



PENSION BOARD

THURSDAY, 10 FEBRUARY 2022

10.00 AM COMMITTEE ROOM, COUNTY HALL, LEWES

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

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

AGENDA

1. Minutes (*Pages 3 - 10*)
2. Apologies for absence
3. Disclosure of interests
4. Urgent items
Notification of any items which the Chair considers urgent and proposes to take at the appropriate part of the agenda.
5. Pension Committee Agenda (*Pages 11 - 14*)
6. Governance Report (*Pages 15 - 20*)
7. Employer and Contributions Report (*Pages 21 - 24*)
8. Pensions Administration Report (*Pages 25 - 34*)
9. Additional Voluntary Contributions (AVC) Review (*Pages 35 - 58*)
10. Internal Audit Reports (*Pages 59 - 88*)
11. East Sussex Pension Fund Business Plan and Budget 2022/23 (*Pages 89 - 102*)
12. Pension Fund Risk Register (*Pages 103 - 114*)
13. Work Programme (*Pages 115 - 132*)
14. Any other non-exempt items previously notified under agenda item 4
15. Exclusion of the public and press
To consider excluding the public and press from the meeting for the remaining agenda item on the grounds that if the public and press were present there would be disclosure to them of exempt information as specified in paragraph 3 of Part 1 of the Local Government Act 1972 (as amended), namely information relating to the financial or business affairs of any particular person (including the authority holding that information).
16. Pension Fund Breaches Log (*Pages 133 - 146*)

17. Employer Admissions and Cessations Report (*Pages 147 - 154*)
18. Any other exempt items previously notified under agenda item 4

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2 February 2022

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PENSION BOARD

MINUTES of a meeting of the Pension Board held via Microsoft Teams on 5 November 2021.

PRESENT Ray Martin (Chair) Councillor Tom Druitt, Stephen Osborn and Diana Pogson

ALSO PRESENT Councillor Gerard Fox, Chair of Pension Committee
Sian Kunert, Head of Pensions
Paul Punter, Head of Pensions Administration
Michael Burton, Pensions Manager - Governance and Compliance
Tim Hillman, Pensions Manager - Employer Engagement
Martin Jenks, Senior Scrutiny Adviser
Harvey Winder, Democratic Services Officer

51. MINUTES

51.1. The Board agreed the minutes were a correct record of the previous meeting.

52. APOLOGIES FOR ABSENCE

52.1. Apologies for absence were received from Niki Palermo. Cllr Toby Illingworth and Lynda Walker were not in attendance.

53. DISCLOSURE OF INTERESTS

53.1. There were no disclosures of interest.

54. URGENT ITEMS

54.1. There were no urgent items.

55. PENSION COMMITTEE AGENDA

55.1. The Board considered a report containing the draft agenda for the Pension Board meeting due to be held on 25th November 2021.

55.2. The Board RESOLVED to note the report.

56. GOVERNANCE REPORT

56.1. The Board considered a report providing an update on various governance workstreams completed and changes effecting Local Government Pension Schemes (LGPS) and the East Sussex Pension Fund (ESPF or the Fund).

56.2. The Chair asked whether there had been any developments on the Code of Practice that had been subject to consultation recently.

56.3. Michael Burton (MB), Pensions Manager - Governance and Compliance, said the consultation had shown there were quite a few concerns from consultees about certain areas of the Code and that the Pensions Regulator had decided to review it and re-publish in the new year. In the meantime, the Pensions Team is making preparations to be ready for any changes that might be expected in the Code.

56.4. Cllr Tom Druitt (TD) said he was happy with the terms of reference of the Communications Working Group but questioned whether it should be time limited and wind down once the current projects that it was set up to oversee were completed. Diana Pogson (DP) suggested that the Terms of Reference could include a clause to review the need for the working group every two years, as it is unlikely there will ever be a point where there are no communications issues that need to be looked at. Sian Kunert (SK), Head of Pensions, added that the Administration Working Group had evolved out of the Data Improvement Group, which was initially a time-limited group, so there could well be a continued need to review communications issues too.

56.5. The Chair, recognising that DP was due to leave her position on the Board, requested that officers write to her replacement and the other two employee representatives to see whether they wish to replace DP on the Administration Working Group.

56.6. The Chair asked whether there should be an employer representative on the Communications Working Group, as currently it was the Chair and Lynda Walker, an employee representative. SK said that all Board Members are invited to each meeting of the working group, but some of the draft communications planned for discussion might be more appropriate for employers and other times for employees, and this would likely determine attendance. TD offered to be the permanent employer representative, subject to availability, but he suggested that Cllr Illingworth was also offered the opportunity in case he preferred to hold the position.

56.7. The Board RESOLVED to:

- 1) note the report;
- 2) agree the draft terms of reference of the Communications Working Group subject to the addition of an agreement to review the terms of reference every two years;
- 3) endorse the draft terms of reference of the Administration Working Group;
- 4) request that officers contact the employee representatives to see if any wish to be members of the Administration Working Group;
- 5) note the interest of Cllr Druitt to be a permanent member of the Communications Working Group and request that officers contact Cllr Illingworth to see if he wishes to be member also;
- 6) thank Diana Pogson for her work as a Pension Board Member and wish her well in all future endeavours.

57. EMPLOYER AND CONTRIBUTIONS REPORT

57.1. The Board considered a report providing updates on Employer Engagement activities including communications and the collection of Employer contributions up to August 2021 which were due on 19 September 2021.

57.2. CD asked whether i-Connect is carrying out the functions it was expected to perform.

57.3. Tim Hillman (TH), Pensions Manager – Employer Engagement, said that it is broadly performing how expected in cleansing employer data and providing monthly updates, however, some issues have been encountered, for example, where employee IDs are entered differently by different payrolls and the system does not reconcile these properly. Paul Punter (PP), Head of Pensions Administration, said i-Connect offered more positives than negatives but the software provider, Aquila Heywood, has acknowledged there are issues with the software that it is planning to resolve next year, including how it reconciles different payroll numbers, but a workaround will be needed until then. There is also an issue where i-Connect receives payroll data so promptly that it will process the final pensions calculation of someone marked as a leaver by the employer and cleanses them from the system only for the employer to inform the Pensions Administration Team (PAT) that the employee still has unpaid holiday, meaning they need recreating in the system and their final benefits recalculated. There is also an issue with how i-Connect records top up employer contribution rates paid by employers. These issues are also due to be addressed by Aquila Heywood, but the PAT is exploring how best to deal with them in the interim.

57.4. TD asked whether these issues would mean it necessary to advise employers to send data in a different way.

57.5. PP said the PAT is keen to avoid changing how data is collected from employers at the moment, because i-Connect is being rolled out and it would cause confusion if a new way of collecting employer contributions was imposed on employers still getting used to how i-Connect works. The PAT plans to advise employers that the issues are known about, but Aquila Heywood is developing solutions to them in the new year

57.6. The Chair asked for confirmation that this meant the PAT would not be looking at a new software supplier for the purposes of monthly data collection.

57.7. TH agreed that there were no plans to look for alternative software and that i-Connect had been beneficial, especially for small employers. It had also enabled the PAT to engage with these small employers more generally as part of the onboarding process. It would also make the Annual Benefit Statement (ABS) process more straightforward as data is received monthly throughout the year and data queries can be dealt with in a more timely manner; dealing with these queries from onboarded smaller employers at the moment is also why the PAT is pausing onboarding bigger employers for now.

57.8. The Chair asked whether the members self-service link on the new website was working.

57.9. TH confirmed the member self-service section is working and will be made a real focal point of the website in the future to enable people to get the answers they need to their queries online.

57.10. The Chair asked why the number of later employer contributions has increased steadily since March.

57.11. TH explained that some small employers are paying their contributions via cheque, for example, seven of ten during August were late cheques. These cheques are being sent to County Hall, where post is currently being reviewed weekly, so they are often not picked up until after the bank deadline of the 19th of each month. The PAT is speaking with these employers to see whether they can send via recorded delivery or electronic payment instead. Another late payment in August had been due to the employer changing payroll the month before, whilst another had not pressed the 'pay' button to send the payment through to ESPF. The PAT is making sure the process of payment is more efficient and reminders are sent early in the month.

57.12. The Chair of the Pension Committee asked whether there are any common characteristics to the late paying employers.

57.13. TH said the late payers are mostly small employers that pay by cheque, typically parish councils, who need more than one signatory for the cheque before it can be sent, making delays more likely. It is not the same employers each time, however, as a warning is sent after a late payment that an administration charge will be applied if there are any further late payments in the next 12 months, and so far no employer has been given this charge.

57.14. The Board RESOLVED to note the report

58. PENSIONS ADMINISTRATION REPORT

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

58.2. The Chair asked whether a target to pick up 75% of calls within 20 seconds was quite short compared to the industry standard, especially given how low the performance against the Key Performance Indicator (KPIs) was in September.

58.3. PP said that the point of that KPI was to make a challenging, aspirational target for the Helpdesk that would not be easy to achieve and he accepted it would be difficult to achieve. PP said that the Helpdesk was disappointed with the Quarter 3 performance so far, however, August and September were the team's busiest period and some slippage in performance was expected. There is currently no capacity in the PAT to assist the Helpdesk due to the team's own capacity issues. He said performance in August and September did not represent a downwards spiral in performance and that the call performance for September was being reviewed manually as the data provided by BT is believed to be inaccurate and performance is believed to have improved compared to August.

58.4. The Chair asked whether a decision had been made on how inactive casual workers would be dealt with on the system.

58.5. PP said that the number of inactive casual workers was still being calculated from the list of undecided leavers on the system. Once the exact number is known, the PAT intends to write to those employers for whom the casual workers are employed by to let them know they have been inactive for more than two years and ask whether they should continue as employees, and that the ESPF is minded to class them as leavers. PP said this was difficult if they have an open-ended contract to remove them.

58.6. TD asked whether it was the responsibility of employers to do something about inactive casual workers and what if any influence the ESPF could have in this area.

58.7. PP agreed that the employment status of an ESPF member is the result of their contract with their employer and they have the final say whether an employee should remain employed or not. The Fund could not legally force them to change an employee's status but will challenge employers where they have an employee who has not worked for two or more years and question whether it is really the case they are employed and could be called upon to work if they were required, due to the length of inactivity. The PAT will also remind employers about the purpose of the Fund and how it is meant for permanent workers and that there are potentially better options for casual workers available. PP added that they will be marked on the system as leavers, but if they were to begin working again, they can re-join the scheme easily.

58.8. The Chair added that employers may not realise the issues keeping these workers on their books causes the Fund, particularly with regard to producing an ABS, which is why there is clearly a need for the Fund to make these employers think about these employee's status. PP reminded the Board that current inactive casuals are marked with a nominal income of £1 as an ABS cannot be issued without a salary.

58.9. The Board RESOLVED to:

- 1) note the report; and
- 2) congratulate the PAT for their excellent performance.

59. TRAINING REPORT

59.1. The Board considered a report providing an update on training needs, opportunities undertaken and planned events.

59.2. DP clarified that the Public Service Toolkit did also contain the 'fraudulent activity targeting members' module that the covering report claimed was only available in the Trustee Toolkit (for private sector pensions), as she had filled it out herself.

59.3. The Chair expressed disappointment that three Board Members had not completed the Public Service Toolkit and that only one had filled out the self-assessment form. He asked whether it was a legal requirement to complete the toolkit.

59.4. TB said that it is not a legal requirement, but it is a useful tool for building a foundation of knowledge of pensions. There is also a high expectation that trustees of private pension schemes complete the Trustee Toolkit within six months of appointment and, whilst there is not such a strict requirement in the public sector, it is a useful goal to aim for. DP added that the toolkit is not very onerous to complete and can help provide a useful refresher for various topics.

59.5. The Chair asked the Pensions Team to contact all Pension Board members requesting they fill out both the self-assessment form and the Public Service Toolkit.

59.6. The Board RESOLVED to:

- 1) note the report; and
- 2) request that Board Members are reminded to fill out the self-assessment form and the Public Service Toolkit

60. ANNUAL REPORT AND ACCOUNTS 2020/21

60.1. The Board considered a report containing a draft Annual Report and Grant Thornton's (the external auditor) report offering an unqualified audit opinion on the 2020/21 Pension Fund Accounts.

