you do not give consent, or subsequently withdraw it, the Administering Authority may not be able to process the relevant information to make decisions based on it, including decisions regarding the payment of your benefits.

Where you have provided us with personal data about other individuals, such as family members, dependants or potential beneficiaries under the Fund, please ensure that those individuals are aware of the information contained within this notice.

How we will use your personal data

We will use this data to deal with all matters relating to the Fund, including its administration and management. This can include the processing of your personal data for all or any of the following purposes:

- To contact you.
- To assess eligibility for, calculate and provide you (and, if you are a member of the Fund, your beneficiaries upon your death) with benefits.

- To identify your potential or actual benefit options and, where relevant, implement those options.
- To allow alternative ways of delivering your benefits, for example, through the use of insurance products and transfers to or mergers with other pension arrangements.
- For statistical and financial modelling and reference purposes (for example, when we assess how much money is needed to provide members' benefits and how that money should be invested).
- To comply with our legal and regulatory obligations as the administering authority of the Fund.
- To consider requests for a fee for providing information to which the claimant does not have an automatic right to be waived due to financial hardship.
- To address queries from members and other beneficiaries and to respond to any actual or potential disputes concerning the Fund.
- The management of the Fund's liabilities, including the entering into of insurance arrangements and selection of Fund investments.
- In connection with the sale, merger or corporate reorganisation of or transfer of a business by the employers that participate in the Fund and their group companies.

Organisations that we may share your personal data with

From time to time we will share your personal data with advisers and service providers so that they can help us carry out our duties, rights and discretions in relation to the Fund. Some of those organisations will simply process your personal data on our behalf and in accordance with our instructions. Other organisations will be responsible to you directly for their use of personal data that we share with them. They are referred to as data controllers and we have highlighted them in the table below. The data controllers may be obliged under the data protection legislation to provide you with additional information regarding the personal data they hold about you and how and why they process that data. Further information may be provided to you in a separate notice or may be obtained from the advisers and service providers direct, for example via their websites.

These organisations include the Fund's:

| Data processors | Data controllers |
|---|---|
| <ul style="list-style-type: none"> • Administrator – (currently East Sussex County Council) • Tracing bureaus for mortality screening and locating members – (currently under review) • Overseas payments provider to transmit payments to scheme member with non-UK accounts – (currently HSBC) • Printing companies – (currently CFH Ltd) • Pensions software provider – (currently Aquila Heywood) • Suppliers of IT, document production and distribution services (Orbis) • Legal adviser – (currently Eversheds Sutherland) • Scheme benefit consultants – (Hymans Robertson, Mercer, Aon) • External auditor – (currently Grant Thornton) | <ul style="list-style-type: none"> • Additional Voluntary Contribution providers – (currently Prudential) • Fund Actuary – (currently Barnett Waddingham) • Insurance companies in connection with ill health benefits – (currently Legal and General) • LGPS National Insurance database – (South Yorkshire Pensions Authority) • The Pensions Ombudsman • Administering authorities of other LGPS funds (or their agents, such as third party administrators) where you have been a member of another LGPS fund and the information is needed to determine the benefits to which you or your dependants are entitled • The Department for Work and Pensions • The Government Actuary's Department |

| | |
|--|---|
| <ul style="list-style-type: none"> • Internal auditor – (currently Orbis) | <ul style="list-style-type: none"> • The Cabinet Office – for the purposes of the National Fraud Initiative • HM Revenue and Customs • The Courts of England and Wales – for the purpose of processing pension sharing orders on divorce |
|--|---|

In each case we will only do this to the extent that we consider the information is reasonably required for these purposes.

In addition, where we make Fund investments or seek to provide benefits for Fund members in other ways, such as through the use of insurance, then we may need to share personal data with providers of investments, insurers and other pension scheme operators. In each case we will only do this to the extent that we consider the information is reasonably required for these purposes.

From time to time we may provide some of your data to your employer and their relevant subsidiaries (and potential purchasers of their businesses) and advisers for the purposes of enabling your employer to understand its liabilities to the Scheme. Your employer would generally be a controller of the personal data shared with it in those circumstances. For example, where your employment is engaged in providing services subject to an outsourcing arrangement, the Administering Authority may provide information about your pension benefits to your employer and to potential bidders for that contract when it ends or is renewed.

Where requested or if we consider that it is reasonably required, we may also provide your data to government bodies and dispute resolution and law enforcement organisations, including those listed above, The Pensions Regulator, the Pensions Ombudsman and Her Majesty's Revenue and Customs (HMRC). They may then use the data to carry out their legal functions.

The organisations referred to in the paragraphs above may use the personal data to perform their functions in relation to the Fund as well as for statistical and financial modelling (such as calculating expected average benefit costs and mortality rates) and planning, business administration and regulatory purposes. They may also pass the data to other third parties (for example, insurers may pass personal data to other insurance companies for the purpose of obtaining reinsurance), to the extent they consider the information is reasonably required for a legitimate purpose.

In some cases recipients of your personal data may be outside the UK. This means your personal data may be transferred outside the European Economic Area ("EEA") to a jurisdiction that may not offer an equivalent level of protection as is required by EEA countries. If this occurs, we are obliged to verify that appropriate safeguards are implemented with a view to protecting your data in accordance with applicable laws. Please use the contact details below if you want more information about the safeguards that are currently in place.

We do not use your personal data for marketing purposes and will not share this data with anyone for the purpose of marketing to you or any beneficiary.

How long we keep your personal data

We will only keep your personal data for as long as we need to in order to fulfil the purpose(s) for which it was collected and for so long afterwards as we consider may be required to deal with any questions or complaints that we may receive about our administration of the Fund, unless we elect to retain your data for a longer period to comply with our legal and regulatory obligations. We keep your information for long enough to ensure that, if a query arises in the future about your benefits, we have enough information to deal with it where we have a legal obligation to do so. This information includes the data we need to identify a specific record. In practice, this means that your personal data will be retained for such a period as you (or any beneficiary who receives benefits after your death) are entitled to benefits from the Fund until such a time that the Fund is satisfied that there is no benefit due to be paid and no person, estate, or organisation exists that may be able to claim a benefit is due to be paid. This is likely to be at least 75 years after a benefit ceases to be payable. For the same reason, your personal data may also need to be retained where you have received a transfer, or refund, from the Fund in respect of your benefit entitlement.

Your rights

You have a right to access and obtain a copy of the personal data that the Administering Authority holds about you and to ask the Administering Authority to correct your personal data if there are any errors or it is out of date or incomplete. In certain circumstances you have the right to object to the processing of your personal data; for example, you have the right to object to processing of your personal data which is based on the public interest or legitimate interests identified in the section above headed "*The Technical Bit*", or where processing is for direct marketing purposes. In some cases you may also have a right to ask the Administering Authority to restrict the processing of your personal data until any errors are corrected, or to transfer or (in very limited circumstances) erase your personal data. You can obtain further information about these rights from the Information Commissioner's Office at: www.ico.org.uk or via its telephone helpline (0303 123 1113).

If you wish to exercise any of these rights or have any queries or concerns regarding the processing of your personal data, please contact the Fund Administrator as indicated below. You also have the right to lodge a complaint in relation to this privacy notice or the Administering Authority's processing activities with the Information Commissioner's Office which you can do through the website above or their telephone helpline.

As explained in the section above headed "*How we will use your personal data*", one of the reasons we collect and hold your personal data is to administer your Fund benefits. If you do not provide the information we request, or ask that the personal data we already hold is deleted or that the processing of the personal data be restricted, this may affect our ability to administer your benefits, including the payment of benefits from the Fund. In some cases it could mean the Administering Authority is unable to put your pension into payment or has to stop your pension (if already in payment).

Updates

We may update this notice periodically. Where we do this, we will inform members of the changes and the date on which the changes take effect.

Contacting us

Please contact the Fund for further information.

East Sussex Pension Fund Pensions Administration – County Hall East Block, F Floor, Lewes, BN7 1UE

Data Protection Officer

You may also contact our data protection officer for further information.

Data Protection Officer, East Sussex County Council County Hall West Block, G Floor, Lewes, BN7 1UE

To complain about the use of your information, please contact our [Customer Services Team](#) or our [Data Protection Officer](#).

[Further information on making a complaint.](#)

You can also contact the ICO for further information or to make a complaint:

Information Commissioner's Office
Wycliffe House
Water Lane
Wilmslow
Cheshire SK9 5AF

Phone: 0303 123 1113 (local rate) or 01625 545 745 if you prefer to use a national rate number

[Email ICO](#)

[Report a concern on the ICO website](#)

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Agenda Item 7

Report to: Pension Board

Date of meeting: 14 September 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 in-house Pensions 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. They also lead on topical administration activities, projects and improvements that may have an impact on members of the Local Government Pension Scheme (LGPS).

2. Key Performance Indicators (KPI)

- 2.1 The Performance Report, for the period July 2020 to June 2021 can be found at **Appendix 1**. The PAT saw performance numbers fall during the first quarter of 2021 (average 92.0%) as predicted and discussed at the last Board meeting. Quarter two saw an improvement to an average 95.4%. This would have been even better had it not been some delay issues with transfers-in (now resolved).
- 2.2 Under the Good Governance Review, documents were developed and updated covering the Service Level Agreement and Roles & Responsibilities with the future “in-house” PAT rather than provided through Orbis Business Services. A fee has been agreed with Aquila Heywood to implement the new performance measurements and this work should be completed in September 2021. At the same time, they will also add any statutory deadlines and benchmarking data. In the meantime, the KPI’s presented, whilst from the new East Sussex database, continue to be based upon the Orbis internal measurements.
- 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 was a planned three month transition period before we fully handed over all the PAT emails and that phase was completed on 30 June 2021. The final phase is the service improvement period before we commence formal performance management against the new ESCC KPI’s.

3. Pension Administration Transfer and Staffing Update

- 3.1 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 October 2021 at the earliest. Then it is very likely to be on a hybrid basis.
- 3.2 At the last meeting we celebrated the Altair & MSS system had gone live on time and budget. There were a number of actions still to be finalised before the Transition & Project Boards were closed down. The majority of these were completed by the end of June 2021 and the IT Change Advisory Board approved the project closure and the system is now Business as Usual (BAU).

4. Internal Audit

- 4.1 The Internal Audit team have now completed the 2020/21 Pensions Administration Audit to ensure compliance with Regulatory Controls. The Audit has included a review and evidence of the completed 2019/20 Audit Management Actions. We are very pleased with the Audit opinion improving from minimal to reasonable assurance. An update on progress against the new Management Actions will be presented by the internal audit team. We will report again the progress of completing actions at future meetings.

5 Projects update

5.1 Data Improvement Project – Phase 2

The keys areas of focus are:

- Pension differences <£100 that were put on hold. **Complete**
- Annual Benefits Statements (ABS) 2019/20 outstanding actions – **Complete**.
- Outstanding or incomplete items from Phase 1. **Well progressed**
- Common Data report findings that are deemed very high or high risk, namely – **Work underway**

We will reassess the Status 2, 8 and 9 cases in September once the ABS work is completed. This is now considered an annual BAU event.

5.2 GMP Rectification

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. In April 2021 Officers reconfirmed the 2019 decision to accept the Fund data over NISPI data where discrepancies remain and the reconciliation is now complete.

The project is on hold whilst the Orbis contract with Mercers is replaced by an ESCC version. We will then provide Mercers with a data extract of the 2021 pension increases for the pensioner population and access to Altair. Mercers can then start determining the over and underpayments for pensioners and looking at the draft communications. It is unlikely the project will be concluded until Q1, 2022.

5.3 Annual Benefits Statements for 2020/21

This year the Annual Benefits Statements (ABS) project is being overseen by ESPF and supported by Surrey until 30/6/21. A bespoke project plan was prepared and a project team met fortnightly to review progress and agree actions.

All employers with active members provided year end data or submitted March 21 data via i-Connect. The data was verified and queries were raised on about 20% of employers' submissions. The data issues were passed back to employers and vast majority corrected in time for ABS processing.