60.2. TD asked whether the Annual Report could be produced in a more accessible format to ensure more people read its contents.

60.3. The Chair suggested it was common for trustees of private pensions to produce an abridged version and send it out to members, for example, alongside the ABS. DP said she is a member of the BBC Fund and gets an 8-10 page booklet once per year containing basic information such as how much money is in the fund and how it is spent. SK added that some Local Government Pension Scheme (LGPS) produced an annual pamphlet for distribution at their Annual General Meeting covering the key topics and highlights of the main report and this, or a newsletter, could be replicated for the ESPF. She clarified that the Annual Report is a statutory document and is so prescribed that the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance document it is based on is almost as long. The version seen by the Board is itself shorter than the final version, as documents such as the Statement of Investment Principles were not included for brevity. SK said the Communications Manager position, which is currently being advertised, will play a key role in helping to produce an abridged version.

60.4. The Board RESOLVED to:

- 1) note the draft Independent Auditor's (Grant Thornton) report to those charged with governance on Pension Fund Accounts 2020/21; and
- 2) note the draft Pension Fund Annual Report and Accounts 2020/21; and
- 3) agree that the Communications Working Group consider whether an abridged annual report should be produced for the ESPF and what it should look like.

61. EAST SUSSEX PENSION FUND 2020/21 BUDGET QUARTERLY REPORT

61.1. The Board considered a report providing an update on the 2021/22 Forecast Financial Outturn.

61.2. The Board RESOLVED to note the report.

62. PENSION FUND RISK REGISTER

62.1. The Board considered the ESPF Risk Register.

62.2. TD welcomed the revised risk register and agreed it showed really good analysis of control measures and gave a high level of assurance.

62.3. The Chair asked for further details of the awards the Fund had been nominated for.

62.4. SK said that the Fund has been shortlisted for two awards at the Local Authority Pension Fund Forum (LAPFF) investments awards – one for its climate change strategy and one for "Fund of the Year" for a large fund. The results will be announced in the middle of December.

62.5. The Board RESOLVED to:

1) note the new International Trade risk; and

2) note climate risk will be considered further once the scenario modelling is underway and producing data

63. WORK PROGRAMME

63.1. The Board considered its work programme.

63.2. The Board RESOLVED to agree its work programme.

64. EXCLUSION OF THE PUBLIC AND PRESS

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

65. PENSION FUND BREACHES LOG

65.1 The Board considered a report providing an update on the Breaches Log and outstanding or new Internal Dispute Resolution Procedure (IDRP) cases.

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

65.3 The Board RESOLVED to agree actions which are set out in an exempt minute.

66. EMPLOYER ADMISSIONS AND CESSATIONS REPORT

66.1. The Board considered a report on the latest admissions and cessations of employers within the Fund.

66.2. The Board RESOLVED to note the report.

The meeting ended at 12.35 pm.

Ray Martin (Chair)

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Agenda Item 5

Report to: Pension Board

Date of meeting: 10 February 2022

By: Chief Finance Officer

Title: Pension Committee Agenda

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

RECOMMENDATION

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

1. Background

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

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

2. Conclusion and recommendation

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

IAN GUTSELL
Chief Finance Officer

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PENSION COMMITTEE

THURSDAY, 24 FEBRUARY 2022

10.00 AM COUNCIL CHAMBER, COUNTY HALL, LEWES

MEMBERSHIP - Councillor Gerard Fox (Chair)
Councillors Julia Hilton, Ian Hollidge, Paul Redstone and David Tutt

A G E N D A

1. Minutes
2. Apologies for absence
3. Disclosure of Interests
Disclosures by all Members present of personal interests in matters on the agenda, the nature of any interest and whether the Members regard the interest as prejudicial under the terms of the Code of Conduct.
4. Urgent items
Notification of items which the Chair considers to be urgent and proposes to take at the appropriate part of the agenda.
5. Pension Board Minutes
6. Governance Report
7. Employer and Contributions Report
8. Pensions Administration report
9. Additional Voluntary Contributions (AVC) Review
10. Internal Audit reports
11. East Sussex Pension Fund Business Plan and Budget 2022/23
12. Risk Register
13. Work programme (*Pages 3 - 4*)
14. Investment Report
15. Any other non-exempt items previously notified under agenda item 4
16. Exclusion of the public and press
To consider excluding the public and press from the meeting for the remaining agenda item on the grounds that if the public and press were present there would be disclosure to them of exempt information as specified in paragraph 3 of Part 1 of the Local Government Act 1972 (as amended), namely information relating to the financial or business affairs of any particular person (including the authority holding that information).

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

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16 February 2022

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Report to: Pension Board

Date of meeting: 10 February 2022

By: Chief Finance Officer

Title: Governance Report

Purpose: To provide an update on various governance workstreams completed and changes effecting the Local Government Pension Scheme (LGPS) and Fund

RECOMMENDATIONS

The Pension Board is recommended to:

- 1) Note the change to normal minimum pension age and state pension age
 - 2) Note the possible additional requirement for dealing with transfer requests involving Additional Voluntary Contribution (AVC) benefits
 - 3) Note the change to audit deadlines
 - 4) Note the Government Actuary's Department (GAD) report on the 2019 Valuation across the LGPS
 - 5) Note the ongoing steps being taken to fill the Pension Board vacancy
 - 6) Consider a possible approach which may improve member representation in the ACCESS Pool
 - 7) Indicate if Board members would make use of Hymans Robertson's LGPS Learning Academy
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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. Changes in Legislation and Regulation

2.1 On 6 April 2028 the Normal Minimum Pension Age (NMPA) will increase from 55 to 57. This will mean members will not normally be able to access their benefits until later in life. This will not apply to Police, Armed Forces and Firefighter Schemes. The change to NMPA coincides with the increase of State Pension Age to 67.

2.2 It is of note that the LGPS normal pension age is tied to State Pension Age so the age members will be able to claim a full benefit from the Fund will increase.

2.3 For members that already had a right to claim a benefit at, or before, age 55 on 4 November 2021, protections will be put in place so they are not disadvantaged. The protections will stay in place even if the member transfers to another scheme, meaning we will need to be aware of potential protections in place on transfers in.

2.4 The Department for Work and Pensions (DWP) have announced a review into State Pension Age. Officers will monitor the outcome of the review and report to both Pension Board and Pension Committee as appropriate.

2.5 A Private Member's Bill dealing with Automatic Enrolment has been scheduled for a second reading on 25 February 2022. The purpose of the Bill is to extend automatic enrolment by extending it to jobholders from age 18 and removing the lower earnings threshold. This does not impact on the duties of the Fund but will impact on our employers who would be expected to enrol more people into the Fund should the Bill become law.

2.6 DWP has also published a response to the latest consultation on the so called "stronger nudge". Stronger nudge requires Trustees and Scheme Managers to offer to book a call with Moneyhelper where that member is seeking to access a Defined Contribution (DC) pot, with some exceptions. It is believed the intent behind the proposed legislation was for it to apply to DC Schemes only but it seems likely it will also affect the Fund where members have AVC benefits. Officers will continue to monitor the requirements ahead of the proposed legislation becoming law and taking effect, most likely in June 2022.

2.7 The Director General of the Department for Levelling Up, Housing and Communities has written to all s151 Officers about a change to audit dates. The 2021/22 audit deadline is now 30 November 2022 and it will then be 30 September each year until 2027/28. In spite of the change of dates, we are working with Grant Thornton to ensure that the audit of the accounts is completed by the end of September 2022

3. Section13 report by GAD

3.1 On 16 December 2021 the Government Actuary's Department (GAD) issued a report under section 13 (s.13) Public Service Pensions Act 2013. This report relates to the 2019 Triennial Valuation.

3.2 GAD's report is based on 4 objectives which are to determine:

- If Fund Valuations are compliant with Scheme Regulations.
- Whether Fund Valuations are inconsistent with those of other Funds.
- If employer contributions are set at an appropriate level to ensure the solvency of the Pension Fund.
- Whether employer contributions are set at an appropriate level to ensure the long-term cost efficiency of the Scheme so far as it relates to the individual Fund.

3.3 In relation to consistency, GAD found that whilst some decision making across the cohort could be clearer the approaches taken to the 2019 Valuation by the various Funds and the 4 actuary firms they used were consistent with the Regulations.

3.4 GAD has identified some inconsistencies in approach across the cohort, setting a recommendation to the Scheme Advisory Board (SAB) in this area. All recommendations are detailed in paragraph 3.7 of this report. In addition to the formal recommendation, GAD has commented on the value of providing a greater level of explanation around information provided in Valuation reports to improve stakeholder understanding.

3.5 There was some concerns raised by GAD around Funds that had a deficit decreasing employer contributions at a time when recovery plans were being extended. ESPF was not named as having such a concern and was in surplus according to both the local measures and SAB standard model.

3.6 GAD identified 4 Funds where there is a concern relating to long term efficiency. ESPF is not named as one of the 4 Funds in question.

3.7 The report makes a number of recommendations for the Scheme Advisory Board and fund actuaries to take into account. These are:

- The Scheme Advisory Board should consider the impact of inconsistency on the funds, participating employers and other stakeholders. It should specifically consider whether a consistent approach needs to be adopted for conversions to academies, and for assessing the impact of emerging issues including McCloud.
- The Scheme Advisory Board should consider how all funds ensure that the deficit recovery plan can be demonstrated to be a continuation of the previous plan, after allowing for actual fund experience.
- Fund actuaries should provide additional information about total contributions, discount rates and reconciling deficit recovery plans in the dashboard prepared as part of the Valuation process.
- The Scheme Advisory Board should review asset transfer arrangements from local authorities to ensure that appropriate governance is in place around any such transfers to achieve long term cost efficiency.

3.8 There does appear to be a discrepancy between how funds are measuring funding levels against the SAB standard. GAD identified that it would expect the local funding level to be ranked broadly similarly to that using the SAB standardisation, but this is not the case. From an ESPF perspective, locally the Fund believed it was 107% funded (ranking at 8th out of the 88 funds in the LGPS) as opposed to being approximately 120% funded (ranked 17th) when using the SAB standardised model. However, from both perspectives ESPF is currently fully funded. There are advantages to taking a more prudent approach to Valuation as it improves the likelihood of being in a position to pay member benefits as they fall due.

3.9 There is also a discrepancy across the cohort in methodologies and assumptions adopted by the various Fund actuaries, although the range of results is reported as being narrower than in 2016 which suggests a greater consistency now exists.

3.10 GAD has not identified that ESPF has specific concerns around long term funding. There is a risk that the wider LGPS may become underfunded in the next 20 years but it is of note that each Fund is currently pursuing its own funding strategy.

3.11 In 2019 funds advised by Barnett Waddingham had higher levels of outperformance built into the discount rate. Hymans Robertson had some of the lowest levels of outperformance built into the discount rate. If this trend continues it is likely we would see a change in the approach to setting the Fund discount rate following the change of actuary advising the ESPF.

4. Pension Board vacancy

4.1 Following the decision of Diane Pogson to stand down from her position on the Pension Board and not seek a new term there is currently a vacancy for a member representative from our Pensioner members.

4.2 All Pensioner Members were contacted in October 2021 and asked to send in expressions of interest if they wanted to be considered for the vacant position. The Fund received 16 expressions of interest by the deadline.

4.3 The 16 nominees were invited to provide a CV and a 500 word statement explaining why they would be suitable for joining the Pension Board. We received 6 responses to this request and 3 people were invited to attend a meeting with the Pension Board Chair and Pensions Manager – Governance and Compliance. The meetings were scheduled for 27 and 28 January 2022.

4.4 Following the meetings a recommendation will be made to the East Sussex County Council Governance Committee regarding who should be appointed and the length of their term. The

Governance Committee is the body which has the authority to make appointments to the Pension Board. Its next meeting is on 1 March 2022.

4.5 Officers are aware that Diane Pogson was a vice-chair of the Pension Board. Once the full contingent of member representatives are in place they will be approached separately regarding becoming a vice-chair. Currently Stephen Osborne is the vice-chair amongst the employer representatives.