The ABS statutory deadline was 31 August 2021 and at that time it was estimated over 99% of eligible deferred members and 95% of eligible active member had a statement produced.

5.4 Abatement changes with effect from 1 April 2021

As agreed by the Pension Committee in June 2021 this process has ceased to be operated and the PAT has:

- (a) Updated the policy held on the website to inform members
- (b) Change the administrative procedures and letter templates to members who may make enquiries about abatement
- (c) Identified the historical cases that had been totally ceased or suspended (20 members) as a result of abatement and in August 2021 reinstated their pensions including backdating to April 2021
- (d) Determined a way to try to identify the partially reduced cases with a view to run a report and correct benefits in September/October 2021. It is estimated there are 50 such members in scope.

5.5 Prudential (Pru) Additional Voluntary Contributions (AVC) arrangement

The close ongoing monitoring of the Pru has seen the complaints about the late investment of contributions and untimely settlement of benefits cease and service improve. It was agreed at the June 2021 Pension Committee that once this was achieved the overall Pru AVC service effectiveness would be reviewed. This project is well underway and a verbal update will be provided at the Board meeting.

5.6 Suspension of pensions in payment

As a result of two ongoing projects we wanted to draw your attention to some pensions being suspended in September 2021:

- (a) Pay slips are issued each year in March, April & May to all pensioners. This year 147 were returned and we have a number of attempts to contact them via phone, email and twice via their banks. About 50 cases remain untraced.
- (b) Overseas pensioners biennial mortality checks are progressing well but we are unable to obtain a response from about 20 pensioners, despite several reminders.

5.7 Annual Allowance historical review project

The project to correct the Annual Allowance for the period 2014/15 to 2019/20 has been awarded to Aon and a contract is in place. We have provided them with the revised salary histories for the c.350 members in scope for review plus a couple of test cases prepared by Barnet Waddingham.

We have provided Aon with access to Altair in order for them to extract further data and review individual results against the previous calculations. The access to Altair falls outside the contracted permitted scope and therefore an additional but discounted licence was purchased from Aquila Heywood for £5,000 (for the period until 31/12/21). The plan is to prioritise the straight-forward cases first to try to maximise the members completed ahead of the 2021 deadline in October. It is anticipated that a much smaller number will be impacted in a way that results in a tax payment being required.

We have been working closely with HM Revenue & Customs (HMRC) throughout the preparation for the project and intend to submit the resulting tax adjustments to HMRC on a spreadsheet rather than on a quarterly tax return. The ESPF will be liable to pay interest on late payments.

6 **Conclusion and reasons for recommendation**

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

IAN GUTSELL
Chief Finance Officer

Contact Officer: Paul Punter
Email: paul.punter@eastsussex.gov.uk
Tele: 07895 207686

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 | Jun-21 | May-21 | Apr-21 | Mar-21 | Feb-21 | Jan-21 | Dec-20 | Nov-20 | Oct-20 | Sep-20 | Aug-20 | Jul-20 | | | |
|---------------------|---|----------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|------|--------|--|
| Scheme members | Pensioners, Active & Deferred | | | 79151 | 79,070 | 79,172 | 79,071 | 79,027 | 78,990 | 78,448 | 78,426 | 77,920 | 77,944 | 77,619 | 77,706 | | | |
| New starters set up | | | | 230 | 326 | 178 | 211 | 211 | 176 | 232 | 530 | 299 | 239 | 205 | 409 | | | |
| | | | | Volume | Score | | | |
| 1a | Death notification acknowledged, recorded and documentation sent | within 5 days | M | 95% | 16 | 100% | 18 | 100% | 22 | 100% | 43 | 100% | 29 | 100% | 64 | 100% | | |
| 1b | Award dependent benefits (Death Grants) | within 5 days | H | 95% | 12 | 92% | 21 | 96% | 14 | 100% | 9 | 89% | 10 | 100% | 9 | 100% | | |
| 2a | Retirement notification acknowledged, recorded and documentation sent | within 5 days | M | 95% | 94 | 99% | 104 | 100% | 81 | 91% | 84 | 95% | 68 | 56% | 74 | 94% | | |
| 2b | Payment of lump sum made | within 5 days | H | 95% | 112 | 100% | 147 | 97% | 136 | 95% | 96 | 87% | 99 | 94% | 82 | 93% | | |
| 3 | Calculation of spouses benefits | within 5 days | M | 90% | 18 | 95% | 16 | 100% | 20 | 100% | 24 | 96% | 19 | 100% | 20 | 95% | | |
| 4a | Transfers In - Quote (Values) | within 10 days | L | 90% | 47 | 73% | 22 | 64% | 12 | 67% | 19 | 79% | 26 | 74% | 23 | 61% | | |
| 4b | Transfers In - Payments | within 10 days | L | 90% | 34 | 65% | 8 | 75% | 14 | 93% | 22 | 91% | 17 | 95% | 19 | 90% | | |
| 5a | Transfers Out - Quote | within 25 days | L | 90% | 63 | 91% | 47 | 98% | 23 | 100% | 40 | 75% | 41 | 93% | 28 | 90% | | |
| 5b | Transfers Out - Payments | within 25 days | L | 90% | 33 | 100% | 9 | 100% | 21 | 91% | 22 | 87% | 12 | 92% | 16 | 100% | | |
| 6a | Employer estimates provided | within 7 days | M | 95% | 33 | 97% | 42 | 96% | 23 | 83% | 28 | 68% | 30 | 80% | 33 | 79% | | |
| 6b | Employee projections provided | within 10 days | L | 95% | 19 | 95% | 33 | 97% | 8 | 88% | 14 | 93% | 30 | 94% | 9 | 100% | | |
| 7 | Refunds | within 10 days | L | 95% | 33 | 100% | 29 | 97% | 8 | 100% | 22 | 100% | 24 | 100% | 21 | 100% | | |
| 8 | Deferred benefit notifications | within 25 days | L | 95% | 150 | 100% | 147 | 100% | 99 | 99% | 127 | 100% | 152 | 100% | 203 | 100% | | |
| | TOTAL TASKS COMPLETED | | | 664 | 94.73% | 643 | 96.89% | 481 | 94.59% | 550 | 91.45% | 557 | 90.84% | 617 | 93.70% | 408 | 98.28% | |
| | Missed target cases | | | 35 | 20 | 26 | 47 | | 51 | | 39 | | 7 | | 12 | | 10 | |
| 9 | Complaints received- Admin | | | 5 | 7 | 8 | 4 | | 2 | | 0 | | 0 | | 2 | | 0 | |
| | Complaints received- Regulatory | | | 0 | 0 | 0 | 0 | | 0 | | 0 | | 0 | | 0 | | 0 | |
| 13 | Compliments received | | | 1 | 1 | 0 | 0 | | 0 | | 0 | | 0 | | 0 | | 1 | |

| Summary for failed cases | | | | | | | | | | | | | | | | |
|--------------------------|---|--|--|------------|---------------------------------|----------------------------------|---------------------------------|---------------------|---------------------|--------|--------|----------------------|--------|--------------------------------|--------------------------------|--|
| | | | | Jun-21 | May-21 | Apr-21 | Mar-21 | Feb-21 | Jan-21 | Dec-20 | Nov-20 | Oct-20 | Sep-20 | Aug-20 | Jul-20 | |
| 1b | Award dependent benefits (Death Grants) | | | 1 overdue | | | | 1 Overdue by 2 days | | | | 1 Overdue by 13 days | | 1 overdue - 2 days | | |
| 2a | Retirement notification acknowledged, recorded and documentation sent | | | | | | 4 Overdue by average of 7 days | 30 overdue | 4 overdue | | | | | 7 overdue - average by 12 days | 6 Overdue - Average 2 days | |
| 2b | Payment of lump sum made | | | | | 7 overdue by average of 4 days | 12 Overdue by average of 4 days | 1 overdue | 6 overdue | | | | | 9 overdue - average by 3 days | 9 Overdue - 1 by 348 days | |
| 3 | Calculation of spouses benefits | | | | | | 1 Overdue by 4 days | | | | | | | 8 overdue - average by 32 days | 3 Overdue - Average 9 days | |
| 4a | Transfers In - Quote (Values) | | | 13 overdue | 8 overdue by average of 23 days | 4 overdue by average of 6 days | 4 Overdue by average of 7 days | 7 overdue | 9 overdue | | | | | 8 overdue - average by 32 days | 3 Overdue - Average 9 days | |
| 4b | Transfers In - Payments | | | 11 overdue | 2 overdue by average of 38 days | | 2 Overdue by average of 17 days | 1 overdue | | | | | | 1 overdue - 7 days | 15 overdue - average by 3 days | |
| 5a | Transfers Out - Quote | | | | | 10 Overdue by average of 15 days | 3 overdue | | | | | | | 2 Overdue by average of 6 days | 4 overdue - average 2.5 days | |
| 5b | Transfers Out - Payments | | | | 2 overdue by average of 10 days | 9 Overdue by average of 5 days | 1 overdue | | | | | | | 1 overdue - by 37 days | 5 Overdue - 1 by 73 days | |
| 6a | Employer estimates provided | | | | 4 overdue by average of 6 days | 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) | | | | | | | | | | | | | | | |

| | | | | | | | | | | | | |
|--|--|--------------------------------|--|--|---|--|---------------|---------------|--|--|---|---|
| Two issues with transfers-in: 1. PAT TUPE cases 2. Use of reply received task lists Both now resolved | Two bank holidays. Highest tasks completed since I started. | Blackout period closed 8/4/21. | Resources diverted to data migration to support UAT and Parallel runs. Blackout period commenced 20/3/21. | 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 lump sums 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. |
| Adam Lansley contract starts 10/6/21. | Steve Plastow retired 12/5/21. Lewis Leslie started 26/5/21. | Michael Keogh started 8/4/21. | | | New structure chart showing new structure and agreed vacancies | Staff roles made permanent - Paul, Jennie, Julie & Joe | | | | 7/8 Aaron Martin left Mbu Mubukwanu joined | Job Robinson promoted | |
| Eight vacancies | Nine vacancies | Nine vacancies | Ten vacancies | Ten vacancies | Ten vacancies | Two vacancies | Two vacancies | Two vacancies | Two vacancies | Two vacancies | Two vacancies | |

| Performance for the year July 20 to June 21 inclusive | | |
|---|------------|-------------|
| Total | Fails | % pass |
| 355 | 0 | 100 |
| 134 | 5 | 96.3 |
| 866 | 69 | 92.0 |
| 1,325 | 65 | 95.1 |
| 194 | 3 | 98.5 |
| 274 | 49 | 82.1 |
| 201 | 29 | 85.6 |
| 403 | 31 | 92.3 |
| 184 | 9 | 95.1 |
| 331 | 71 | 78.5 |
| 229 | 17 | 92.6 |
| 331 | 1 | 99.7 |
| 1,723 | 1 | 99.9 |
| 6,550 | 350 | 94.7 |

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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 |
|----------------------|-----------------------------|-----------------------------|-------------------------------|---------|--|-------------------------------|----------------------------------|
| 01/07/20 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 |
| 01/04/21 to 30/06/21 | 2,561 | 2,417 | 144 | 5.7% | Apr 53% May 44% Jun 56% | Apr 44% May 52% Jun 39% | Apr 4.33 May 3.16 Jun 4.10 |

* 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). 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. The figures from April 2021 relate purely to ESPF.

Helpdesk (website) performance (the figures relate to all Funds)

| Period | Calls received | Handled | Abandoned | Abandoned % | SLA % | Queue % | Abandoned Time |
|----------------------|----------------|---------|-----------|-------------|-------------------------------|-------------------------------|----------------------------------|
| 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 |
| 01/04/21 to 30/06/21 | 796 | 505 | 81 | 14.00% | Apr 30% May 31% Jun 48% | Apr 38% May 44% Jun 20% | Apr 1.39 May 2.10 Jun 1.06 |

It is anticipated that the July to Sept 21 calls will increase significantly due to the activity normally generated by the issue of ABS.