5 ACCESS Pool

5.1 There have been reports in the media regarding governance failures at the Access Pool. These relate to a failure to implement a policy on member representation that was agreed in 2017 and criticism for this from the Scheme Advisory Board (SAB).

5.2 At present ACCESS is the only pool not to have implemented member representation and is being encouraged to do so by the SAB.

5.3 In March 2017 the SAB agreed that Investment Pools should involve member and employer representatives to improve transparency. It was noted that this should include the consideration of direct representation on oversight structures.

5.4 There will be a discussion at the ACCESS Joint Committee (JC) in March on this topic and it is anticipated a proposal will be put forward to consider a scheme for member representation.

5.5 The Pension Board is asked to consider how such representation could be achieved for the 11 Councils within the ACCESS pool, to support the establishment of a Fund view on this matter, so it can be represented to the Pool via its representative as part of Pool deliberation.

5.6 Other governance related work that is being undertaken by ACCESS has been taking place as a result of the review of the ACCESS Governance Manual. The Governance Manual is there to support the Inter Authority Agreement (IAA) which is the primary document governing the interaction between the ACCESS Authorities and the role of the Joint Committee and Section 151 officers. The IAA is the legal agreement between the 11 Authorities that sets out the statutory responsibilities of ACCESS. The Governance technical leads were asked to review the Governance Manual following agreement by the Section 151 Officer Group.

5.7 Following an initial review of the manual and conversations with all participating Authorities, the technical leads identified several themes both regarding the Governance Manual itself and wider governance of the Pool. As a result a project was launched to focus on areas of highest risk to the delivery of the ACCESS objectives and the governance, policies and procedures needed to achieve them. The key time critical tasks within the ACCESS Business Plan were considered to be:

- implementation of approach to alternative / non-listed assets;
- the development and implementation of Environmental, Social and Governance (ESG) / Responsible Investment (RI) guidance;
- consideration of the future arrangements for Operator Services to the ACCESS Pool; and
- determination of future sub-funds.

5.8 Once progress had been made in relation to these themes it was proposed, a third party is engaged to carry out an audit of ACCESS governance as recommended by the Governance Working Group.

5.9 The ESG/RI Guidelines are being reviewed due to the changing nature of this aspect of the investment governance. ACCESS is supported by Minerva in drafting the guidelines. The document is intended to be a reflection of the collective views of the partner funds to create a set of RI Guidelines for the Pool. Under the LGPS Regulations, each Administering Authority retains responsibility for complying with the Investment Regulations (which is the statutory source of the requirement to take ESG factors into account). Similarly, RI is an aspect of discharging fiduciary duties which are the remit of Administering Authorities, not the Pool.

5.10 Therefore, the ESG/RI Guidelines do not go beyond policies already in place or intended to be in place at each Council and do not supersede or replace the Investment Strategy Statement or policies of each Administering Authority. Instead, ESG/RI Guidelines are considered complementary to those documents. The draft guidelines have been considered by the Pension Committee at its meeting in November. Other ACCESS authorities are currently reviewing the document prior to the next JC meeting 7 March 2022 for the next stage of the approval process.

5.11 At the last meeting of the ACCESS JC in December 2021, agreement was reached on a set of criteria for future sub fund requests to be considered. This will enable ACCESS to provide a clear process around how a request for a new sub fund will be reviewed against and the criteria that needs to be satisfied. The guiding principles are:

1. Strategy - The strategy adds to, and does not unnecessarily duplicate, the existing sub-funds that ACCESS have already created.
2. Availability - The strategy must be open and capacity available for new investors.
3. Value for money - The new sub-fund will deliver cost savings to the requesting Authority(ies) and other ACCESS members.
4. Scale and commitment - Requesting Authority(ies) should align with the primary or the secondary guidelines on scale and commitment to be considered as “suitably meaningful”.
5. Investment manager relationships - This section facilitates a discussion regarding how a recommended Investment Manager enhances the Pool: for example, it may be the proposed sub-fund is managed by an Investment Manager already managing a sub-fund(s) within the Pool and will thereby further deepen the relationship with ACCESS and may lead to incremental fee savings.
6. Reasonableness test - To preserve the design of the ACS and ACCESS’s overall pooling model, to minimise cost and complexity, it should be the obligation of any requesting Authority that they satisfy themselves and the other ACCESS Authorities that their request is reasonable.

5.12 The current Operator Agreement will continue until its end date, 5 March 2025. The Joint Committee received a proposed timeline and rationale at its last meeting. A final recommendation will be made to the JC once the procurement lead authority is identified and has reviewed the proposals. The steps that have been proposed include:

1. **Procurement Lead Authority agreed**
2. **Inter Authority Agreement review**
3. **Preparation**
4. **Formal procurement**

and, in the event of change of Operator,

5. **Preparation for transition:**
6. **New contract commencement**
7. **Transition of services to new Operator**

5.13 Essex County Council are currently undertaking a Internal Audit of ACCESS as the Host Authority. The objective of this audit is to evaluate the control design and test the operating effectiveness of key controls in place over the ACCESS Support Unit (ASU). The audit will cover the period from as far as 12 months prior to the time of the audit. It was agreed as part of the 2020/21 Internal Audit review that the 2021/22 review will seek input from the administering authorities Internal Audit leads when drawing up the terms of reference.

6 Support for future meetings

6.1 Hymans Robertson offers a suite of videos which can be used for training purposes. Access is via an agreed number of licences. Officers believe it is possible members of both the Board and Committee may find this resource useful as they will be able to view videos, and complete the connecting tests, which are related to agendas of future meetings to help understand the background to items being discussed.

6.2 Officers estimate that 15 licences would be required. This would come at a cost of £3,750 per year before VAT. The contract would be for a minimum period of 2 years.

6.3 Board members are asked to indicate if this is a facility to which they would like access. Committee members will be asked the same question.

7 Conclusion

7.1 The Board is asked to note the changes to normal minimum pension age and state pension age, transfer requests and audit deadlines.

7.2 The Board is asked to note the contents of the report issued by GAD in relation to the 2019 Valuation.

7.3 The Board is also asked to note the progress being made in filling the vacancy for the pensioner representative amongst the member representatives on the Pension Board and indicate if members would make sure of the Learning Academy.

7.4 The Board is also asked to consider how the ACCESS pool could improve scheme member representation for the Fund to feed back through its representative when potential changes are being discussed.

IAN GUTSELL
Chief Finance Officer

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

Report to: Pension Board

Date: 10 February 2022

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 November 2021 which were due on 19 December 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 known as the East Sussex Pension Fund. The Regulations also empower the Fund to admit employees of other 'defined' (e.g. other public bodies) bodies into the Fund.

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

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

i-Connect

2.1. The i-Connect project is progressing with more employers being initially contacted around onboarding to the new system and those that have already had initial conversations and meetings taking the next steps to prepare for using the system.

2.2. The Employer Engagement team have been working alongside the Pensions Administration Team (PAT) to help the onboarding process of the i-Connect project. As highlighted in the last report the team have encountered some issues with the i-Connect software on some

processes. These issues have been looked at internally to find the best method to manage the data that is getting sent through the i-Connect system.

2.3. As a result of speaking to other authorities that have been using i-Connect for a longer period we have been able to establish our own specifications that we will be able to provide to employers to give them the relevant information and workarounds we require as part of the onboarding process. These specifications have been drafted and are currently being peer reviewed and will be available to all employers in February 2022.

2.4. Due to the decision to create a Fund specific specification document to ensure the data received is aligned with the internal procedures to act up on the data, the Fund slowed down the rolling out of the project to other larger employers to ensure the existing onboarded employers are all set up and running well. Instead, the team have been focussing on the 'Online Return' method of data uploading which will be applicable for some of the smaller employers. It has been a great opportunity for the team to engage and speak to different employers on this project and start to build good relationships.

2.5. The current numbers for the i-connect project:

Still to onboard	Initial enquiries ongoing	Started onboarding process	Onboarded
52	9	16	49

2.6. The Fund have had conversations and meetings with three larger employers who would ideally be onboarded to the i-Connect system, with the first files run for member matching and identification or errors, before the financial year end. This should allow the Annual Benefit Statement data to be received through i-Connect instead of the year end method, as these larger employers required significant work to make sure data is correct.

2.7. The contribution reconciliation process is not currently an option through the i-Connect system, however Heywood's have advised that a future release to the software later in the year should allow this reconciliation of monthly contributions.

2.8. The i-Connect project is continuing to help 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. The team will offer the relevant time and support to allow for a smooth transition alongside appropriate training. The Fund are hopeful that as restrictions on Covid are relaxed we will be able to provide training to employers particularly on i-Connect in person.

Communications

2.9. The Employer Engagement Team have continued to improve communications and build relationships through engagement with employers through ongoing projects.

2.10. The Pensions Communication Manager has now been appointed, Paul Linfield joined the team in January 2022 and will be focusing on numerous communication needs across the Fund including the chairing of the Communications Working Group.

2.11. The Q1 employer newsletter is in the process of being drafted and communicated to all employers. The active newsletter is also being drafted and will be communicated shortly. A review of how newsletters are drafted and issued will take place in the next few months to see if a clearer more effective method can be used.

2.12. The covenant project being carried out by PricewaterhouseCoopers (PwC) with higher risk employers is continuing. PwC have completed the data collation and questionnaire phase of the project and require cessation valuation reports for assessment, this information is being provided

by the Fund actuary. Once these have been completed PwC will be in position to complete the final report.

2.13. The Employer Annual Forum was held virtually on 24 November 2021. There were 78 individuals in attendance, made up of employers, officers and pension and committee members. The Fund has received good feedback on the session and many employers that we have subsequently spoken to, found the topics covered were substantial with good detail. The breakout room elements in the afternoon were received well and the feedback was that this was a good way virtually for people to raise their questions. We hope that we can run future interactive sessions with employers on set topics later this year. A link to the Forum recording is on the Pension Fund website and is broken down for each individual presenter/speaker.

Employer Contributions

3.1 In line with regulations, employers are required to pay over contributions to the Fund, on or before, the 19th day following the month in which the contributions were deducted. The below table sets out the number of late payments, received after the 19 days have elapsed.

Tables of Contributions received after the 19th day of the month following contributions deducted up to the 19 December 2021.

Non-Cheque	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Total payments due	114	114	116	116	117	117	115	115	115	117	117	117
Payments received late	4	2	0	1	9	8	4	3	9	5	0	3

Cheque	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Total payments due	12	12	12	12	12	12	12	12	12	12	12	12
Payments received late	4	1	3	6	2	0	4	0	6	3	2	1

Overall	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Total payments due	126	126	128	128	129	129	127	127	127	129	129	129
Payments received late	8	3	3	7	11	8	8	3	15	8	2	4

3.2 In the last 12-month period, there have been 80 late payments of contributions out of 1,534 expected payments. Contribution tables for this report have been split out to show the difference between cheque payers and non-cheque payers. A large percentage of the missed payments is still down to those employers that still pay by cheque. As outlined previously, due to Covid restrictions, cheques are not always paid into the bank daily; 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.

3.3 Other late payments that are non-cheque payers are normally due to a range of reasons, (change in payroll provider, change in staff, staff holidays etc). There is no noticeable trend in these late payments such as repeating late payments from a single employer. Every time a late payment is made the engagement team send a warning e-mail alongside the offer of a phone call or Teams meeting to ascertain the reason for late payment to correct this for the following month.

3.4 In the past few months the team have created a more robust method of highlighting late payers and have communicated with the employer's requesting payment and advising responsibility of the employer in relation to the regulations. Official warning notifications have been sent to late payers and it is outlined that if late again in a 12-month period administration charges will be sought in line with the administration strategy. There has been one employer so far that has had multiple late payments, resulting in the issuance of an administration charge to this employer. The team have also offered support the employer if they require retraining on employer responsibilities and the requirements of paying contributions on time.

3.5 The Engagement Team now monitor all contributions through a monthly log and pick up on any discrepancies monthly and revert to the employer to amend. Reminders are sent to all employers throughout the month to try to reduce the number of late payments and late contribution forms being received. Through this process it has allowed the Engagement Team to improve relationships with the employers so that any problems can be resolved quickly, and employers know they can also contact the team for help.