A new dedicated ESPF website helpline was introduced 14 Aug 21.

ES Helpdesk service levels for helpdesk services post April 21

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

- Allow 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.

| Period | First time fix | Call answer time | Abandoned call rate | Email response time |
|---------------------|----------------|------------------|---------------------|---------------------|
| GOLD TARGETS | 85% | 75% | 5% | 100% |
| April 21 | 96% | 53% | 5% | 100% |
| May 21 | 95% | 44% | 7% | 100% |
| June 21 | 95% | 56% | 5% | 100% |

Agenda Item 8

Report to: Pension Board

Date of meeting: 14 September 2021

By: Chief Internal Auditor

Title: Internal Audit Pension Fund Administration - People, Processes and Systems 2020/21

Purpose: This report advises the Board of the outcomes of the attached audit.

RECOMMENDATIONS

The Board is recommended to note the Pension Fund Administration - People, Processes and Systems 2020/21 internal audit report.

1. Background

1.1 The review of Pension Fund Administration - People, Processes and Systems was completed as part of the Internal Audit Strategy for Pensions 2020/21 and provides assurance on the overall effectiveness of the system's controls. This audit completes our work for the 2020/21 Strategy.

1.2 As a result of our work, we were able to provide an opinion of **Reasonable Assurance** over the controls in place. This represents a considerable improvement in controls over the previous year, in which we gave an opinion of minimal assurance. The most significant issues, identified in the audit of 2019/20, have now been addressed and work is continuing on the few areas that have not yet been fully resolved. Where areas of improvement were identified, management actions were agreed, together with timescales for their implementation.

2. Conclusions and Reasons for Recommendation

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

RUSSELL BANKS
Orbis Chief Internal Auditor

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

BACKGROUND DOCUMENTS:
None

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Internal Audit Report

Pension Administration - People, Processes and Systems 2020/21

Final Report

Assignment Lead: Elsie Awe, Principal Auditor
Assignment Manager: Nigel Chilcott, Audit Manager
Prepared for: East Sussex County Council
Date: September 2021

Internal Audit Report – Pension Administration - People, Processes and Systems 2020/21

Report Distribution List

Draft Report:

Paul Punter – Head of Pensions Administration

Sian Kunert – Head of Pensions

Final Report (As per draft report with the following additions):

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.

East Sussex County Council - Internal Audit Key Contact Information

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Internal Audit Report – Pension Administration - People, Processes and Systems 2020/21

1. Introduction

- 1.1. The Council (East Sussex County Council) is the designated statutory administering authority of the East Sussex Pension Fund. The Council has statutory responsibility to administer and manage the Fund in accordance with regulations of the Local Government Pension Scheme (LGPS).
- 1.2. 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. The day-to-day administration of the Fund is provided by the Pensions Administration Team (PAT).
- 1.3. As at 31 March 2020, the Fund comprised 128 scheme employers with 23,835 active, and 31,622 deferred, scheme members. The most recent actuarial valuation of the Fund was carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013, as at 31 March 2019. The valuation found that the funding level has improved from 92% in 2016 to 107% in 2019. In particular, that the Fund's assets and liabilities were valued at £3,633m and £3,386m respectively, a surplus of £247m, compared with a funding deficit of £240m in 2016.
- 1.4. During the financial year 2019/20, the scheme collected £130.4m in contributions from members and their employers, and made pension payments of approximately £125.7m to members who are now pensioners.
- 1.5. This audit has reviewed the controls employed by management in relation to the calculation and payment of pension benefits, transfers to and from the Pension Fund and the collection and recording of pension contributions (incl. contributions from other admitted bodies). Controls over the employer portal (including security of data during transfer) have been reviewed in a separate audit (Pension Fund Information Governance).
- 1.6. This review is part of the agreed Internal Audit Plan for 2020/21.
- 1.7. 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:
 - Payments made to pensioners are correct and on time;
 - Income due to the Fund is received in full and in a timely manner;
 - Clear and effective governance processes exist over pension administration to ensure efficient and effective delivery of the administration service;
 - The funding levels of new and existing employers is appropriate to meet their liabilities;
 - Transactions, data, and outputs from the system are complete and accurate.

3. Audit Opinion

- 3.1. **Reasonable Assurance is provided in respect of Pensions Administration - People, Processes and Systems (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. We have provided **Reasonable Assurance** over the controls in place for Pension Administration for the following reasons:
- 4.2. Following the previous audit in 2019/20 of this area in which an opinion of minimal assurance was provided, management has taken positive action to address the issues identified and this has resulted in the strengthening of controls in several areas. This has happened during the Covid pandemic and also at a time of significant change within the administration service, including the dissolution of the Orbis Pensions Partnership between East Sussex County Council (ESCC) and Surrey County Council (SCC), and the project to introduce the new East Sussex pension database and MSS website.
- 4.3. In particular, the Hymans data improvement plan has enhanced the quality of data in Altair, and there has been improvement in the process of issuing Annual Benefit Statements to members.
- 4.4. In addition, one of the key issues flagged in the previous audit was the use of manual spreadsheets for the calculation of lump sum and transfer out payments without checking back to the source information held in Altair. We found that the spreadsheets have been discontinued and replaced with the Immediate Payment module. The launch of the second module (Admin to Pay) anticipated for September 2021 should fully address the issue of manual calculations outside of Altair.
- 4.5. Following the last audit, management agreed to perform a review of Altair users' access with a view to restrict access appropriately. A review of access was performed in December 2020 and although the list of users was not comprehensive and excluded some internal and external users, a subsequent full review of access controls and profiles was performed in March 2021 as part of the implementation of the East Sussex Altair and MSS website.
- 4.6. Management advised at the start of the audit about issues they had encountered with reconciling contributions from employers versus what should have been paid, including identification of late payments. Following recent updates and review of documentation in March 2021, the process of reconciling and identifying employers who are defaulting and delaying payments has been completed. However, no penalties have been charged for these to-date. We understand the employers are now being contacted in relation to late or incorrect payments and, when appropriate, these will be escalated to the penalty route in line with the administration strategy. In addition, process notes have been produced to around the task of reconciliation.

- 4.7. Although there are clear improvements and a stronger system of control because of these, there are some areas where further improvements are required, as follows:
- 4.8. As highlighted in last year's audit, some manual calculations are still performed (for pro-rated monthly benefits), and the value entered in Altair. This manual intervention is completed because Altair is currently unable to pro-rate benefit payments where a member is not entitled to a full month's pay. As noted in 4.4, we understand that the soon to be implemented 'Admin to Pay' module will address this issue of manual payments outside of Altair.
- 4.9. Where a risk assessment is performed and identifies a level of risk with the body being admitted, an indemnity or bond is required to meet the level of risk to ensure that the administering authority is not exposed to liabilities in the event of any commercial failure during the life of the admission agreement. Our review found some instances where admission agreements for admitted bodies to the Fund indicated a requirement for a bond, although it was subsequently agreed between parties that these were not required. It is therefore important that agreements are clearly worded, and subsequently amended where requirements change and are agreed, to avoid any confusion and uncertainty over the requirement to obtain bonds. Without this, it may not be clear where bonds are required and they may not be obtained, therefore exposing the Fund to avoidable liabilities arising from potential financial difficulties.
- 4.10. Despite the complexity of the pension administration processes, we noted that although checklists are in place which define key tasks associated with the many different pension administration processes, there are no formal documented procedures which define the end-to-end processes performed by the team. The formulation of procedures was expected to happen as part of the Altair integration but, due to the tight timescales, this was pushed back to mid-2021 onwards.
- 4.11. We identified that some key service standards in the Pension Fund's Strategy document are not being tracked on the monthly scorecards. Where key performance standards are not monitored, this increases the risk that service and delivery levels might drop, resulting in dissatisfaction and reputational damage to the Council/Fund. We understand that management is working to include more KPIs in the new database.
- 4.12. Although acknowledging that checking processes are in place in relation to various pension calculations in order to confirm the accuracy of the calculation undertaken, in reviewing a number of these, we noted there was not always evidence of this checking by another member of the team.

5. Action Summary

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. | 7 | 1, 2, 4, 5, 7, 8, 9 |
| Low | This represents good practice; implementation is not fundamental to internal control. | 2 | 3, 6 |
| Total number of agreed actions | | 9 | |

- 5.1. Full details of the audit findings and agreed actions are contained in the detailed findings section below.
- 5.2. 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 for their assistance during this review.

Internal Audit Report – Pension Administration - People, Processes and Systems 2020/21

Detailed Findings

| Ref | Finding | Potential Risk Implication | Risk | Agreed Action |
|-----|---|--|--------|--|
| 1 | <p>Indemnity from Admitted Bodies</p> <p>We reviewed controls over the admission of new bodies into the Fund and identified the following issues.</p> <ol style="list-style-type: none"> 1. For 1 of 5 admitted bodies (N-Viro) tested, clause 9.3 & 9.4 of the signed admission agreement indicated a requirement for a bond of £160,000. The agreement, signed in December 2020, was not accompanied by a completed bond. We understand the bond is not being chased because the contract will be terminated from 1 April 2021. It has later transpired that no bond was actually required in this instance due to a subsequent agreement between all parties (see 'Agreed Action' opposite). 2. Clause 9.3 of the signed agreement with Churchill (which relates to St. Paul's Church of England Academy) required either a bond or a guarantee (where the Administering authority determines that a bond is not required). However, in discussion with the Head of Pensions, we understand | <p>In both cases, it transpires that bonds were not required despite the agreements indicating otherwise. It is therefore important that agreements are clearly worded, and subsequently amended where requirements change and are agreed, to avoid any confusion and uncertainty over the requirement to obtain bonds. Without this, it may not be clear where bonds are required and they may not be obtained, therefore exposing the Fund to avoidable liabilities arising from potential financial difficulties.</p> | Medium | <p>Significant work has been actioned on admissions to ensure agreements outstanding are resolved and new admissions are managed effectively in initiation. Work in this area includes the production of an outsourcing guide which has been shared with all employers and a training session on this topic took place at the employer forum in Nov 20. Admissions status has been reported quarterly at pensions board and committee meetings to show transparency and progress.</p> <p>The N-Viro contract fails to have a bond in place, which would have been in line with the wording in the signed admission agreement. Prior to signing, all parties agreed that a guarantee from the parent company was appropriate instead of a bond. It appears the admission agreement was not changed to reflect this point prior to signing. The N-Viro contract is due</p> |

Internal Audit Report – Pension Administration - People, Processes and Systems 2020/21
Detailed Findings

| Ref | Finding | Potential Risk Implication | Risk | Agreed Action |
|-----|--|----------------------------|------|---|
| | <p>that it had been agreed by both parties that a guarantee would suffice in this instance and no reference to a 'bond' should have been made. To avoid confusion and potential future disagreements between parties, additional care should be taken in wording agreements.</p> <p>In addition, Clause 9.2 of the same agreement refers to the level of risk exposure arising on the premature termination of the service provision or assets by reason of insolvency, winding up or liquidation of the Admission Body, as the sum of '£XXXXXX'. Clearly, this should have provided a specific value to accurately reflect the overall financial risk to the Fund and guarantee required.</p> | | Risk | <p>for termination and a bond will not be sought to align with the agreement.</p> <p>The fund has recruited into key posts now which means that new admissions are being managed more effectively and process notes to ensure all steps are fully documented will be created to ensure the fund is complete in its actions in this area.</p> <p>In addition, after discussions with legal, the fund has agreed to use a new service through Eversheds for a portal-based approach to admission agreements which will speed up and streamline the process and ensure, where bonds are required, this documentation is created at the outset. This new portal will also improve the fund's ability to communicate with costs associated with admissions due to the flat fee structure for the legal side. Orbis Law will continue to execute admissions for the fund.</p> |

Internal Audit Report – Pension Administration - People, Processes and Systems 2020/21
Detailed Findings

| Ref | Finding | Potential Risk Implication | Risk | Agreed Action |
|----------------------|-------------|-----------------------------|------|---------------|
| Responsible Officer: | Sian Kunert | Target Implementation Date: | | November 2021 |

Internal Audit Report – Pension Administration - People, Processes and Systems 2020/21
Detailed Findings

| Ref | Finding | Potential Risk Implication | Risk | Agreed Action |
|-----|--|---|--------|--|
| 2 | <p>Processing of Changes to Addresses</p> <p>Members addresses represent personal data that should be adequately protected. We reviewed the controls for processing changes made to this information to validate that the change was valid and authorised. 10 changes to addresses were tested and we identified the following issues:</p> <ol style="list-style-type: none"> Where changes to addresses are made by the Pensions Administration staff, there is currently no independent check (evidenced through a checklist) to confirm that the change is valid or accurate (i.e. that the change is supported by a communication from the member and that it has been input accurately). In one instance, a change to address was made on receipt of an email. Where emails are accepted for this purpose, it is not possible for the administration team to check signatures back to documentation held on file to confirm the person's validity, | <p>Lack of independent checking of changes to addresses in Altair increases the risk of errors or invalid changes being processed.</p> <p>Where acknowledgement letters confirming address changes are not sent to members following instructions from employers, any incorrect/invalid changes are less likely to be identified.</p> | Medium | <p>1. The actions carried out during the period of audit were in line with the procedures set by the Orbis Pensions team managed in SCC. Orbis Pensions did not verify Change of Address for any of the six funds in scope. When Surrey introduced i-Connect, again, they refused to allow a task to be created for the ESCC cases. While disaggregating from Orbis to a sovereign ESCC Pensions function, additional controls were put in place as the ESCC pensions management team were concerned with the lack of a check in this part of the process. In the ESCC version of Altair, which went live in April 2021, address changes created a workflow task (there is no checklist for COA tasks). In addition to the workflow check to confirm the accuracy for the record change, the PAT team always write a letter to the new</p> |

Internal Audit Report – Pension Administration - People, Processes and Systems 2020/21
Detailed Findings

| Ref | Finding | Potential Risk Implication | Risk | Agreed Action |
|-----|---|----------------------------|------|---|
| | <p>as happens where letters from members are received.</p> <p>3. One instance was identified where the wrong postcode was captured on the member record in Altair (TN31), but the correct address was reflected on the acknowledgement letter (TN21) sent after the change was processed. Management has advised that the correct postcode was captured on 2/1/20 and was changed on 24/4/20 to TN31 without any explanation on record.</p> <p>4. Three instances were noted where the addresses had been changed based on employer advice with no evidence on record indicating that acknowledgement letters were sent to the members. Management have since advised that, historically, the Orbis process has been to accept and process all change requests received from employers, without sending acknowledgement to members.</p> | | Risk | <p>address to verify the details.</p> <p>2. With much of Pensions communications moving towards e-comms we are encouraging members to self-serve via the MSS website. Therefore, we accept COA by email as the MSS system informs the PAT team electronically of the change. Any changes via the portal are secure as the member has already passed the website password security to log-in.</p> <p>3. This item has been corrected.</p> <p>4. Same as point 1, at the time the PAT correctly followed the Orbis process which has since been replaced.</p> <p>5. This item has been corrected.</p> |

Internal Audit Report – Pension Administration - People, Processes and Systems 2020/21
Detailed Findings

| Ref | Finding | Potential Risk Implication | Risk | Agreed Action |
|-----------------------------|---|----------------------------|------------------------------------|---------------|
| | 5. One instance was identified where the employer notified the Fund about the change of address, but this was not processed. It is not clear why the change was not processed on this occasion. | | Risk | |
| Responsible Officer: | | Paul Punter | Target Implementation Date: | Complete |

Internal Audit Report – Pension Administration - People, Processes and Systems 2020/21
Detailed Findings

| Ref | Finding | Potential Risk Implication | Risk | Agreed Action |
|-----------------------------|--|--|------------------------------------|--|
| 3 | <p>Controls over Changes to Bank Details</p> <p>A sample of 10 changes to bank details was tested. In one instance, we noted had a handwritten instruction dated 28/11/19 to transfer the bank account to Nationwide, although the letter did not indicate the new sort code/account numbers. A review of the member's Altair payroll details indicates the request was processed using a new Nationwide account without the relevant supporting documentation on record. We understand that, in this instance, the documents to support the change were not uploaded to the Altair record.</p> | Where supporting documents are not uploaded to the Altair record, it is not possible to check that bank detail changes are valid and have been accurately input. | Low | This case was valid and updated correctly, but the supporting documents were not uploaded to the Altair record. The team (including the Fund team) have been reminded of the wider importance of only acting once all the appropriate documents have been received & stored appropriately on Altair. |
| Responsible Officer: | | Paul Punter | Target Implementation Date: | Complete |

Internal Audit Report – Pension Administration - People, Processes and Systems 2020/21
Detailed Findings

| Ref | Finding | Potential Risk Implication | Risk | Agreed Action |
|-----|--|--|--------|--|
| 4 | <p>Lack of Formal Documented Pension Administration Procedures</p> <p>The processes and activities involved in the management of the Pension Fund are complex and involve regulations which evolve over time. In reviewing these processes, we found that:</p> <ol style="list-style-type: none"> 1. Despite the complexity of the processes, we noted that there are no documented detailed procedures and/or flowcharts which define the end-to-end processes performed by the team. Examples of activities which require formal procedures include new starters, transfers in, leavers, transfers out, retirement benefit calculations for deferred, active and dependants of deceased members, changes to member details such as bank, addresses, death etc. 2. Currently, there is reliance on the use of checklists for tasks performed by the team. The checklists do not provide the team with an overall picture of the links between various tasks, teams, or how | Where procedures are not formally documented, staff may not be fully aware of their responsibilities and key tasks may not be performed. | Medium | <p>ESCC PAT team have inherited the Orbis processes and agree that processes are not well documented, but the checklists are in place for pretty much all tasks.</p> <p>It would be normal to review the processes and procedures as part of a data migration exercise and it's part of the Aquila Heywood standard project plan. However, due to the project's tight timeline, we had to cut out non-essential activities.</p> <p>It was always acknowledged the work would be looked at post go live over the Summer of 2021.</p> <p>We will create a project plan to review these in August 21 with an expectation to complete many of these this year.</p> |

Internal Audit Report – Pension Administration - People, Processes and Systems 2020/21
Detailed Findings

| Ref | Finding | Potential Risk Implication | Risk | Agreed Action |
|-----------------------------|---|----------------------------|------------------------------------|---------------|
| | <p>the processes fit together, including key risks and controls to mitigate these risks.</p> <p>3. From walkthroughs of the processes performed, we also noted that much of the knowledge and experience of team members is ‘in their heads’ and gained over the years. To ensure consistency and to help new starters, this should be documented.</p> <p>Procedures help to identify gaps in controls and if in place often help to make processes more effective and efficient. They also serve to provide new staff with clear guidance and instruction.</p> | | Risk | |
| Responsible Officer: | | Paul Punter | Target Implementation Date: | August 2022 |

Internal Audit Report – Pension Administration - People, Processes and Systems 2020/21
Detailed Findings

| Ref | Finding | Potential Risk Implication | Risk | Agreed Action |
|-----------------------------|---|---|------------------------------------|---|
| 5 | <p>Altair User Access Review</p> <p>Following the previous audit of Pensions in 2019/20, management agreed to perform a review of Altair user access with a view to restrict access appropriately.</p> <p>Our review noted that the review of access was performed in December 2020. However, the list provided for review was not comprehensive and excluded some internal and external users (including Hymans).</p> | Without a complete review of access/profiles, there is a risk of inappropriate and/or unauthorised changes to member records. | Medium | A complete review of Altair user access was undertaken as part of the new Altair database. Every user was reviewed and only a limited number of previous Orbis users now have access to the new East Sussex database. We are working with ICT to create a documented Altair Access Monitoring Process. This will cover Altair, i-Connect, Insights and MSS. |
| Responsible Officer: | | Paul Punter | Target Implementation Date: | Complete |

Internal Audit Report – Pension Administration - People, Processes and Systems 2020/21
Detailed Findings

| Ref | Finding | Potential Risk Implication | Risk | Agreed Action |
|-----|---|---|------|--|
| 6 | <p>Processing of Tasks in a Timely Manner</p> <p>1. Five transactions were sampled from the list of outstanding tasks provided as of 2 February 2021. 3 of these had not been resolved at the time of our fieldwork (12 March 2021). 2 of 3 were enquiries about being incorrectly recorded as working part time. In discussing this issue with management, it is clear that a noticeable fall in tasks completed should have been expected during February to April 2021 due to the dissolution of Orbis Pensions and the implementation of Altair.</p> <p>2. In one of the three cases above, the member emailed on 15 January 2020 enquiring about two items; one was addressed and the other was not. As noted above, the issue not addressed reflected the member service period as being part time instead of full time. Subsequently, the member made</p> | Where tasks are not resolved on a timely basis, this increases the risk of members dissatisfaction and might potentially result in reputational damage. | Low | <p>It is important to note on this finding that the PAT team have an agreed set of KPI's which define the timeliness of processing many of the main activities completed by the team. The KPI's are not to achieve 100% within the desired timelines, the KPI achievement target has to date been monitored against a target of 90-95%. The KPI targets are reported quarterly to Committee and Board with explanations on service issues in achieving the targets. The KPI target measures are tighter than the statutory requirements to complete these activities.</p> <p>The KPI's currently in place were a handover from the standard reported Orbis Pensions targets managed by SCC. ESPF defined its own KPI/SLA targets in the 2020 Administration Strategy which went live January 2021 after consultation with Employers in late 2020, however these KPIs were not implementable while PAT was under the Orbis structure.</p> |

Internal Audit Report – Pension Administration - People, Processes and Systems 2020/21
Detailed Findings

| Ref | Finding | Potential Risk Implication | Risk | Agreed Action |
|-----|---|----------------------------|------|--|
| | <p>contact again on 19.02.2021 raising the same issue, but at the time of our audit work, the task was still outstanding.</p> <p>As referred to above, it is important to reflect on the potential reasons why these tasks might have slipped, including the dissolution project and the implementation of the new system, all of which has resulted in considerable pressure on the Pension Administration Team.</p> <p>Management have been very vocal to Pension Board and Committee that there would be a noticeable fall in delivery during this period.</p> | | Risk | <p>In addition to the PAT activity KPI reporting, the team also report Helpdesk monthly performance to the Pensions Board and Committee quarterly.</p> <p>The timing of the audit was unfortunate in that it coincided with the dissolution of the PAT team from Orbis pensions and is not representative of the usual activity, as the team were carrying out dual pensioner payrolls, user acceptance testing and managing the dissolution.</p> <p>The Fund agree that where tasks are not resolved on a timely basis, this increases the risk of members dissatisfaction and might potentially result in reputational damage and this should be monitored as a continual risk but there are no specific actions to address this based on the information noted above.</p> <p>The Fund is continuing to recruit to vacant posts in the team structure as a</p> |

Internal Audit Report – Pension Administration - People, Processes and Systems 2020/21

Detailed Findings

| Ref | Finding | Potential Risk Implication | Risk | Agreed Action |
|----------------------|---------|----------------------------|-----------------------------|---|
| | | | | result of the dissolution and as we continue to get up to establishment, the service we provide our members will continue to improve along with improvements against the KPI's where some areas have dropped while managing the dissolution. KPI's improvements are already being seen. |
| Responsible Officer: | | Paul Punter | Target Implementation Date: | |