3.6 The Fund will continue to engage with employers to understand the issues behind late payments and provide support 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 administration charges and any breaches reported accordingly to the Regulator. 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:
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Tim Hillman, Pensions Manager Employer Engagement
Tim.Hillman@eastsussex.gov.uk

Report to: Pension Board

Date of meeting: 10 February 2022

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 note the updates and 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 or the Fund) 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 January 2021 to December 2021 can be found at **Appendix 1**. The PAT saw performance numbers during quarter four 2021, average at 97.07% (volume completed 2,188) which were similar to the previous quarter of 98.37% (volume completed 2,370). The volume numbers are quite different from the same period 12 months ago – 98.04% (volume completed 1,485).

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 was completed in Altair in early October 2021. The Fund is now creating a new KPI reporting dashboard within Altair Insights and expect this to be presented in the new format at the next meeting. In the meantime, the KPI’s presented, are now a mixture of the new East Sussex and the old Orbis internal measurements.

2.3 The Orbis Pensions Helpdesk was introduced in November 2019 and their performance since April 2021 is shown in **Appendix 2**. Since the disaggregation of Orbis the Fund implemented a new gold standard service provision. The report now includes task volumes undertaken. The helpdesk introduced a short call survey from December 2021 and the results are included in the Appendix.

3. Pension Administration Transfer and Staffing Update

3.1 All administration staff are continuing to work from home and remain in good spirits and we closely monitor their wellbeing. The team did attend team meetings in Lewes County Hall on 19 October and 3 December 2021. The wider Pensions team has proposed a hybrid approach for a return to the office. The Corporate Management Team are monitoring the changing position and the requirement to change guidance.

3.2 Job descriptions are being reviewed by the Council's Human Resources team for evaluation with one post evaluated in January 2022. The Fund hope once existing staff posts have been assessed and staff are able to assess the option of retaining their TUPE (Transfer of Undertakings, Protection of Employment regulations) terms with an East Sussex County Council contract we can then start actively recruiting the existing vacancies to better manage projects, manage additional workload resulting from the upcoming triennial valuation and new work created through the uptake of i-Connect with a robust team structure reducing key person risk.

4. Internal Audit

4.1 The Internal Audit team have completed the 2020/21 Pensions Administration Audit to ensure compliance with Regulatory Controls. An update on progress against the Management Actions are presented in **Appendix 3**.

5 Projects update

5.1 Data Improvement Project (DIP)

We now consider DIP part of Business As Usual and are focusing on three particular areas:

- a) Continue to monitor and review cases in Status 2 (undecided leavers), Status 8 (awaiting entry) and Status 9 (frozen refunds).
- b) Maintain the Pensions Regulator (tPR) common and conditional data scores – currently 96.3% and 95.7% respectively.
- c) Work with Barnett Waddingham on the initial valuation data quality.

5.2 GMP Rectification

The project is on hold whilst until the April 2022 pension increases for the pensioner population are finalized. This data will then be passed to Mercers to determine the over and underpayments for pensioners and looking at the draft communications. The rectification will likely be implemented in October 2022.

5.3 Annual Allowance (AA) historical review project

The project to correct the AA for the period 2014/15 to 2019/20 is in progress with the first results starting to come into the Fund from the external consultant, Aon. The PAT has provided Aon with the revised salary histories for the circa 350 members in scope for review. The Fund issued provisional letters prior to Christmas to all members impacted by AA in 2020/21 and these have been added to the project scope when communicating back to effected scheme members. Aon have queried the quality of the final pensionable pay data supplied by the various employers. This has been reviewed and corrected where appropriate. The first batches of historically completed calculations have been received and final spot checks are being undertaken before the data is input to the Altair system and communications produced.

5.4 Pension Increase April 2022

This will be the first time the in-house team have undertaken this project and planning is now underway.

5.5 ITM – monthly pensioner mortality checks and address tracing exercise

These projects are due to commence in February 2022 once a contract has been finalised with a specialist supplier.

6 Conclusion and reasons for recommendation

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

IAN GUTSELL
Chief Finance Officer

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APPENDIX 1

East Sussex Pensions Administration - Key Performance Indicators

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 (went live October 21).

Activity	Old Measure	Impact	Old Target	New Target 100%	13/10/2021		Dec-21		Nov-21		Oct-21		Sep-21		Aug-21		Jul-21		Jun-21		May-21		Apr-21		Mar-21		Feb-21		Jan-21	
					Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score
Scheme members	Pensioners, Active & Deferred				80,931		80,484		80,334		79,102		79,492		79,393		79,151		79,070		79,172		79,071		79,027		78,990			
New starters set up					379		894		451		240		200		287		230		326		178		211		211		176			
1a Death notification acknowledged, recorded and documentation sent	within 5 days	M	95%	within 2 days	14	100%	35	100%	30	100%	31	100%	15	100%	18	100%	16	100%	18	100%	22	100%	43	100%	29	100%	64	100%		
1b Award dependent benefits (Death Grants)	within 5 days	H	95%	within 5 days	21	100%	17	95%	13	93%	16	100%	16	100%	8	100%	12	92%	21	96%	14	100%	9	89%	10	100%	9	100%		
2a Retirement notification acknowledged, recorded and documentation sent	within 10 days	M	95%	within 7 days	98	88%	94	90%	93	100%	95	95%	117	96%	128	99%	94	99%	104	100%	81	91%	84	95%	68	56%	74	94%		
2b Payment of lump sum made	within 5 days	H	95%	within 5 days	90	94%	118	97%	101	100%	147	90%	113	100%	107	100%	112	100%	147	97%	136	95%	96	87%	99	94%	82	93%		
3 Calculation of spouses benefits	within 5 days	M	90%	within 5 days	19	100%	19	100%	20	100%	22	96%	15	100%	14	93%	18	95%	16	100%	20	100%	24	96%	19	100%	20	95%		
4a Transfers In - Quote (Values)	within 10 days	L	90%	within 10 days, aggregation 15 within 5 days,	29	83%	23	100%	33	76%	38	90%	35	89%	42	96%	47	73%	22	64%	12	67%	19	79%	26	74%	23	61%		
4b Transfers In - Payments	within 10 days	L	90%	within 5 days, aggregation 25	29	90%	17	95%	22	100%	22	91%	27	100%	23	100%	34	65%	8	75%	14	93%	12	91%	17	95%	19	95%		
5a Transfers Out - Quote	within 25 days	L	90%	within 15 days	29	100%	55	100%	48	100%	43	91%	48	100%	103	100%	63	91%	47	98%	23	100%	40	75%	41	93%	28	90%		
5b Transfers Out - Payments	within 25 days	L	90%	within 10 days	18	100%	30	94%	21	100%	17	95%	9	89%	8	100%	33	100%	9	100%	21	91%	22	87%	12	92%	16	100%		
6a Employer estimates provided	within 7 days	M	95%	within 15 days	14	93%	27	86%	17	82%	19	100%	10	100%	26	97%	33	97%	42	96%	23	83%	28	68%	30	80%	33	79%		
6b Employee projections provided	within 10 days	L	95%	within 15 days	11	91%	14	100%	13	93%	14	100%	19	95%	23	100%	19	95%	33	97%	8	88%	14	93%	30	94%	9	100%		
7 Refunds	within 10 days	L	95%	Quotes 10 days, settle 5 days	39	100%	58	100%	47	100%	54	100%	32	100%	32	100%	33	100%	29	97%	8	100%	22	100%	24	100%	37	100%		
8 Deferred benefit notifications	within 25 days	L	95%	within 15 days	195	99%	376	100%	241	100%	329	100%	333	100%	202	100%	150	100%	147	100%	99	99%	127	100%	152	100%	203	100%		
TOTAL TASKS COMPLETED					606	95.21%	883	97.62%	699	98.28%	847	97.17%	789	98.61%	734	99.32%	664	94.73%	643	96.89%	481	94.59%	550	91.45%	557	90.84%	617	93.70%		
Figures for the previous year					408	98.28%	486	97.53%	591	98.31%	494	95.34%	516	92.64%	543	92.63%	394	96.70%	359	98.61%	454	98.02%	598	99.00%	642	99.53%				
Missed target cases					29		21		12		24		11		5		35		20		26		47		51		39			
9 Complaints received - Admin					2		5		3		2		1		6		5		7		8		4		2		0			
Complaints received - Regulatory					0		0		0		0		0		0		0		0		0		0		0		0			
13 Compliments received					1		1		0		1		0		0		1		0		0		0		0		0			
Summary for failed cases					Dec-21		Nov-21		Oct-21		Sep-21		Aug-21		Jul-21		Jun-21		May-21		Apr-21		Mar-21		Feb-21		Jan-21			
1b Award dependent benefits (Death Grants)																	1 overdue						1 Overdue by 2 days							
2a Retirement notification acknowledged, recorded and documentation sent					12 over by average of 2.6 days																	4 Overdue by average of 7 days		30 overdue		4 overdue				
2b Payment of lump sum made																						7 overdue by average of 4 days		12 Overdue by average of 4 days		1 overdue		6 overdue		
3 Calculation of spouses benefits																														
4a Transfers In - Quote (Values)					5 over				8 Overdue by average of 7 days					5 overdue by average of 3 days								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
4b Transfers In - Payments																						11 overdue		2 overdue by average of 38 days		2 Overdue by average of 17 days		1 overdue		
5a Transfers Out - Quote																									10 Overdue by average of 15 days		3 overdue			
5b Transfers Out - Payments																									2 overdue by average of 10 days		9 Overdue by average of 5 days		1 overdue	
6a Employer estimates provided																								4 overdue by average of 6 days		4 Overdue by average of 6 days		6 overdue	7 overdue	
6b Employee projections provided																									1 Overdue by 1 days		2 overdue			
8 Deferred benefit (DB5YE)																														

Performance for the year Jan 21 to Dec 21 inclusive		
Total	Fails	% pass
335	0	100
166	5	97.0
1,130	78	93.1
1,348	59	95.6
226	5	97.8
349	68	80.5
254	25	90.2
568	27	95.2
216	10	95.4
302	37	87.7
207	9	95.7
415	1	99.8
2,554	3	99.9
8,070	327	95.9

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Appendix 2 Helpdesk performance

Introduced the call centre for East Sussex Pension Fund (ESPF) in November 2019

ES Helpdesk service levels for helpdesk services – new measurement approach 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 consider applying performance penalties
- Thereafter quarterly performance assessed against the scoring mechanism with rectification plan for underperformance including penalty clauses for sustained underperformance.

Main Helpline for ESPF

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%
July 21	91%	43%	9%	100%
August 21	88%	31%	9%	100%
September 21	86%	23%	6%	100%
October 21	80%	37%	2%	100%
November 21	87%	36%	1%	100%

Website Helpline (all six Pension Funds until October 21 the ESPF only)

Period	First time fix	Call answer time	Abandoned call rate	Email response time
GOLD TARGETS	85%	75%	5%	100%
April 21	N/A	30%	18%	N/A
May 21	N/A	31%	15%	N/A
June 21	N/A	48%	10%	N/A
July 21	100%	39%	10%	100%
August 21	100%	49%	21%	100%
September 21	100%	67%	6%	100%
October 21	91%	64%	9%	100%
November 21	100%	63%	6%	100%

Monthly transaction volumes

Month	Telephone Calls	Email's Processed	Call Back's	Total
April 21	1,080	287	13	1,380
May 21	855	475	11	1,341
June 21	807	944	15	1,766
July 21	929	1,795	13	2,737
August 21	936	1,329	5	2,270
September 21	858	1,470	8	2,336
October 21	767	1,241	16	2,024
November 21	815	1,206	0	2,021
Totals	7,047	8,747	81	15,875

Telephone survey

This is a new service starting in December 21.

Questions raised by email within 24hrs of call where a caller says they are willing to complete a short survey:

1. How easy was it for you to contact the Pensions Helpdesk today?
2. Based on your recent experience how strongly would you recommend using the Helpdesk to a colleague?
3. How confident are you that your question was resolved or will be resolved in the relevant timelines?
4. How satisfied were you with your overall experience today?