Internal Audit Report – Pension Administration - People, Processes and Systems 2020/21
Detailed Findings

| Ref | Finding | Potential Risk Implication | Risk | Agreed Action |
|-----|---|---|--------|---|
| 7 | <p>Key Performance Indicators</p> <p>Each month, the Pensions Administration team generates a key performance indicator (KPI) scorecard which is reported to the Pensions Committee. This measures actual performance against a set of agreed standards.</p> <p>Whilst 13 activities are currently measured, some key service standards included in the pension's strategy document are not being tracked, including:</p> <ol style="list-style-type: none"> 1. Letters/emails acknowledged within 10 days. 2. Changes in member details including bank details within 9 days. 3. Calls to the pensions team answered within 3 rings. 4. New starters processed within 10 days of receipt of the notification. | Where key performance standards are not monitored, this increases the risk that service and delivery levels might drop. | Medium | <p>As noted in finding Ref 6 - the KPI's currently in place were a handover from the standard reported Orbis Pensions targets managed by SCC. ESPF defined its own KPI/SLA targets in the 2020 Administration Strategy which went live January 2021 after consultation with Employers in late 2020, however these KPIs were not implementable while PAT was under the Orbis structure.</p> <p>To monitor against the new KPI activities as per the admin strategy, the Fund has had to request these be built into the ESSC version of Altair after it went live. These have recently been released into the test version of Altair for review. Once these have been tested and loaded to the live system, the Fund will be able to start reporting against these KPI's. It is anticipated that there will be some reporting difficulties until these KPI's are fully established, but the Fund will continue to report and explain to Committee and Board during this process.</p> |

Internal Audit Report – Pension Administration - People, Processes and Systems 2020/21

Detailed Findings

| | | | |
|-----------------------------|-------------|------------------------------------|---|
| | | | In addition to the KPI targets, the Altair system currently does not indicate the statutory deadlines for tasks, and this is being addressed in the work Aquila Heywoods have been asked to implement for us. All calls should go via the Pensions Helpdesk and their performance is again reported to the Pensions Board & Committee. In addition, Altair Insights has been implemented and the Management information module is live and includes a live performance dashboard. |
| Responsible Officer: | Paul Punter | Target Implementation Date: | September 2021 |

Internal Audit Report – Pension Administration - People, Processes and Systems 2020/21
Detailed Findings

| Ref | Finding | Potential Risk Implication | Risk | Agreed Action |
|-----|---|---|--------|--|
| 8 | <p>Key Person Dependence/Risk - Updates to Altair Factor Tables</p> <p>Our review of processes in place to ensure accuracy of retirement benefit calculations by the Altair system identified a key person dependency within the East Sussex Pensions Administration (PAT) team.</p> <ol style="list-style-type: none"> 1. Currently, only one individual within the ESCC team has responsibility for and can update the factor tables in Altair. At the moment, the alternative resource for this task is from the Surrey PAT. Discussions with the Head of Pension noted that this is a short-term risk and the Surrey team will provide support until the end of June 2021 when it is anticipated that new staff will be recruited. 2. In addition, there is no evidence indicating that there is an independent review of the updates to the factors performed by the individual above. 3. For career average revalued earnings (CARE) benefits, they are revalued annually through updates made to the | <p>With the transfer of pension administration back to ESCC, should the key individual responsible for updating the factor tables in Altair be unavailable for any reason, there may not be appropriate cover to undertake this function.</p> <p>Without independent checks of the factors uploaded, errors in calculations may not be detected timely.</p> | Medium | <p>We are all aware that following the TUPE transfer we have significant recruitment to undertake.</p> <p>Recruitment is now a priority for the Fund, particularly now support for the project work from Surrey ceased on 30/06/21.</p> <p>Whilst we do currently have a few key person risks, we do endeavour to still have their work checked. As a last resort, the Fund are still able to call on SCC for limited support where SCC can accommodate.</p> <p>The Fund is aware of this key person risk and while recruitment is underway to fill the gaps in establishment from being PAT inhouse this risk is being tolerated. In addition, staff in the team are cross training each other where possible to mitigate this risk. This risk is also included within the risk register reported to Board and Committee quarterly.</p> |

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| Ref | Finding | Potential Risk Implication | Risk | Agreed Action |
|-----------------------------|--|----------------------------|------------------------------------|--|
| | factor tables in Altair. However, there was no evidence to indicate that the revaluations were subject to independent review to ensure the system calculations are accurate. | | | <p>When factors are changed and revaluation tables updated, these are communicated to PAT and extra care taken to check the first few cases thereafter to check factors are feeding through cases correctly when processing.</p> <p>A project will be starting in September to carry out a skills matrix to map all PAT skills and identify and gaps and areas of risk to the fund. This will help with development of the team and modify recruitment to vacancies where necessary.</p> |
| Responsible Officer: | | Paul Punter | Target Implementation Date: | December 2021 |

Internal Audit Report – Pension Administration - People, Processes and Systems 2020/21
Detailed Findings

| Ref | Finding | Potential Risk Implication | Risk | Agreed Action |
|-----------------------------|--|--|------------------------------------|--|
| 9 | <p>Lack of Independent Validation and Retention of Supporting Documentation</p> <p>In completing our work, we identified some instances where there was no evidence of checks taking place or supporting documentation on file, including retirement benefit payments and death benefits (dependant pension payments).</p> <p>In terms of the Payment of Death Grant form (TM10), there is no specific checklist on the form for the checker to complete, as there is with other forms.</p> <p>See Annex A for details of exceptions identified.</p> | <p>Without independent checks, there is a risk of erroneous payments</p> <p>Where documentation is not retained on member records, this results in inadequate audit trails and potentially invalid transactions.</p> | Medium | <p>As previously stated, we currently have checklists as our key evidence of tasks being checked.</p> <p>The other is Altair itself as work passes from the doing to checkers task list so there is an online audit trail of who has done and checked tasks.</p> <p>We agree that copies of all documents should be retained on Altair and that is our expectation. This has been reiterated to staff across the whole Fund.</p> |
| Responsible Officer: | | Paul Punter | Target Implementation Date: | Complete |

Annexe A (Lack of Independent Validation and Retention of Supporting documentation)

Retirement Benefit Payments

- For 1 of 15 payments tested, there was no evidence of an independent check of the annual pension and lump sum calculated.

Death Benefits Processing

- During our walkthrough of processing of a dependant's monthly benefit in Altair, we noted that the pension administration staff performed some manual pro-rated calculations and entered the value in Altair. This manual intervention is completed because Altair is unable to pro-rate benefit payments where a member is not entitled to a full month's pay. This was highlighted in last year's audit. We understand that the new module 'Admin to Pay' will be implemented in Altair to address this issue (it wasn't prioritised with so many other projects ongoing). This will go live from September 21.
- The work performed by the preparer in the above is subject to checking. However, there are no specific checks indicated on the checklist to perform, and the nature of the checks undertaken is not clear.
- 1 transaction tested identified differences in short and long-term monthly pensions payable to the dependant. The calculation worksheet signed by a checker indicated amounts of £1,042 & £570 as short- and long-term pensions respectively. However, final amounts quoted on the final letter sent to the dependant were £1,414 & £755. In addition, the dependant sent in a letter in October 2020 advising that the amounts on the letter seemed higher than expected. There was no independent check performed of the dependant pension payable on this occasion.
- We noted two signatures on a member record with no evidence indicating the second had been validated. The two versions relate to those used before and after marriage. The second signature was used in confirming the member's husband as the nominated beneficiary in event of death.

New Starters and Transfer In

- One instance where there was no evidence of independent check/checklist completed for the transfer in process.

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.

Agenda Item 9

| | |
|-------------------|--|
| Report to: | Pension Board |
| Date: | 14 September 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 June 2021 which were due on 19 July 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 (ESPF or the Fund).

1.2 Under the Local Government Pension Scheme (LGPS) Regulations, East Sussex County Council is required to maintain a pension fund for its employees and other 'scheduled bodies' as defined in the Regulations and known as the ESPF. 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 contributions rates for members is set out in the LGPS Regulations. The Employer contribution rate is set at the triennial valuation and recorded in the rates and adjustment certificate issued by the Funds actuary.

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

2. Supporting Information

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 working alongside the Pensions Administration (PAT) technical team to help deliver the Annual Benefit Statements (ABS). The communications and data queries have formed a large amount of work but has provided a real opportunity to establish a strong working relationship with the Technical team. The team has 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 and the engagement with all employers has been positive.

2.3. The Employer Engagement team have been working alongside the PAT to help the onboarding process of the i-Connect project. We have onboarded the employers shown below which consists of 23 employer payrolls. The next stage of the roll out will be carried out from September once the ABS project has reached its conclusion. The team will be reaching out to other employers during September to initiate the first steps on the onboarding process. Initial conversations have taken place with the employers below with onboarding scheduled over the next few months.

| Employers Onboarded | Employers due to be onboarded shortly |
|--|---|
| Aldridge Academies x3 Biffa East Sussex County Council x17 East Sussex College Group Flagship School | Aurora Academies – Oct/Nov Eastbourne Borough Council – Sept/Oct Rother – Oct/Nov Royal Pavilion & Museums Trust – Nov University of Brighton – Oct/Nov |

2.4. The roll out of the i-Connect system to the larger employers in the Fund has been pushed back as the larger employers have requested further time to build their monthly payroll files. They have also had other projects which have meant they were unable to onboard earlier. The i-Connect project so far has helped to cleanse employee data for those already using the system and has provided some opportunities of engaging with employers on other matters. 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. The new Communications Working Group has been established and meet at least quarterly. The group has been reviewing high level communications carried out by the Fund and spent some time discussing newsletters. The most recent meeting focused on the new Pensions Fund Website which gave the engagement team some strong ideas to take forward and implement.

2.6. The Engagement Team are currently drafting the Active and Employer Autumn newsletters. The newsletters should be circulated from the start of September and provide an update on current news within the 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 been constructing the content and information held on the [new ESPF website](#). All relevant content held on the old website has been transferred to the new website and has provided a good opportunity to focus on the overall look and feel. All content has been assessed to meet the needs of the East Sussex accessibility criteria. The new website is scheduled to go live from the 1st September and will continue to be reviewed and expanded over the next 12 months. The Engagement Team will continue to monitor the documentation and information on the new website and will work alongside the wider Pensions team on reviewing the forms and documents used by employees and other content.

2.8. The Employer Engagement Team has now recruited a new Employer Engagement officer who joined the team in late August. The new officer will be leading on various projects including the i-Connect roll out along with helping to establish a more robust and efficient admission and cessation process.

2.9. The team have also been part of the covenant project being carried out with a selection of higher risk employers. The team have been working alongside PwC to help provide questionnaires

and information gathering to assess the covenant of some employers that have been recognised as higher risk in their ability to meet liabilities. The higher risk employers are mostly those employers where the Fund does not have security or a guarantee in place in the case of financial difficulties in ability to pay pension contributions. The project will be carried out over the next couple of months with results due later in the year to be presented to Pension Board and Committee. Training on employer covenants was rolled out to officers and pension board members during August.

2.10. Future projects that the Engagement Team will be focusing on in the coming months include the Annual Employer Forum due to take place virtually in November, the McCloud data project in which employers have been written to, to request data sets for eligible employees and the Annual Allowance project.

Employer 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 July 2021.

| | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun |
|-------------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| *Total payments due | 120 | 120 | 122 | 123 | 125 | 126 | 126 | 128 | 128 | 129 | 129 | 127 |
| Payments received late | 2 | 4 | 3 | 3 | 3 | 8 | 3 | 3 | 7 | 11 | 8 | 8 |

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

3.2 In the past 12 month period there have been 63 late payments of contributions out of 1503 expected payments. 12 of the 27 late payments in first quarter of 2021/22 were one off offenders during the quarter, with 4 employers being late twice and 1 employer late in all three months. The employer with persistent late payments has changed payroll provider and moved the service in house, resulting in the loss of relevant contacts with the Fund for payroll matters. The engagement team have been working hard to connect with the relevant members of staff at the employer however this is proving to be a struggle, although we anticipate this issue to resolve once the team have obtained the new Finance Director details, to rebuild relationships and ensure the employer has sufficient training and support to complete their regulatory obligations in relation to the LGPS.

3.3 Where payments have been received late, the team have communicated with the employers requesting payment and advising responsibility of the employer in relation to the regulations. The majority of responses are apologies and holiday notifications. From September the team will start to assess each employer on its merit for lateness as to whether a fine is required in line with the administration strategy, whether they should be monitored for further failures or whether there is a valid reason and a first offence.

3.4 The jump in late payments in April has arisen due to two issues. Firstly in the April some employers had amendments to their contribution rates, resulting in a slight delay in receiving the funds for those employers. In addition, one of the late employer's was responsible for more than one payroll.

3.5 The main cause of ongoing late payments continues to be from 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 continuing to liaise 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.

3.6 The Engagement Team also note that in the 1st part of the new tax year the number of discrepancies on contribution amounts can increase. This is normally due changes in the 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.

Improvements to the contributions monitoring

3.7 The Fund has undertaken a thorough reconciliation of the 2020/21 position of contributions owed and paid across by employers in the Fund. 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 has approached each employer where it found there to be missing or inaccurate contributions paid and have reconciled these accordingly. The Engagement Team now monitor all contributions paid and pick up on any discrepancies on a monthly basis and revert back to the employer to amend asap. Through this process it has allowed the Engagement Team improve relationships with the employers so that any problems can be resolved quickly and employers know they can also contact the Team for help.

3.8 The Fund will continue to engage with employers to understand the issues behind missed payments and providing support in order to reconcile. 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.

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: Tim Hillman, Pensions Manager Employer Engagement
Email: Tim.Hillman@eastsussex.gov.uk

Agenda Item 10

Report to: Pension Board

Date of meeting: 14 September 2021

By: Chair of the Local Pension Board

Title: Report of Pension Board to Pension Committee

Purpose: Report to Pension Committee, to consider understand the work completed by the Pension Board

RECOMMENDATIONS: The Pension Board is recommended to:

- 1) Consider and discuss the report covering the work completed in year for reporting to Pension Committee.**
-

1. Background

1.1 This document outlines the actions taken by the Local Pension Board of the East Sussex Pension Fund (ESPF). It also details the training undertaken in the past 12 months to enable individual Pension Board members to develop and maintain the required level of knowledge and understanding to enable them to fulfil their function of supporting the Administering Authority, which is also known as the Scheme Manager.

1.2 This document will allow the Pension Committee to build a more detailed understanding of the work being done by the Pension Board to improve the operation of ESPF.

2. Membership and attendance

2.1 The membership of the Local Pension Board is

Employer Representatives

- Stephen Osborn - Deputy Director of Finance, University of Brighton
- Cllr. Chris Collier - East Sussex District and Borough Councils (until July 2021)
- Cllr. Tom Druitt - Brighton & Hove City Council (from October 2020)
- Cllr. Toby Illingworth- East Sussex District and Borough Councils (from July 2021)

Member Representatives

- Lynda Walker – UNISON
- Niki Palermo – GMB
- Diana Pogson – Pensioners’ representative

Independent Chair

- Ray Martin

2.2 Cllr Appich stepped down from the Board in September 2020 and was replaced by Cllr Druitt in October 2020. Cllr Collier stepped down from the Board in June 2021 and has been replaced by Cllr Illingworth in July 2021.

2.3 Attendance at meetings has been high in the past year

| | 7 September 2020 | 16 November 2020 | 15 February 2021 | 1 June 2021 |
|----------------|------------------|------------------|------------------|-------------|
| Stephen Osborn | Y | Y | Y | Y |

| | | | | |
|--------------------|---|---|---|---|
| Cllr Chris Collier | Y | Y | Y | N |
| Cllr. Tom Druitt | | Y | Y | Y |
| Lynda Walker | Y | Y | Y | Y |
| Niki Palermo | N | Y | Y | Y |
| Diana Pogson | Y | Y | Y | Y |
| Ray Martin | Y | Y | Y | Y |

3. Work of the Pensions Board

3.1 Meetings are held shortly before each Pension Committee meeting, where all papers relating to administration, governance, policy, audit and communications are first considered by the Board prior to final versions being presented at Committee for approval. This allows the Board to feed in on matters of governance and represent the views of members and employers in the documents that are then taken for approval.

3.2 Members of the Pension Board sit upon, and have attended meetings of, the Communications Working Group, the Data Improvement Working Group and the McCloud Working Group. By sitting on the working groups members of the Pension Board are able to use their knowledge and experience to support officers of ESPF during the development of new policies and procedures. One example of the input of Pension Board members is the creation of a new way Fund members can contact Pension Board members.

3.3 The Pension Board considers its work programme at each meeting taking into account the regular items it sees and what is planned for upcoming committee meetings and are able to request areas of focus to be added to the Board work plan. An example of this working is the request of Board in 2020 to see a regular paper on employer contributions to have transparency on late payments by employers; this report is now a standing item for Board as part of the employer engagement report.

4. Actions

4.1 The Pension Board has supported the Pension Committee with its review and oversight of the disaggregation of ESPF from the Orbis partnership. This has seen ESPF administration services become an in-house operation providing more control to the ESPF to manage its operations and ensure transparency of quality of service provided to the ESPF members. Going forward the Pension Board will continue to work with the Pension Administration Team (PAT) to develop an updated approach to measuring service standards for the Fund.

4.2 The Board has also been a strong advocate, alongside the Committee, for the Good Governance project which completed in November 2020. Throughout this the Pension Board supported requests for extending the staffing budget at the Fund, which resulted in the number of officers increasing substantially to reflect the workload and responsibility of the Pension Fund across four work streams of Governance, Employer Engagement, Administration and Accounts and Investments. The changes made have led to significant improvements in the overall governance of the Fund and further improvements are in hand.

4.3 At its quarterly meetings members of the Pension Board have reviewed new policies and procedures being developed. This has ensured that the approach being taken by the Administering Authority is consistent with the recommendations made as part of the Scheme Advisory Board's good governance project along with statutory and regulatory requirements.

4.4 The independent chair represented the Board at the Employer forum in November 2020 with an overview of the work of the Board, updating the employers of the Fund on the key data quality work that has been achieved through the data improvement working group projects and implementation of the new administration strategy.

5. Training

5.1 In the past year members of the Pension Board took part in a survey conducted by Hymans Robertson to help understand their level of knowledge and understanding. The report received is broken down into the key areas, such as administration, and also measures the Pension Board against its peers in the other Funds that took part. This survey identified that particular focus should be given to pension administration and actuarial methods. It also showed that the ESPF's Pension Board members' knowledge and understanding scored 6th highest out of the 21 boards that took part.

5.2 Since the Hymans report was produced there has been a change of membership of the Pension Board. The Chair of the Pension Board is currently working with the Fund's Training Co-ordinator to develop a new method of tracking individual Pension Board member's knowledge and understanding which will allow for a more in-depth analysis of areas of focus.

5.3 When the new members of the Pension Committee were appointed members of the Pension Board were invited to attend the induction session, which included an introduction to the role of the Fund's lawyer, actuary and investment consultant.

5.4 All Board members are working towards ensuring they have completed the Pension Regulators Toolkit modules and will shortly be invited to carry out a self-assessment on their training needs.

5.5 Members of the Pension Board have attended a range of webinars covering topics ranging from governance to investment. In addition, Board members have attended training provided in house on McCloud, Covenant strength and outsourcing implications for employers within the Local Government Pension Scheme (LGPS). Members of the board regularly attend the Chartered Institute of Public Finance and Accountancy (CIPFA) Pension Board member seminars that are run in the Spring and Autumn to update on all key regulatory changes and areas the Board may wish to ask questions on of their Funds.

**Ray Martin
Chair of ESPF Local Pension Board**

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Agenda Item 11

| | |
|-------------------------|---|
| Report to: | Pension Board |
| Date of meeting: | 14 September 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 the Pension Fund Risk Register**
 - 2) Identify any additional risks for the Risk Register**
 - 3) Note the events that have tested the mitigations already in place**
-

1. Background

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

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

1.3 Since the last meeting of the Pension Board and Pension Committee officers have continued to review the Risk Register. To ensure all appropriate risks and mitigations have been identified,

2. Supporting Information

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

2.2 In relation to risk G3 (cyber security) Officers have commenced the creation of a data flow map. This will allow the Administering Authority to better understand all access and exit points for data to and from the Fund. In turn this will support further analysis of the security of the Fund. Additionally, the flow map will support any further mitigation that is required in support of risk G5 (compliance with GDPR).

2.3 The resignation of Cllr. Collier from the Pension Board has tested the mitigations in place as part of risk G2 (loss of Pension Committee/Board member). The main challenge was obtaining prompt responses to the request for nominees. In part, this was linked to uncertainty as to the most appropriate points of contact. Whilst a new Pension Board member, Cllr. Illingworth, was appointed in an acceptable timeframe further work will be conducted ensuring the Administering Authorities list of employer contacts is as complete and accurate as possible.

2.4 The Pensions Committee is invited to review the risk register and make further comment as it sees fit.

3 Changes to the Risk Register

3.1 A change is recommended to risk E3 – delay in employers agreeing Admission Agreements to increase the likelihood of this occurring to an amber rating. This change comes as a result of the delay that has been seen in a number of the outstanding older admissions, which although reducing are still ongoing. In addition, some of the mitigations are in development and not yet fully implemented, so until such time as they are complete it is recommended that the risk is increased from Green to Amber post mitigation. Further details have been added to this risk with changes in Green text.

3.2 It is recommended that risk I2 - Brexit - is removed from the risk register as the EU-UK Trade and Cooperation Agreement was formally ratified and came into force on 1 May 2021. This agreement negates the risk triggers that are outlined in the risk register which were risks due to significant uncertainty in the trade deal and resulting impact on markets and legislation.

3.3 A change has been made in relation to risk I6 resulting from discussion at the June Pension Committee to split out Environmental, Social and Governance (ESG) risk and Climate change risk as they are both large risks to the Fund with different impacts and mitigations. As a result, I7 is a new risk with amended numbering to risks I8-I10 from the last report.

4. Conclusion

4.1 Monitoring of the Risk Register is an important role for the Pension Committee and Pension Board. The Board and Committee are asked to consider the appropriateness of the existing risks and recommend changes and consider whether further risks should be reviewed for inclusion.

4.2 Note the mitigations in the Risk Register for G2 (loss of Pension Committee/Board member) have been tested in the last quarter and the learning points noted by officers of the Fund.