Question No.	1 Star	2 Star	3 Star	4 Star	5 Star
1	0	0	0	4	23
2	1	0	1	4	21
3	1	1	0	5	20
4	0	2	1	2	21

Note: 5 Star is the highest and therefore best rating

An additional question was asked about how many times have your called in connection with your enquiry?

No. of calls	No. of members
First call	17
Second call	4
Third call	2
Fourth or more	4

Appendix 3 - Internal Audit Report – Pension Administration - People, Processes and Systems 2020/21

Ref.	Finding	Potential risk implication	Risk	Agreed action	Owner	Target Date
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> <p>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 £160k. The agreement, signed in Dec 20, was not accompanied by a completed bond. We understand the bond is not being chased because the contract will be terminated from 1 April 21. 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).</p> <p>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, 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 disagreement between parties, additional care should be taken in wording agreements. 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>	<p>In both cases, it transpires that the bonds were not required despite the agreements indicating otherwise. It is therefore important that agreements are clearly worded, and subsequently amended are required and 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. 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 for termination and a bond will not be sought to align with the agreement. 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. In addition, after discussions with legal, the Fund have agreed to use 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>	Sian Kunert	<p>Original target date 01/11/2021</p> <p>A new admissions procedure has been produced. The portal is now available for the Fund to start to use, although functionality is not as sophisticated as anticipated yet. New draft templates have been received by the Fund in January 2022 but will need to be fully assessed to agree replacement of current templates.</p> <p>Procedures written December 2021</p> <p>Portal anticipated to have agreed templates April 2022</p>
4	<p>An</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> <p>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, change to member details such as bank, address death etc.</p>	<p>Where procedures are not formally documented, staff may not be fully aware of their responsibilities and key tasks may not be performed.</p>	Medium	<p>ESCC PAT team have inherited the Orbis processes and agreed that processes are not well documented, but the checklists are in place for pretty much all tasks. 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 timeframe, we have to cut out non essential activities. It was always acknowledged the work would be looked at post go live over the Summer 2021. We will create a project plan to review these in August, with an expectation to complete many of these this year.</p>	Paul Punter	<p>01/08/2022</p> <p>The first process to be reviewed will be the TV-out (including pension scams) and a small team are meeting in County Hall on 6/10/21 to document the current process and prepare a flowchart using Visio software. The "to be" new process was documented on 8/12/21. Letters and checklists to be completed by 31/1/22. Checking IT support and resources before next process reviews begin - priority order is leavers next, then deaths.</p>

<p>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 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>					
<p>8 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 PAT.</p>	<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. Without independent checks of the factors unloaded, errors in calculations may not be detected timely.</p>	<p>Medium</p>	<p>We are all aware that following the TUPE transfer we have signification recruitment to undertake. Recruitment is now a priority for the Fund, particularly now support for the project work from Surrey ceased on 30/6/21. 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. 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. When factors are changed and revaluation tables updated, these are communicated to PAT and extra care taken to check the first few cases therefore to check factors are feeding through cases correctly when processing. 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>	<p>Paul Punter</p>	<p>28/02/2022 Meeting arranged 27/1/22 to review and determine linking Altair profile configurations & permissions with PAT job descriptions. In addition to cover removing all non-ES housekeeping options - define key areas and agree a review plan. New PAT job descriptions have been reviewed by Sian and HR and supporting document created to explain the specialist nature of the service. These will be evaluated by the ES recruitment panel. Once the appropriate gradings are agreed recruitment can be progressed quickly.</p>
<p>1. Currently, only one individual within the ESCC 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 Pensions 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.</p>					
<p>2. In addition, there is no evidence indicating that there is an independent review of the updates to the factors performed by the individuals above.</p>					
<p>3. For career average revalued earnings (CARE) benefits, they are revalued annually through updates made to the 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>					

Report to: Pension Board

Date of meeting: 10 February 2022

By: Chief Finance Officer

Title: Additional Voluntary Contributions Report

Purpose: To provide an overview of the existing AVC arrangements and commentary on service provision for review.

RECOMMENDATIONS

The Pension Board is recommended to:

1. Consider the service provision and options available to members and make comments to inform the paper to Pension Committee
-

1. Background

1.1 This report has been prepared to assist the East Sussex Pension Fund (the Fund) with the management and governance of the Additional Voluntary Contribution (AVC) arrangements with Prudential.

2. Supporting information

2.1 AVC's are a way for Fund members to increase their benefits above their entitlement under the Local Government Pension Scheme (LGPS) based on their employment service. AVC's build a pot of money of additional benefits under an arrangement with an AVC provider. For the Fund this provider is Prudential. The contributions into AVC's are deducted from a members pay before tax, so tax relief is automatic.

2.2 **Appendix 1** provides a detailed report on the management and governance of the existing arrangements covering, Member Demographics, Investments, Service, Communications, and comments on some other AVC providers.

2.3 Overall there are no aspects of major concern, however there are 3 areas to note around the administration service performance, the strength of the provider and the default investment fund within this arrangement.

3 Conclusion

3.1 The Board is asked to consider the service provision and options available to members of the AVC arrangements with Prudential and provide any comments to inform the paper for Pension Committee.

IAN GUTSELL
Chief Finance Officer

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AVC Review

January 2022

Introduction

This report has been prepared for the East Sussex Pension Committee to assist with the management and governance of the East Sussex Pension Fund's (ESPF or the Fund) Additional Voluntary Contribution (AVC) arrangements with the Prudential.

There were 1,086 East Sussex Fund members with Prudential AVC's, based on the statement of accounts as at 31 May 2021 totalling £21.9m of assets. Annual contributions by members into the AVC funds amounted to £2.1m in 2020/21.

The AVC arrangement currently consists of 10 self-selected funds which are open for new investment, these are mostly actively managed funds with two passively managed funds. In addition, members have access to two lifestyle options (a) that is designed for a member planning to take all their AVCs as cash on retirement or (b) retirement options where only 25% of the fund is aimed at cash on retirement. The lifestyle invests in a range of predominantly growth seeking assets (equities, property etc.) when more than 10 years from retirement and gradually de-risks into consolidation assets (bonds and cash) over the 10 years to selected retirement date.

The Committee is required to consider the on-going suitability of the funds made available for members to choose, taking into account the performance of both the provider and investment fund in question.

This report will cover the following areas:

- Member demographics
- Investments
- Business
- Service
- Communications
- Commentary on alternate providers
- Summary and recommendations

To help compile this paper the Fund has been provided information from Prudential and has sought commentary from the Barnett Waddington DC research team, who regularly review leading DC providers across the key areas – business, administration, investment and communications.

Executive Summary

Responsibility

The Pension Committee has an ongoing governance responsibility to ensure that:

- The fund options made available remain appropriate
- The AVC provider offers a good quality service that meets the needs of members and the Committee
- The charges paid by members are competitive and offer good value to money

Key findings

Overall, there are no aspects of Prudential of major concern, however the following should be noted:

- 1.** Prudential's administration service performance had deteriorated in 2021, The Fund communicated with Prudential in April 2021 to understand the issues and how this would be resolved, and awareness was raised to Board and Committee in June 2021. Prudential implemented a Critical Service Recovery Plan in July 2021. The service issues have been predominately as a result of an upgrade to the Prudential's administration platform which has caused issues across a number of areas and has resulted in a backlog of work items. Prudential has taken this issue seriously, and service has improved. The Fund will continue to monitor Prudential carefully to ensure that service continues at expected standards and any outstanding services issues are resolved.
- 2.** Prudential are one of the largest AVC providers in the UK and have significant experience in administering AVC arrangements for local authorities. Prudential is financially strong and compares well across the industry with a Standard and Poor's rating of A+.
- 3.** The default investment fund for ESPF members under the AVC arrangements is the Prudential With-Profits Fund. This fund aims to provide competitive long-term real returns whilst smoothing the peaks and troughs of day-to-day market movements. This fund is broadly one of the better performing with-profits funds available. Whilst Prudential's charges for the unit-linked funds are reasonably high relative to DC scheme pricing, they are more consistent with AVC arrangements. Irrespective of whether more competitive charges are available in the wider market, the access to an equivalent With-Profits Fund are less likely to be available under a new arrangement, as the majority of with-profits funds in the market are closed to new business. As a result, any change in supplier would impact the majority of AVC investors in their ability to access an equivalent investment option and could cause added complexity, removal of stability in their AVC's and increased exposure to market risk.

Recommendations

The Pension Committee should

1. Consider the service provision and options available to members
2. Agree to a regular review of the AVC arrangements

East Sussex Pension Fund Membership of AVC's

Membership Demographics

Status by age group as at 30 June 21

	25-29	30-34	34-39	40-44	45-49	50-54	55-59	60-64	65+	Total No. of members
Active	3	9	23	46	121	232	315	208	73	1,030
Deferred	0	2	4	9	21	92	98	50	19	295
Totals	3	11	27	55	142	324	413	258	92	1,325

Status by membership duration as at 30 June 21

	30+ Yrs	20-30 Yrs	10-20 Yrs	5-10 Yrs	4-5 Yrs	3-4 Yrs	2-3 Yrs	1-2 yrs	<1 Yr	Total No. of members
Active	0	289	109	255	120	88	35	50	84	1,030
Deferred	1	184	43	45	12	8	0	2	0	295
Totals	1	473	152	300	132	96	35	52	84	1,325

Status by years to retirement as at 30 June 21

	Past retirement date	<1 Yr	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	5-10 Yrs	10-20 yrs	20+ Yrs	Total No. of members
Active	7	52	52	57	71	73	319	320	79	1,030
Deferred	1	10	13	9	10	19	107	112	14	295
Totals	8	62	65	66	81	92	426	432	93	1,325

Member pot sizes

- Approximately 80% of the membership have pot sizes of less than £40k and around 40% have pot sizes of less than £10k.
- A small number of members have AVC pots of over £100k.
- The average member pot size is £13,440.

Age profile of membership

- Shows the maturity of membership.
- The oldest member is 74.
- The average age of the membership is 56.

Years to retirement

- 60% of the membership have less than 10 years until retirement based on the policy end date with Prudential.
- However, 7% of members have over 20 years until retirement so the Committee's on-going governance requirement for the AVC is expected to continue over a long time horizon.

Investment's

Funds available for investment

Investment Fund Name	Asset Class, Active or Passive	Prudential's risk rating
Prudential UK Equity Passive Fund	Equities, Passive	High
Prudential Overseas Equity Passive Fund	Equities, Passive	Medium to higher risk
Prudential Positive Impact Fund	Equities, Active	Medium to higher risk
Prudential Discretionary Fund	Multi-Asset, Active	Medium
Prudential Dynamic Growth IV Fund	Multi-Asset, Active	Medium
Prudential Long-Term Gilt Passive Fund	Government Bond, Active	Medium
Prudential Dynamic Growth I Fund	Multi-Asset, Active	Lower to medium risk
Prudential Dynamic Growth II Fund	Multi-Asset, Active	Lower to medium risk
Prudential With-Profits Fund (<i>Default option</i>)	Multi-Asset, Active	Lower to medium risk
Prudential Cash Fund	Deposits, Active	Minimal risk

AVC investors can invest in multiple funds.

Environmental, Social and Governance (ESG)

There is one ESG offering in the arrangement – the Prudential Positive Impact Fund. The fund gains its positive impact exposure through the M&G Positive Impact Fund. The fund is a concentrated portfolio of global stocks, investing in companies that make a positive social and/or environmental impact alongside a financial return. The fund embraces the United Nations Sustainable Development Goals framework and invests in companies focused on areas including climate action, pollution reduction, circular economy, health and wellbeing, education and innovation, and working conditions. The objective is to support and influence their contribution to the world's major social and environmental challenges. The fund manager has discretion to invest in companies with limited exposure to fossil fuels but which are driving or significantly participating in the transition to a more sustainable economy. There are 67 members invested in this fund which equates to 5% of member exposure to the investment options. This fund was added to the options available in February 2020.

Closed Funds

The following funds have been closed, however members who have selected these prior to closure can retain their holding.