IAN GUTSELL
Chief Finance Officer

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Pension Fund Risk Register September 2021

| 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 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 |

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Appendix 1

Pension Fund Risk Register September 2021

| 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 | | | |
| E3 | Delay in employers agreeing Admission Agreement | Complexity around agreeing contribution rate Negotiations around provision of security Delays in negotiating terms and execution of documentation Late notification of an outsourcing arrangement Failure to understand the regulatory responsibilities on tenderers of new LGPS employers | Inability to recover missed payments in event of employer insolvency event Pension and service benefits are not accrued during the negotiation phase, and could result in retirement or death in service to be delayed for the period of the new employer | 3 | 2 | 6 | New templates being developed - this will speed up the process of agreeing new admission agreements The fund are moving to a template portal which will automatically populate the variable data in the admission agreement ensuring no additional terms are changed and provides assurance from external legal term that the agreement are comprehensive and enforceable Guide to outsourcing has been distributed to all employers in November 2020 and a review of this was covered in the Employer forum in November 2020. This guide directs employers of all the activities and considerations they need to take on any outsourcing arrangement with TUPE staff implications. Officers meet monthly to review status and movement on each in progress admission A new data flow and process map is being written to ensure officers request and communicate all the Admissions in progress are reported quarterly to Board and Committee to ensure awareness of status | 2 | 2 | 4 | | Head of Pensions | On-going |
| 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 on 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 completed 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 |

| Pension Fund Risk Register September 2021 | | | | | | | | | | | | | |
|---|--|---|--|----------------|--------|------------|------------|---|-----------------|------------|------------|---------------------------------|------------|
| Reference | Risk | Potential Triggers of risk | Consequences of risk | Pre Mitigation | | | Risk Score | Risk Control / Response | Post Mitigation | | | Risk Owner | Timescales |
| | | | | Likelihood | Impact | Risk Score | | | Impact | Likelihood | Risk Score | | |
| A3 | Production of Statutory member returns | Inability to produce all ABS by the statutory deadline Inability to produce Annual Allowance statements by the statutory deadlines Provision of incorrect statements to members Failure to complete event reports in time for HMRC | Reputational risk and complaints Fines and enforcement action by The Pension Regulator Interest charges or fines from HMRC for inaccurate AA statements Breaches occurred | 4 | 3 | 12 | | Regular contact with employers to get data. Clear project plan with early communications and planning with milestones to ensure Statements created in time to allow time for distribution to staff. Roll out of I-Connect for employer roll out as monthly interfaces system, to ease year end requirements and correct errors through out the year. Currently many leavers are not being notified until year-end. Restructure of Pensions team to include an Employer Engagement team will support Pensions Administration with end of year returns liaising and supporting employers through the process Breaches policy in place and Breach reporting to Committee and Board quarterly to raise and consider breach reporting levels | 3 | 2 | 6 | Head of Pensions Administration | On-going |
| A4 | Risk on Dissolution of Administration from Orbis to ESCC | Risk that infrastructure will not be in place on time Recruitment risk to support areas in addition to BAU Risk to data transfer and software mapping | Reputational damage Inability to provide pensions administration services once separated Risk to communications with employers and members due to structural changes | 4 | 4 | 16 | | Project plan in place, with regulator meetings and project groups for various aspects of the dissolution Specific risk register is in place for this project and all risks currently Green or Amber, project is on track Head of Pensions Administration in place to lead on the dissolution with project updates to S151, COO and Head of Pensions Contracts in place and PID's for various aspects of the workstreams to implement Ongoing support until end of June and handover opportunities with communications and Projects teams where new resourcing is required TUPE of staff is complete and several adverts out BAU team will be dropping Westminster work which will help in managing the teams workload | 2 | 3 | 6 | Head of Pensions Administration | Ongoing |
| 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 September 2021 | | | | | | | | | | | | | | | |
|---|---|---|---|----------------|--------|------------|---|-------------------------|------------|------------|--|------------|------------|------------|------------|
| Reference | Risk | Potential Triggers of risk | Consequences of risk | Pre Mitigation | | | Risk Score | Risk Control / Response | | | Post Mitigation | | | Risk Owner | Timescales |
| | | | | Likelihood | Impact | Risk Score | | Impact | Likelihood | Risk Score | Impact | Likelihood | Risk Score | | |
| Governance | | | | | | | | | | | | | | | |
| G1 | Key Person risk Risk of loss of key / senior staff resulting in lost knowledge and skills with in the Pensions Team | Poor management of staff Failure to provide progression within the team structure Poor absence management Higher risk of sickness absence and reduced working hours as a result of Covid-19 Failure to provide an supportive working environment Failure to communicate with staff members in relation to potential service changes Concentration of knowledge in a small number of officers and risk of departure of key and senior staff. | 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. | 4 | 4 | 16 | Diversified staff / team Attendance at pension officers user groups to network and exchange information Procedural notes which includes new systems, section meetings / appraisals Succession planning within team structure, building from within the team Robust business continuity processes in place around key business processes, including a disaster recovery plan. Knowledge of all tasks shared by at least two team members within PAT and in addition can be covered by senior staff in all areas. Training requirements are set out in training strategy, job descriptions and reviewed annually with team members through the appraisal process. New training officer post within team structure to be recruited early 2021 Training strategy in place and regularly reviewed with training log where required | 2 | 2 | 4 | Head of Pensions / Head of Pensions Administration | On-going | | | |
| G2 | 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 attack on third party systems where ESPF data is stored Cyber attack 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 September 2021 | | | | | | | | | | | | | | |
|---|--|--|--|----------------|--------|---|------------|--|-----------------|------------|------------|------------|------------------|----------|
| Reference | Risk | Potential Triggers of risk | Consequences of risk | Pre Mitigation | | | Risk Score | Risk Control / Response | Post Mitigation | | | Risk Owner | Timescales | |
| | | | | Likelihood | Impact | | | | Impact | Likelihood | Risk Score | | | |
| 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 - the privacy statements have been refreshed in August 2021 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 completed in Q4 2020/21 with a reasonable assurance level and all recommendations have been completed as at September 2021 Pensions Manager for Governance and Compliance completed review on GDPR in Q4 2020/21 resulting in a newly designed webpage, new privacy notices and change to the retention period | 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 to 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 Changes to investment strategy are discussed with the actuary to ensure anticipated implications on funding aligned. 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 - RECOMMEND THIS RISK IS WITHDRAWN | 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 | 2 | 2 | 4 | | 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 | 1 | 2 | 2 | | Head of Pensions | On-going |

Pension Fund Risk Register September 2021

| 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 | | |
| I3 | Regulatory risk Failure to comply with regulations, legislation and guidance from an accounting and investment perspective | Failure to comply with CIPFA code of practice for accounting for the pension fund Failure to provide employers with accurate reporting for their financial statements Failure to comply with the LGPS investment reg's Failure to Comply with statutory guidance from MHCLG Failure to comply with the Pensions Regulation requirements | Risk of the accounts being qualified by the auditors. Risk to employers of qualified accounts causing reputational damage and potential costs Intervention by the secretary of state in investment strategy Breaches occurred | 3 | 3 | 9 | Pensions Officers are kept up to date with changes to legislative requirements via network meetings, professional press, training and internal communication procedures. Pension Fund financial management and administration processes are maintained in accordance with the CIPFA Code of Practice, International Financial Reporting Standards (IFRS), and the ESSC Financial Regulations. Regular reconciliations are carried out between in-house records and those maintained by the custodian and investment managers. Internal Audits - carried out in line with the Pension Audit strategy. External Audit review the Pension Fund's accounts annually Breaches policy in place to ensure breaches mapped and reported | 1 | 2 | 2 | Head of Pensions | On-going |
| I4 | Investment pooling risk | Asset classes not available in line with the funds investment strategy Excessive asset transition costs Poor governance of the ACCESS pool Investment beliefs on ESG issues not shared within the pool Inability to report performance to the fund Inability to manage the investment managers and structure to deal with poor performance Insufficient Capacity in sub funds There is a risk that an investment may not transition to the ACS if Link cannot resolve ongoing issues relating to the operating model for the planned Feeder fund structure. ACCESS pool unable to generate cost efficiencies | Increase in investment risk taken to access higher returns Increased costs Poor governance and reputational damage There is a risk that an investment may not transition to the ACS if Link cannot resolve ongoing issues relating to the operating model for the planned Feeder fund structure. Asset transition costs are greater than forecast. Failure to control operational risks and transaction costs during the transition process Insufficient risk and return parameters to comply with guidance on pooling and the investment strategy Intervention of the secretary of state in failing to invest in line with the statutory guidance on pooling An increase in the set-up costs for implementing new asset classes and managers | 3 | 3 | 9 | ACCESS Support Unit team provide support to the pool Operator contract provided by Link for assets held within the ACS The ACCESS Contracts Manager will monitor Link's progress closely. If Link cannot resolve issues in a reasonable timeframe then alternative options may be considered, e.g. Funds may continue to hold the sub fund outside the ACS KPI's introduced within revised operator agreements Consultants involved in analysing the creation of sub-funds and transitioning of our current assets into the pool, under a variety of scenarios. Opportunities to transfer securities in 'specie'. Reducing cost on transition Transition manager in place to preserving asset values, managing risk and project managing the transition process to ensure that costs are monitored and controlled. Due Diligence completed by legal advisers to ensure no hidden costs or governance issues not known at time of decision to invest. S151, chair of pension committee and monitoring officer representation on respective committees and working groups to ensure ESPF involved in all decisions and concerns and questions can be raised early in processes Regular meetings between officers and ACCESS pool with officers on a number of working groups to ensure involvement in decision making | 2 | 3 | 6 | Head of Pensions | On-going |
| I5 | Funding risk due to higher inflation leading to increased liabilities and a funding gap | Inflation rises faster than the actuarial assumption as a result of Govt. response to COVID-19 Bond yields return to much higher levels | Liabilities are higher than expected. Bond-equity correlations rise, and equities also fall in price Fund's solvency level falls | 2 | 2 | 4 | Investment strategy include weighting to index linked gilts, infrastructure and real estate which are all inflation correlated to mitigate increases in liabilities from inflation. Potential to further increase infrastructure weightings Fund monitor portfolio sensitivity to inflation via expert investment consultants Triennial Valuation assumptions include local knowledge of the Administering authority on anticipated pay inflation. Quarterly monitoring of funding position helps identify risk early | 1 | 2 | 2 | Head of Pensions | On-going |

Pension Fund Risk Register September 2021

| Reference | Risk | Potential Triggers of risk | Consequences of risk | Pre Mitigation | | | Risk Control / Response | Post Mitigation | | | Risk Owner | Timescales |
|-----------|---|---|---|----------------|--------|------------|---|-----------------|------------|------------|------------------|------------|
| | | | | Likelihood | Impact | Risk Score | | Impact | Likelihood | Risk Score | | |
| 16 | Environmental, Social and Governance risks within Investment strategy and implementations on investment decisions | Incorrect assumptions on current exposure , risk profiles and scenarios analysis leading to poor decision making Risk to income yields by restricting the market due to ESG concerns without considering the bigger picture of the investment strategy to compensate Investment environment changes radically, and Fund is slow to respond Risk to wider social and economic risks by focusing on a single issue Poor transparency on underlying investment manager investments decisions on behalf of the fund Failure of fund managers to explain or comply against voting guidelines Poor corporate Governance or corruption in underlying investments Risk of regulatory policy changes resulting in fines to underlying investments | Volatile investment returns Loss of market value Reputational risk where EGS beliefs and strategy are not aligned with expectation of members Increased workload responding to questions and challenges over ESG risks taking officer time away from managing the fund effectively Increase in investment risk taken due to unassessed ESG issues Weaker control leading to poorer governance unconscious exposure to companies in violation of UN policies, human rights violations, poor governance structures | 3 | 2 | 6 | Statement of Responsible Investment Principles outline investment beliefs within ESG, implementation of decisions and monitoring of EGS factors. Investment Working Group and ESG working group consolidated into a single group to ensure ESG is in the heart of all investment decisions Trim unconscious exposure to companies with poor ESG rating through agreed removal of traditional index funds ensuring active managers have a strong conviction in the underlying companies including on ESG matters and less traditional passive indexes / smart beta funds have robust screening processes in place to ensure ESG principles are taken into account Tracking of the portfolio as underweight in fossil fuel exposure to benchmarks Production of annual reports on the carbon footprint of the Fund and review of managers from EGS perspective including transition pathway of underlying companies Signatory to Stewardship code with commitment to comply with the new 2020 code Challenging managers on their holdings with regard ESG issues Introduction of an ESG assment for all managers reported in July 2021 including improvement actions for each manager on ESG methodology, reporting or collabortaion. This will be updated and reported annually Engaging via managers and investor groups including LAPFF with companies and driving them forward to comply with key ESG concerns using the greater voice by combined investment power | 2 | 2 | 4 | Head of Pensions | On-going |