Investment Fund Name	Asset Class, Active or Passive	Prudential's risk rating
Prudential Deposit Fund	N/A, Active	Minimal Risk
Prudential Fixed Interest Fund	Government Bond, Active	Lower to medium risk
Prudential Global Equity Fund	Equities, Active	Medium to higher risk
Prudential Index-Linked Fund	Government Bond, Active	Medium to higher risk
Prudential International Equity Fund	Equities, Active	Medium to higher risk
Prudential UK Equity Fund	Equities, Active	High

The UK Property S1 and S3 funds were closed in July 2021, due to a large number of withdrawal requests. Members investing in these funds since 03/06/2019 were redirected into the Cash Fund (unless members selected an alternative fund). Prudential wrote to all members who were invested in the property funds with details of the closure, the fund they proposed moving their investment to and next steps.

Lifestyle funds

Prudential Lifestyle Fund Name	Fund within lifestyle
Targeting 100% cash	Dynamic Growth IV & Dynamic Growth II & Cash
Targeting retirement options	Dynamic Growth IV & Dynamic Growth II & Cash

Members have access to two lifestyle options (a) that is designed for a member planning to take all their AVCs as cash on retirement or (b) retirement options where only 25% of the fund is aimed at cash on retirement. The lifestyle invests in a range of predominantly growth seeking assets (equities, property etc.) when more than 10 years from retirement and gradually de-risks into consolidation assets (bonds and cash) over the 10 years to selected retirement date.

Default fund

The Prudential arrangement offers a default investment, where members' contributions will be invested unless they make an active choice otherwise. For this arrangement, the default is the Prudential With-Profits Fund.

The With-Profits Fund aims to offer the prospect of competitive long-term real returns whilst smoothing the peaks and troughs of day-to-day market movements. The Fund is broadly one of the better performing with-profits funds.

The value of with-profits funds are not directly exposed to fluctuations in the value of the underlying assets. Instead, returns are 'smoothed' through the addition of bonuses (regular and final) which aim to provide members with a steady rate of return. The level of bonuses applied, which are not guaranteed, will vary depending on a number of factors and will

make an allowance for the charges associated with running the fund.

Members have the potential to achieve higher returns by transferring from the With-Profits Fund into unit-linked alternatives. However, in doing so, members would then equally expose the fund value they have built up to potential negative returns. By contrast annual bonus rates in the With-Profits Fund once applied, cannot be taken away.

With-profits funds have commonly been used within AVC arrangements, and there are no particular concerns regarding the use of the Prudential With-Profits Fund as the arrangement's default.

Funds Under Management as at 30 June 2021

Prudential Fund	Units	Price	Value (£)	% of total fund	No. of members
With-Profits Cash Accumulation Fund			9,034,258	50.73	777
S3 Discretionary Plan	795,589.15	416.90	3,316,811	18.63	248
Deposit Fund			1,569,708	8.81	121
S3 Overseas Equity Passive Pen	149,487.25	524.80	784,509	4.41	104
S3 Cash Pen	382,554.47	155.70	595,637	3.34	48
Dynamic Growth IV	313,020.27	163.20	510,849	2.87	74
S3 Long-Term Gilt Passive Pen	132,026.30	360.50	475,955	2.67	76
Positive Impact	344,496.24	126.40	435,443	2.45	67
UK Equity Passive	117,735.69	307.10	361,566	2.03	52
Dynamic Growth I	163,989.88	145.80	239,097	1.34	45
With-Profits Cash Accumulation Fund 2			207,342	1.16	61
Dynamic Growth II	103,584.67	152.30	157,759	0.89	46
S3 International Equity Pen	10,796.65	515.50	55,657	0.31	9
S3 Global Equity Pen	8,197.55	396.60	32,511	0.18	5
S3 UK Equity Pen	8,223.29	343.30	28,231	0.16	5
S3 Index-Linked Pen	445.66	470.70	2,098	0.01	1
S3 UK Property Pen	-2.39	315.80	-8	0.00	2
Totals			17,807,424		1,337

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Funds Under Management as at 30 June 2021 by age

Prudential Fund by age	25-29 (£)	30-34 (£)	34-39 (£)	40-44 (£)	45-49 (£)	50-54 (£)	55-59 (£)	60-64 (£)	65+ (£)	Total No. of members
With-Profits Cash Accumulation Fund		4,146	35,101	129,335	480,694	1,445,382	3,339,032	2,556,215	1,044,352	777
S3 Discretionary Plan	1,596	10,478	18,950	43,569	189,391	696,204	1,430,608	629,171	296,843	248

Deposit Fund		437	436	5,608	63,381	189,429	515,400	489,426	305,592	121
S3 Overseas Equity Passive Pen	1,741	2,381	4,670	37,685	140,256	201,638	289,518	97,936	8,683	104
S3 Cash Pen	1,376	197		49	1,245	111,033	166,917	244,174	70,645	48
Dynamic Growth IV			14,227	10,724	106,235	249,545	93,208	36,910		74
S3 Long-Term Gilt Passive Pen	791		1,141	21,280	56,866	105,569	132,486	97,675	60,146	76
Positive Impact	649	993	15,025	21,846	48,808	75,364	120,426	110,134	42,198	67
UK Equity Passive		3,560	5,868	74	50,555	143,452	71,345	52,176	34,536	52
Dynamic Growth I			936	1,527	35,931	62,849	59,681	60,267	17,908	45
With-Profits Cash Accumulation Fund 2	1,202	643	1,454	970	7,082	63,675	81,672	50,144	500	61
Dynamic Growth II				202	39,031	24,090	66,101	28,336		46
S3 International Equity Pen					19,526	16,900	8,037	11,195		9
S3 Global Equity Pen			501			16,401	15,610			5
S3 UK Equity Pen					2,194	13,052		12,985		5
S3 Index-Linked Pen								2,098		1
S3 UK Property Pen							-8			1
Totals	7,355	22,835	98,309	272,870	1,241,198	3,414,582	6,390,033	4,478,840	1,881,403	1,337

Number of investors in each fund as at 30 June 2021 by age

Prudential Fund choice by age (free style only)	25-29	30-34	34-39	40-44	45-49	50-54	55-59	60-64	65+	Total
With-Profits Cash Accumulation Fund		3	5	18	50	108	165	106	48	503
S3 Discretionary Plan	1	3	10	6	22	47	65	40	4	198
Deposit Fund		1		2	7	14	28	30	19	101
S3 Overseas Equity Passive Pen	1	3	2	6	19	15	23	12	1	82

S3 Cash Pen	1	1	2	1	1	6	15	8	3	38
Dynamic Growth IV						3	6	1	2	12
S3 Long-Term Gilt Passive Pen	1		2	5	8	10	18	9	6	59
Positive Impact	1	2	5	5	14	10	14	6	1	58
UK Equity Passive		1	3		7	11	15	7		44
Dynamic Growth I					4	3	5	4		16
With-Profits Cash Accumulation Fund 2	1	1	3	2	8	14	17	11	1	58
Dynamic Growth II						6	4	4		14
S3 International Equity Pen					1	1	1	1		12
S3 Global Equity Pen			1			1	1			3
S3 UK Equity Pen						1				1
S3 Index-Linked Pen										0
S3 UK Property Pen										0
Unique Members	3	9	21	35	109	209	294	198	71	949

Investment performance period to 31 March 2021

The following table gives a summary of the investment performance of the open and closed funds. The figures are presented against the relevant benchmarks and net of fees.

Performance net of AMC Fund Name	Return Quarter	Return 1 year %	Return 3 year % p.a. (annualised)	Return 5 year's % p.a. (annualised)
UK Equity Passive	5.2	26.6	3.3	6.4
Overseas Equity Passive	3.4	41.1	10.9	13.4
Positive Impact	0.5	42.1	n/a	n/a
Discretionary	3.3	28.1	6.5	9.5
Dynamic Growth IV	1.0	27.8	7.2	9.5
Long-Term Gilts Passive	-12.2	-10.3	3.4	4.9
Dynamic Growth I	-1.7	16.3	5.9	7.2

Dynamic Growth II	-0.9	20.1	6.4	8.1
With Profits	unknown	unknown	unknown	unknown
Cash	0	0.1	0.5	0.4
UK Equity Active	5.6	33.9	4.5	7.4
International Equity	5.9	39.9	8.4	12.4
Global Equity	5.8	36.3	6.1	9.1
Index Linked	-6.7	3.1	3.8	6.8
Fixed Interest	-7.3	-4.8	2.9	3.3
Deposit	unknown	unknown	unknown	unknown

At retirement options

Members have the following options for taking their AVCs:

Tax-free cash sum – members may take up to 100% of the AVC benefits as a tax-free cash sum, provided that the total is not more than 25% of the total value of the Fund's benefits i.e. including Local Government Pension Scheme (LGPS) benefits.

1. Tax-free cash sum and increased pension – Up to 25% of the AVC benefits can be taken as a tax-free cash sum and the remainder can be used to provide an increased pension from the Fund.
2. Purchase of a lifetime annuity.
3. Transfer to an alternative registered pension arrangement, e.g. offering flexi-access drawdown;

Business

Financial Strength - durability

Prudential is financially strong and compares well across the industry. Prudential is part of M&G plc.

Agency	Rating	Meaning of rating	Outlook
Standard & Poor's	A+	A+ signifies strong financial security	Stable

Product commitment

Prudential are an international provider of financial products and services. From a UK perspective, although they are not actively seeking new business in the workplace pension market, they administer a significant number of pension schemes. In particular, they operate a number of AVC arrangements for local authorities participating in LGPS and other public sector schemes, and as such they are a well-known provider in this area of the market. Prudential provides AVC solutions to 74 of 99 Administering authorities in the LGPS.

Brand

Often members will feel more comfortable knowing that their AVCs are invested with a company that they have heard of and know something about. Members can also draw comfort from knowing that the company that looks after their AVCs also does so for millions of others.

Service

Whilst Prudential are one of the more active providers in the AVC market, their administration service has been poor in 2021 largely due to a change of administration platform. The move to a new administration platform will quite frequently bring with it

change and service issues. Prudential appear to have a detailed plan in place to put things right and the administration service performance is improving.

Systems

Prudential changed their underlying administration platform to BaNCS (provided by Diligenta) in late 2020. The BaNCS platform has more robust contribution reconciliation processes. Prudential have previously assisted clients by undertaking manual workarounds for non-matching contribution files and payments, but this is no longer possible. The change has caused challenges for clients' payrolls resulting in contribution processing delays.

The change to the contribution process has had a knock-on effect on other service areas, irrespective of whether contributions are paid or not. Prudential have made a significant increase in staffing levels in the key operational functions such as contribution processing and claims in order to reduce the backlogs of work that have built up.

Quality & Processes

As a result of the system issues, Prudential implemented a Critical Service Recovery Plan in July 2021, covering a number of services and processes:

1. Cash management – Prudential are working with a third party to educate clients' payroll teams in using the new system.
2. Claims – triaging claims that have no cash management (contribution) dependency and paying them; otherwise liaising with trustees where there are cash management issues; there are still delays on some claims (10 to 15 day completion to move to 5 to 10 day SLA in Q4 2021).
3. Complaints – taking the general approach of upholding complaints and ensuring no financial detriment.
4. Servicing and quotes – some developments to relieve pressures on voice contact service (if a quote doesn't get issued, a call is received increasing call volumes).

Helpline

Voice contact service (calls) – the service is stabilising, with c80% of staff now working back in the office in Craigforth following the removal of lockdowns imposed as a result of the Covid-19 pandemic. Call waiting times have fallen to around 10 minutes.

Project management

The production of the annual Statement of Account and Benefits Statements has been severely impacted with the system change and service issues. This is a key area Prudential are focusing on given the regulatory nature of the need for information. Prudential have kept The Pensions Regulator and the Financial Conduct Authority updated with issues. The 2020/21 accounts were completed and sent to the Fund in January 2022.

Account management & Management Information

There is weekly tracking by Prudential across the areas referenced above, with the aim of reaching consistency by the end of August. We understand that as at mid-August Prudential have returned to business as usual processing on claims, with the majority of cases being completed within 10 days. Prudential hope to step back and leave services to the outsourced provider, Diligenta, at the year-end.