Pension Fund Risk Register September 2021

| 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 | | |
| 17 | Climate change - risk on assets and liabilities associated with Climate Change | Uncertainty in energy transition impacts and timing | unconscious exposure to high carbon emitters | 4 | 3 | 12 | Statement of Responsible Investment Principles outline investment beliefs within ESG, implementation of decisions and monitoring of EGS factors and has a strong focus on climate change | 2 | 2 | 4 | Head of Pensions | On-going |
| | | Risk of stranded assets where invested in fossil fuel companies | Reputation issues around how the Fund is progressing the move to a decarbonised global economy. | | | | Investment Working Group and ESG working group consolidated into a single group to ensure ESG is in the heart of all investment decisions | | | | | |
| | | Lack of reliable carbon measurement data for investment pooled funds and or underlying holdings of those pooled funds. | Volatile investment returns | | | | Restructuring of the equity portfolio to avoid high risk companies and exploit opportunities, including decision to invest in impact fund in September 2020 | | | | | |
| | | Risk of natural disasters on underlying investments | Reputational risk where Climate risks, reporting, mitigations and strategies are not aligned with member views or poorly communicated | | | | Trim unconscious exposure to companies with high Carbon emission, poor energy transition plans and or fossil fuel companies, through agreed removal of traditional index funds | | | | | |
| | | Risk of changes in oil prices | Loss of income to the fund from missed opportunities in oil price rally to accommodate the infrastructure to enable the world to comply with the energy transition | | | | Member of Institutional Investors group on climate change | | | | | |
| | | Increased capital costs of underlying investment companies to transition to greener energy solutions or lower carbon emitting supply chain models and production methods | Loss of market value Major ecological disaster in the UK could lead to increased mortality quicker than anticipated within the funding models impacting on cash outflows and increased workloads for lump sum payments | | | | The fund carry out annual carbon footprinting to better understand the carbon exposure and energy transition plans within the portfolio | | | | | |
| | | Fines or penalties incurred by underlying holdings by company or sector | Possible increase to ill health retirement cases leading to a change in cash flows and possible enhancements beyond those anticipated | | | | Signatory to UN PRI with first planned submission in 2022 and commitment to report TCFD's with a first attempt in the Annual Report for 2020/21 | | | | | |
| | | Increased global temperature and or erratic climate events causing devistation to underlying holdings | | | | | The Fund has planned for climate scenario modelling in late 2021 which will help better understand this risk and allow further consider approaches in tackling these risks. | | | | | |
| | | Social consequence on members welfare and longevity within the fund | | | | | The Fund continue to have some occasional exposure to high carbon emitting or fossil fuel sector companies from a tactical perspective to use its vote to help drive the sector forward through engagement and voting using the power of a collective voice. A number of Fund managers are Climate 100+ enagement partners leading on this work with top emitting companies, while all managers are IIGCC members for collaborate weighting of AUM to influence action | | | | | |
| | | | | | | | Very small outstanding percentage exposure with fossil fuel companies that extract oil and gas or coal, which if the sector fall to zero value, the impact of the Fund would be neglible in market movement perspectives. | | | | | |
| 18 | Insufficient cash to pay benefits as they fall due | Too much investment in illiquid assets Failure to track payments due Large investment commitments not anticipated and planned for | Benefits not paid as they fall due Beneficiary financial hardship Forced sale of investments | 2 | 4 | 8 | Contributions monitored on monthly basis monitoring of members close to retirement Daily cash position monitored. Distributing investments to ensure stream of income from investment activity Income from investments is considered as a key risk in all investment strategy decisions and the income profile managed liaison between administration and investment team on cash requirements | 1 | 4 | 4 | Head of Pensions | on-going |
| 19 | Internal fraud | Member of staff has multiple accounts and can self authorise Lack of internal controls and sign off procedures Failure to monitor staff actions Failure to monitor payments from the Fund | Loss of Fund assets Reputational risk Loss of member confidence Loss of Fund assets | 2 | 3 | 6 | Quarterly review of log in credentials Senior officer's have sight of bank account Senior officer's are signatories to bank account Multiple sign off needed to make payment | 1 | 3 | 3 | Head of Pensions | On-going |
| 110 | External fraud | Failure to properly authenticate benefit claims Failure to identify deceased members | Reputational risk Loss of member confidence | 2 | 3 | 6 | Monthly mortality checks Regular member tracing exercises | 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 | |
| | | | FINANCIAL | 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 | |

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Agenda Item 12

Report to: Pension Board

Date of meeting: 14 September 2021

By: Chief Finance Officer

Title: Work Programme

Purpose: To agree the Board 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 Committee 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 This item also provides an opportunity for 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 including consideration the regularity of agenda items to ensure effective governance of the East Sussex Pension Fund at the scheduled meetings.

IAN GUTSELL
Chief Finance Officer

Contact Officer: Sian Kunert, Head of Pensions

Email: Sian.Kunert@EastSussex.gov.uk

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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 |

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| 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. This is reported in Q2-4 only. | 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 |
| 5 November 2021 | | |
| Employer Forum Agenda | Discussion on Pension Fund Employer Forum Agenda topics | Head of Pensions |
| Covenant Review Report | Report from PWC on the covenant review project – project expected to complete late 2021 | Head of Pensions |
| Independent Auditors Report on the Pension Fund Account | A report on the External Audit findings of the Pension Fund financial Statements and the complete 2020/21 Annual Report and Accounts. | Head of Pensions |

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| and Annual Report and Accounts 2020/21 | | |
| Communications Policy | Revision to the Communications Policy | 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 | | |
| 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 |
| 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 |
| 1 June 2022 | | |
| Internal Audit Strategy and Plan | Draft internal audit Pension Fund Strategy and Audit Plan 2022/23 | Internal Audit |
| Governance and Compliance Statement | Annual Review of Governance and Compliance Statement | Governance and Compliance Pensions Manager |

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| 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 |
| Training Policy | Biannual review of the training Strategy | Governance and Compliance Pensions Manager |
| 9 September 2022 | | |
| Independent Auditors Report on the Pension Fund Account and Annual Report and Accounts 2021/22 | A report on the External Audit findings of the Pension Fund financial Statements and the complete 2021/22 Annual Report and Accounts. | Head of Pensions |
| 2022 Actuarial Valuation and Funding Strategy Statement | Report from the Fund Actuary on the March 2022 triennial valuation process, methodology and assumptions with a draft Funding Strategy Statement for approval prior to consultation | Head of Pensions |
| 15 November 2022 | | |
| 8 February 2023 | | |
| 2022 Valuation report and results and Final Funding Strategy Statement (FSS) | Final report and results from the Fund Actuary of the 31 March 2022 triennial valuation with the final FSS for approval post consultation. | Head of Pensions |

| Actions requested by the Pensions Board | | |
|---|--|--|
| Subject Area | Detail | Status |
| Internal Audit reports | The Board requested that internal audit consider an audit of the common data sets provided to the Pensions Regulator | TBC |
| 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 provided November 2021 |
| Decision making | To revise the decision-making matrix (including a RACI model) and to circulate it for information. | To be provided November 2021 |
| Abatement Policy | The Board requested officers report back to the Pension Board and Committee once the number of affected members is known and what the impact of backdating the change in policy will mean for the Fund and its administration. | Provided at the September 2021 meeting |
| | | |

| 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. Reported Q2-4 only | Head of Pensions |
| East Sussex Pension Fund (ESPF) Risk Register | A report on the ESPF's Risk Register | Head of Pensions |

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| 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 |
| 28 September 2021 | | |
| Investment Strategy Statement including Statement on Responsible Investment Principles | Annual review of Investment Strategy Statement to reflect asset allocation and other changes including a review of the Statement on Responsible Investment Principles | 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 | | |
| 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 |

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| 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 |
| Annual Training Plan | Report on Training completed in the year and training recommendations for the up-coming year | Head of Pensions |
| 24 February 2022 | | |
| 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 |
| 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 |
| 17 June 2022 | | |
| Internal Audit Strategy and Plan | Draft internal audit Pension Fund Strategy and Audit Plan 2022/23 | Internal Audit |
| Governance and Compliance Statement | Annual Review of Governance and Compliance Statement | Governance and Compliance Pensions Manager |

| | | |
|--|--|--|
| 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 |
| 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 |
| Training Policy | Biannual review of the training Strategy | Governance and Compliance Pensions Manager |
| 20 July 2022 (no standing items) | | |
| Independent Auditors Report on the Pension Fund Account and Annual Report and Accounts 2021/22 | A report on the External Audit findings of the Pension Fund financial Statements and the complete 2021/22 Annual Report and Accounts for review. | Head of Pensions |
| Training / Focus of choice | Time for specific training or to focus on a specific topic | Head of Pensions |
| 27 September 2022 | | |
| Independent Auditors Report on the Pension Fund Account and Annual Report and Accounts 2021/22 | A report on the External Audit findings of the Pension Fund financial Statements and the complete 2021/22 Annual Report and Accounts. | Head of Pensions |
| 2022 Actuarial Valuation and Funding Strategy Statement | Report from the Fund Actuary on the March 2022 triennial valuation process, methodology and assumptions with a draft Funding Strategy Statement for approval prior to consultation | Head of Pensions |
| 30 November 2022 | | |
| 22 February 2023 | | |

| | | |
|--|--|------------------|
| 2022 Valuation report and results and Final Funding Strategy Statement (FSS) | Final report and results from the Fund Actuary of the 31 March 2022 triennial valuation with the final FSS for approval post consultation. | 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 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"> • 2 June 2021 • 18 June 2021 • 02 September 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 July 2021 <p>Scheduled</p> <ul style="list-style-type: none"> • 12 October 2021 • 2 December 2021 | Cllr Fox, Ray Martin, Diana Pogson, Stephen Osborne, Paul Punter, Sian Kunert, Ian Gutsell |
| McCloud Working Group | <p>The McCloud Working Group has been established to oversee the implementation of the McCloud ruling within a prescribed timeframe and addressing any gaps and barriers preventing progress and ultimately delivery of the project.</p> <p>A high-level impact assessment has been completed to identify those members of the scheme that will be affected by this ruling.</p> <p>The Group have acknowledged there are many data requests of employers and this project needs to be managed carefully with other demands on employers time.</p> <p>Recent meetings</p> <ul style="list-style-type: none"> • 22 April 2021 – supported by Hymans | Cllr Fox, Stephen Osborn, Lynda Walker, Paul Punter, Sian Kunert, Dave Kellond |
| 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>Recent meetings</p> <ul style="list-style-type: none"> • 2 June 2021 • 20 July 2021 <p>Scheduled</p> <ul style="list-style-type: none"> • 14 September 2021 | All Board members invited Sian Kunert, Tim Hillman, Izzy Widdowson |

| Training and Development - recent and future events | | | |
|--|--|----------------------|---|
| Title of Training/Briefing | Detail | Date | Attended |
| An introduction to covenant | PWC training session for officers, Committee and Board members to understand Employer covenants and their importance. Part of the Covenant review project. | 3 August | Ray Martin, Niki Palermo, Stephen Osborn |
| Employers in distress | PWC training session for officers, Committee and Board members to understand how to manage Employers in distress following the employer covenants analysis. Part of the Covenant review project. | 10 August | Stephen Osborn |
| Infrastructure Training | In house session with guest presentations from Pantheon and GLIL | 8 July | Cllr Fox, Cllr Hilton, Cllr Redstone |
| Fixed Income Training and Investment Strategy Training | In house session run by Isio to support the investment strategy discussions at the upcoming committee | 9 July | Cllr Fox, Cllr Hilton, Cllr Redstone, Cllr Tutt |
| CIPFA LGPS Local Pension Board Annual Event | CIPFA LGPS Local Pension Board Annual Event | 23 June | Ray Martin |
| Title of Training/Briefing | Detail | Proposed Date | Invited |
| Overview of the Local Government Pension Scheme | Overview of the Local Government Pension Scheme for new Committee or Board members or as a refresher. Webinar hosted by Barnet Waddingham. | 28 October | Committee Members and Board members |
| Cryptocurrency | Training on Cryptocurrency investment provided by Ruffer as requested by Committee on 1 March 2021 | TBC | Committee Members |

| | | | |
|--------------------------------------|--|---------------|-------------------------------------|
| Infrastructure training part 2 - ESG | Continuation of inhouse training item on Infrastructure to understand how ESG is integrated into the Pantheon strategy | TBC | Committee Members |
| LGA Fundamentals | 3 day Fundamentals training day for Members new to Pensions Committee or Board | Oct, Nov, Dec | Committee Members and Board members |

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Agenda Item 15

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
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Agenda Item 16

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of the Local Government Act 1972.

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