There are two named Client Relationship Managers through whom we can raise and escalate and service issues. We have been having regular discussions since service deterioration began in April 21.

Scheme Advisory Board (SAB) and Local Government Pensions Committee (LGPC)

The service issues with Prudential are consistent across the LGPS and were discussed by the National Technical Group at its meeting on 27 September 2021 where it was agreed that the chair of the LGPC would liaise with the chair of SAB (England and Wales) to write to Prudential setting out the concerns with the service on behalf of the scheme. The letter to Prudential also requested that they attend a meeting with LGPS/SAB to discuss these issues further which Prudential have agreed to.

Ongoing issues identified by the LGPC in December 2021 include the Regulatory breach due to the non-publication of the financial statements (due seven months after the year-end – since received in January 2022) and Annual benefit statements still not published, although this is not a regulatory breach as these do not have to be published until 31 March 2022.

Communication

As the AVC arrangement is part of the broader benefits of the Fund, the type and frequency of communications from an AVC provider are fairly limited. However, clear communications are essential so that members understand what they can do to put themselves in the best possible position.

Digital engagement

Prudential have a dedicated section of their website for LGPS members. Members can view details of how AVC arrangements work, the tax benefits of contributing and details of investment and retirement options. Prudential also operate income tax and retirement contributions calculators so members can model how their choices will impact them specifically.

Members can also register to access details of their AVC account online via Prudential's secure member site. Once registered, members can view their details online and make certain changes, such as changes to contribution levels, retirement age and updating their personal details.

The East Sussex AVC fund guide can be found <https://www.pru.co.uk/pdf/LAVK10033.pdf>

Bespoke communications

The Fund have reviewed Prudential's annual benefit statement template, and believe the messaging to be clear, relevant and up-to-date.

Overview of alternative providers

Barnett Waddingham have provided an overview of two alternative pension providers who administer an AVC arrangements (Aviva & Fidelity). The AVC provider market is relatively limited, however there are some further AVC providers. Both the alternative pension providers, administer open AVC arrangements and Barnett Waddingham consider to be among the market leaders in the AVC and workplace pensions market.

Proposition Area	Aviva	Fidelity	Comparison against Pru
Business	<p>Aviva (Aviva Life & Pensions UK Limited) has a Standard & Poor's insurer financial strength rating of AA- (stable outlook), signifying very strong financial security characteristics. This rating was upgraded from A+ in July 2019.</p> <p>Aviva has a very strong presence in the workplace pensions market. The NGP platform (ex-Friends Life) is strategic to Aviva due to the large value of business operated on it. From a new business viewpoint, however, Aviva focuses on either its MyMoney or Unisure platform, depending on the profile characteristics of the potential new scheme. We believe however that the functionality of the NGP platform is broadly comparable with those of other providers and Aviva's own alternative platforms.</p>	<p>Fidelity has a strong presence in the workplace pensions market. In our most recent research, Fidelity reported operating some 75+ AVC schemes, representing some £300 million of assets.</p>	<p>Both Aviva and Fidelity are financially strong organisations, similar to Prudential. The key difference is that Aviva and Fidelity are open to new workplace pensions business and are very active in the market. As a result they are continuously investing in their propositions and services.</p>

	<p>Aviva reported operating some 1400+ AVC schemes on the NGP platform, representing some £2.6 billion of assets.</p>		
Administration	<p>None of the administration is outsourced or offshored.</p> <p>In assessing the performance of its administration services, Aviva is moving away from service level agreement (SLA) measures and replacing these with a suite of end-to-end measures with the aim of collectively determining and evidencing how well its service is performing for customers rather than just how quickly tasks are done.</p>	<p>A number of back office activities are carried out from Fidelity's business centres in Gurgaon and Noida, India.</p> <p>In assessing the performance of its administration services, Fidelity uses service level agreement (SLA), customer satisfaction and net promoter score (NPS) measures.</p>	<p>All administration for Aviva is undertaken in the UK, unlike Fidelity and Prudential where some services are carried out in India.</p> <p>Our clients' experiences of Aviva and Fidelity's service performance has generally been good. However, Aviva has experienced issues in previous years when switching between administration platforms.</p>
Investment	<p>Aviva's standard default is My Future. This lifestyle strategy employs strategic asset allocation across a range of passive investment funds, with volatility targeting that reduces in the final 15 years. Alongside the standard 'universal' option that offers broad protection for the various retirement options, Aviva provides variants of My Future that offer more targeted protection to the specific retirement options.</p> <p>Aviva provides access to 100+ investment funds as standard (includes component funds to the lifestyle strategies),</p>	<p>Fidelity's standard default is FutureWise. This lifestyle strategy employs a mix of passive and active management, reducing volatility in the final 18 years, targeting a universal outcome at retirement.</p> <p>Fidelity do not offer any alternative "off-the-shelf" defaults</p> <p>Wider investment options include 150 self-select investment funds</p>	<p>Both providers offer a more sophisticated range of investment options than Prudential. In particular, the provider defaults benefit from a high level of oversight and governance at provider level. Prudential do operate similar lifestyle strategies that could be used as a default. They also have a wide range of self-select funds that could be offered.</p> <p>The wider fund range available from both Aviva and Fidelity is in</p>

	<p>sufficient to meet the needs of the large majority of pension savers, including several 'ethical' funds. Aviva also provides an alternative suite of lifestyle strategies, My Future Focus, which aims for enhanced returns and de-risks over a shorter, 10 year period.</p>		<p>our view suitable for the needs of the majority of members.</p>
Communications	<p>Aviva issues benefit statements annually, online via the member site as standard, although hardcopy is available for members unable to access statements online. We believe the statements are informative, reasonably engaging and give clear calls to action.</p> <p>Aviva's retirement communications strategy begins 15 years before their retirement date, prompting members to consider how they will take their benefits at retirement and to review their investment choice. Subsequent communications are sent every five years, with some differences to build up layers of information for members. Nearer retirement date, a 'wake-up pack' is sent six months out, a follow up pack two months out and a retirement pack at retirement date.</p> <p>Employer member sites host documents specific to the employer, e.g. investment options and charges. Aviva is able to</p>	<p>Fidelity issues benefit statements annually, by post as standard (with an electronic copy being made available on the member portal). We believe the statements are clear and reasonably engaging. Fidelity are planning on introducing video statements later in 2021.</p> <p>The retirement communications strategy begins from age 50, with a further prompt four years before retirement age and within annual benefit statements. Retirement packs are issued 4 – 6 months before retirement age, with a reminder eight weeks out.</p> <p>Fidelity can offer an employer-specific 'microsite' with bespoke content and an app with transactional capability. Fidelity can support 'single sign on'</p>	<p>Aviva and Fidelity invest heavily in developing their range of communications support. Prudential's range of communications is fairly limited compared to most other providers and they do not invest as much into enhancing or improving their proposition in this area.</p> <p>It should be noted that the utilization of provider communications and tools under AVC arrangements will typically be determined by the Trustees and administrators of such arrangements.</p>

support single sign-on, e.g. via an employer's intranet. The app MyAviva provides access to all Aviva policies in one place.

Aviva offers a selection of tools to assist members with building up their pension savings and taking benefits, including an accumulation modeler, Pension Forecaster, and a retirement modeler, My Retirement Planner. Other tools help to forecast potential retirement income needs, e.g. Shape My Future and Retirement Spending Calculator.

through an employer's intranet to the app.

Fidelity provides a retirement planning modeler to assist members with building up their pension savings and taking benefits. Various other tools are provided, e.g. 'how much will you need' budget planner.

Overall Summary

Taking into consideration the key areas outlined in this report, we have no significant concerns regarding Prudential as the provider for the AVC arrangement of the Fund. We note that they have a number of bespoke features available specifically for participants of LGPS and have significant experience of operating AVC arrangements for public sector organisations.

Prudential have suffered some significant service issues over the last year and while we are confident that these issues are being addressed, we would recommend that the Fund continues to monitor Prudential's performance in this area.

Prudential are not active in the workplace pension market and, as a result, there are a few providers who may be able to provide improvements in areas such as communications and range of investments.

Based on the considerations in this paper, Prudential is a suitable provider for the AVC arrangement currently. The Fund should review the offerings of the AVC provider regularly to ensure it continues to be fit for purpose.

Report to: Pension Board

Date of meeting: 10 February 2022

By: Chief Internal Auditor

Title: Internal Audit Reports and the Internal Audit Strategy for Pensions 2022/23

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

RECOMMENDATIONS

The Board is recommended to:

- note the following Internal Audit reports:
 - Pension Fund Governance 2021/22 (Appendix 1);
 - Pension Fund Compliance with Regulatory Requirements 2021/22 (Appendix 2); and
 - The Implementation of Altair (Appendix 3);
 - consider and comment on the 2022/23 Internal Audit Strategy for Pensions and Annual Plan (Appendix 4).
-

1. Background

1.1 The reviews of:

- Pension Fund Governance 2021/22 (Appendix 1);
- Pension Fund Compliance with Regulatory Requirements 2021/22 (Appendix 2); and
- The Implementation of Altair (Appendix 3)

were completed as part of the Internal Audit Strategy for Pensions 2021/22 and provide assurance on the overall effectiveness of their respective systems' controls.

1.2 As a result of our work on Pension Fund Governance 2021/22, we were able to provide an opinion of **Reasonable Assurance** over the controls in place, as we did in the previous year. The report contains three medium- and low-risk findings, which reflect the limitations of a single fund to be able to influence the governance arrangements of the ACCESS Pool. The East Sussex Pension Fund (ESPF) is continuing to work with the ACCESS Joint Committee to strengthen the Pool's governance arrangements. Actions have been agreed with management to address these issues.

1.3 Following our work on Pension Fund Compliance with Regulatory Requirements 2021/22, we were able to provide an opinion of **Substantial Assurance** over the controls in place and there are no findings to report. Last year's report also gave Substantial Assurance but with three findings.

1.4 The third report is on the Implementation of Altair. As no issues were identified in our work that had not also been identified, and reported, in other audits, there are no findings - and corresponding actions - in this report. Similarly, no audit opinion is given because these findings have already influenced the audit opinions of other audits.

1.5 The Council's Internal Audit Strategy for Pensions 2022/23 sets out the approach Internal Audit takes when planning its assurance on the effectiveness of controls over the ESPF. It sets out the risks inherent in administering a large and complex scheme so that audit resources may be focussed on areas where these risks are highest. The new Strategy reflects the transfer of administrative function and, for the first time, contains separate audits of the collection of contributions and the payment of benefits. These areas were both previously covered under the Pension Administration – People, Processes and Systems audit.

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

2. Conclusions and Reasons for Recommendation

2.1 The Pension Board is:

- recommended to note the Internal Audit reports; and
- requested to consider and recommend the Internal Audit Strategy for Pensions 2022/23 to the Pension Committee for its approval.

RUSSELL BANKS
Orbis Chief Internal Auditor

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

Contact Officer: Danny Simpson, Principal Auditor
Tel No.: 07701 394826

BACKGROUND DOCUMENTS:

None

Internal Audit Report

Pension Fund Governance 2021/22

Final

Assignment Lead: Amanda Craig, Principal Auditor
Assignment Manager: Danny Simpson, Principal Auditor
Prepared for: East Sussex County Council
Date: December 2021

Internal Audit Report – Pension Fund Governance 2021/22

Report Distribution List

Draft Report:

Sian Kunert, Head of Pensions

Michael Burton, Pensions Manager - Governance and Compliance

Final Report:

As per the draft report distribution list, with the inclusion of:

Phil Hall, Interim Chief Operating Officer

Ian Gutsell, Chief Finance Officer

Pension Board

Pension Committee

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

East Sussex County Council - Internal Audit Key Contact Information

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Anti-Fraud Hotline: ☎ 01273 481995, ✉ FraudHotline@eastsussex.gov.uk

1. Introduction

- 1.1. East Sussex County Council (ESCC) administers and manages the East Sussex Pension Fund (the Fund) on behalf of 130 employers.
- 1.2. The Fund is responsible for managing assets for the long-term benefits of scheme members in accordance with statutory regulations. The Pension Committee is responsible for making arrangements for the administration and investments of the Fund, receiving advice as appropriate from the Pension Board, which is a statutory requirement to assist the Scheme Manager (ESCC) in securing compliance with all relevant pensions' law, regulations and directions. The administration of the Pension Fund is now undertaken by ESCC, having previously been carried out by Orbis Business Operations.
- 1.3. We reviewed the adequacy and effectiveness of governance arrangements over the Pension Fund, to provide assurance that strategic oversight, risk management, reporting and communication processes are in place to maximise the likelihood that the Fund's objectives are met.
- 1.4. This review is part of the agreed Internal Audit Plan for 2021/22.
- 1.5. This report has been issued on an exception basis whereby only weaknesses in the control environment have been highlighted within the main body of the report.

2. Scope

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

3. Audit Opinion

- 3.1. **Reasonable Assurance is provided in respect of Pension Fund Governance 2021/22.** 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. There is sufficient and effective oversight by the Pension Board and Pension Committee, to ensure that regulation is adhered to and good practice principles are applied. This is through regularly held and clearly recorded Pension Board and Committee meetings. All members of the Pension Board and Committee are able to benefit from training in order to effectively undertake their role and enhance their knowledge. All members are required to declare any potential conflicts of interest at the beginning of all meetings.
- 4.2. Restructuring has ensured that the Pensions Fund is now more resilient and able to respond to unexpected changes as there are sufficient resources in the Fund to account for any staff changes or shortages.
- 4.3. A risk register is in place that is subject to regular scrutiny from the Pension Board and Pension Committee. This document is active, updated regularly and mitigations in place are appropriate in order address each risk identified.
- 4.4. Overall good practice has been observed and effective controls are in place; however, there are some opportunities for improvement.
- 4.5. Whilst the Fund has made efforts to gain agreement within the ACCESS Pool to finalise and implement the Governance Manual and establish a performance management process for fund managers, this still needs approval from the ACCESS Pool's Joint Committee prior to its implementation. Without these important elements being in place, governance arrangements may be weakened. The Fund is continuing to work with the other members of the ACCESS Pool to strengthen its governance arrangements.
- 4.6. Regular surveys of employers' views have not been undertaken since the Fund has been managed by East Sussex. Therefore, mechanisms to identify whether communication objectives have been met are not in place, potentially weakening the communication between the Fund and its members.
- 4.7. As part of the 2020/21 Pensions Administration audit, the scope included a review of the arrangements in place to ensure checks and guarantees on funding levels of newly admitted employers are robust. Whilst improvements have been made, at the time of this review, the action had only been partially implemented, as documented procedures are in still draft and templates are in development for the electronic admissions portal, which will provide greater control over the process for admitting new employers. This has not been raised in the findings below but will be reviewed with management through the Internal Audit action tracking process.

5. Action Summary

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

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

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

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

6. Acknowledgement

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

Internal Audit Report – Pension Fund Governance 2021/22
Detailed Findings

Page 66

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
1	<p>ACCESS Governance Manual</p> <p>The previous audit contained an agreed action that the Fund would work with its partners to ensure that the Governance Manual for the ACCESS Pool is approved and implemented. This included appropriate measures to enable the Fund to manage the performance of, or if necessary, to remove, fund managers.</p> <p>Work has continued and a Technical Lead from West Sussex County Council has been appointed to oversee its finalisation. However, the Governance Manual has not yet been agreed or implemented, meaning that the governance arrangements over the Pool may not be fully effective.</p> <p>We acknowledge that the agreement and implementation of the Governance Manual is the responsibility of the Pool as a whole, rather than the East Sussex Pension Fund in isolation.</p>	Without robust and clear governance arrangements, the performance of the ACCESS Pool may be reduced.	Medium	<p>The Governance Manual is due for review and approval by the Section 151 Officer Group at the end of November 2021.</p> <p>Following this, the document will be presented to Joint Committee in December 2021 or March 2022 for review and approval. Once approved at the Joint Committee the ACCESS Pool Governance Manual will be implemented.</p>
Responsible Officer:		Russell Wood, Pensions Manager, Investments and Accounting	Target Implementation Date:	31 May 2022

Internal Audit Report – Pension Fund Governance 2021/22
Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
2	<p>Communications Survey</p> <p>A requirement of the Fund’s Communication Strategy is to undertake an annual satisfaction survey of employers.</p> <p>However, surveys have not been undertaken since 2019/20, when the administration of the Fund transferred from Orbis to East Sussex. It was confirmed that a survey is planned to be undertaken once a Communications Manager is in post from 2022.</p>	<p>If satisfaction levels of the ESPF are not measured through surveys, any opportunities to improve the performance of the Fund may be missed.</p>	Low	<p>The Communications Strategy will be reviewed and updated once the Communications Manager is in post. This will include the production and analysis of annual satisfaction surveys of employers.</p>
Responsible Officer:		Sian Kunert, Head of Pensions	Target Implementation Date:	28 February 2022

Appendix A

Audit Opinions and Definitions

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

Management Responsibilities

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

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

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

Internal Audit Report

Pension Fund Compliance with Regulatory Requirements 2021/22

Final

Assignment Lead: Nicola Field, Auditor

Assignment Manager: Danny Simpson, Principal Auditor

Prepared for: East Sussex County Council

Date: January 2022

Internal Audit Report – Pension Fund Compliance with Regulatory Requirements

Report Distribution List

Draft Report Circulation:

Sian Kunert – Head of Pensions

Dave Kellond – Compliance and Local Improvement Partner

Final Report Circulation:

As per draft report, with the inclusion of:

Phil Hall – Chief Operating Officer

Ian Gutsell – Chief Finance Officer

Paul Punter – Head of Pensions Administration

Russell Wood – Pensions Investment Manager

Pension Board

Pension Committee

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

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Audit Manager: Nigel Chilcott, ☎ 07557541803, nigel.chilcott@eastsussex.gov.uk

Anti-Fraud Hotline: ☎ 01273 481995, ✉ FraudHotline@eastsussex.gov.uk

Internal Audit Report – Pension Fund Compliance with Regulatory Requirements

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 rules of the Local Government Pension Scheme (LGPS), which are set out in the following regulations:
- The Local Government Pension Scheme Regulations 2013;
 - The Local Government Pension Scheme Transitional Provisions, Savings and Amendment Regulations 2014; and
 - The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016
- 1.2. The governance of the Fund is the responsibility of the East Sussex Pension Committee supported by the Pension Board, the ESCC Chief Finance Officer and the Pension Fund officer team. The day-to-day administration of the Fund is provided by East Sussex County Council.
- 1.3. This review was part of the agreed Internal Audit Plan for 2021/22.
- 1.4. This report has been issued on an exception basis, whereby only weaknesses in the control environment have been highlighted within the main body of the report.

2. Scope

- 2.1. The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:
- scheme governance arrangements meet regulatory requirements;
 - investment management arrangements meet regulatory requirements; and
 - pension administration arrangements meet regulatory requirements.
- 2.2. This audit looked at the controls employed by management designed to ensure that the Fund complies with statutory and regulatory requirements.

3. Audit Opinion

- 3.1. **Substantial Assurance is provided in respect of Pension Fund Compliance with Regulatory Requirements.** This opinion means that controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.

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

4. Basis of Opinion

- 4.1. We can provide an opinion of Substantial Assurance over the controls in place for East Sussex Pension Fund (ESPF) Compliance with Regulatory Requirements. There are no findings in this report.
- 4.2. There is evidence that the management team have developed robust scheme governance arrangements, which comply with regulatory requirements, and they actively review these arrangements.
- 4.3. A governance structure, which includes a Pension Committee, and Pension Board, is in place. There is evidence of their regular meetings, with sufficiently detailed record keeping of meetings, including the recording of decisions.
- 4.4. There are governance tools in place, with appropriate Strategies, Business Plans, a Scheme of Delegation evident, in accordance with statutory requirements.
- 4.5. The Pension Fund Investment activities are managed by experienced and qualified personnel, who demonstrated understanding and application of legislative requirements for the Funds cash assets, its investments and overall financial management.
- 4.6. Actions from the previous audit have been addressed, and whilst not all the policies and documentation have been fully updated in accordance with the policy, plans are in place to address this.

Internal Audit Report – Pension Fund Compliance with Regulatory Requirements

5. Action Summary

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

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

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

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

6. Acknowledgement

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

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.
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Partial Assurance	There are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk.
Minimal Assurance	Controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives.

Management Responsibilities

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

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

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

Internal Audit Report

The Implementation of Altair

Final

Assignment Lead: Danny Simpson, Principal Auditor
Assignment Manager: Nigel Chilcott, Audit Manager
Prepared for: East Sussex County Council
Date: January 2022

Report Distribution List

Draft

- Paul Punter, Head of Pensions Administration
- Sian Kunert, Head of Pensions

Final

- Phil Hall, Chief Operating Officer
- Paul Punter, Head of Pensions Administration
- Sian Kunert, Head of Pensions
- Ian Gutsell, Chief Finance Officer
- Pension Board
- Pension Committee

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

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Anti-Fraud Hotline: ☎ 01273 481995, ✉ FraudHotline@eastsussex.gov.uk

East Sussex County Council

1. Introduction and Background

- 1.1. Until April 2021, the administration of the Pension Fund was managed through a collaboration with Surrey County Council as part of Orbis Business Operations. In April, responsibility transferred to East Sussex County Council and a new, locally hosted, instance of the administration software (Altair) was established. Altair is the same system that was used by Surrey County Council to manage the East Sussex Pension Fund.
- 1.2. The objective of the audit was to provide assurance that controls are in place and are operating as expected to manage key risks to the successful establishment of the new instance of Altair.
- 1.3. Appendix A of this report details management's responsibilities with regard to control.

2. Scope

- 2.1. The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:
 - Data transfer, including scanned documentation, is complete and accurate;
 - Access rights to Altair are set up appropriate, in accordance with users' needs; and
 - Governance arrangements, including procedures and guidance, are effective in minimising the risk of fraud or error.

3. Conclusion and Key Findings

- 3.1. No issues have been identified in our work that have not also been identified, and reported, in other audits. As a result, no findings - and corresponding actions - are included in this report. Similarly, no audit opinion is given because these findings have already influenced the audit opinions of other audits.
- 3.2. Data transfer took place in two stages. The first transfer was from the Surrey system to an East Sussex test version of Altair. Reconciliation took place to ensure that the data were transferred completely and accurately to this site. The second transfer copied the data from the test site to the live site and further reconciliation took place. Our testing of these reconciliations confirmed that the data transfer was successful.
- 3.3. Access was set up in the new instance of Altair, based on copies of users' access rights in the Surrey system. Users, identified as needing access only to the Surrey system, were not copied over, but a number of users whose access needs could not be determined were set up in the East Sussex system, and each user transferring over was given identical access rights to those they had in the Surrey system. As a result, not all users were set up with the correct access rights and some users were set up who did not need access to the East Sussex System at all.

- 3.4. Where necessary, system administration rights were added to a small number of roles, prior to the transfer, to ensure that tasks, previously undertaken by Surrey staff, could continue. A number of users had been set up with multiple user IDs (users with more than one role in Altair) in the Surrey system, often set up as part of projects, and these access permissions had never been withdrawn. At the time users were set up in East Sussex, it was not always clear which user ID was the correct one to transfer. In these cases, all user IDs were transferred, pending analysis of those roles to determine the correct one to use. Work has since been undertaken to remove superfluous user accounts, including duplicates.
- 3.5. The Altair User Role Requirements and Access Control Agreement requires that users' roles be reviewed on a quarterly basis to ensure that only authorised users have access to Altair, and that any users, who no longer need access, can be identified and removed from the system. As mentioned above, the importing of users from the Surrey system has resulted in the need to identify and remove a number of users, confirming that reviews have taken place. The process of reviewing access permissions continues, to ensure that users' access permissions are consistent with their operational needs.
- 3.6. A Service Definition Document sets out how technical support will be provided to support Altair in East Sussex, including roles and responsibilities. However, there is no structured, comprehensive, set of procedures and guidance available for Altair's users. Separate documents are available to cover individual transactions, but these are disparate and unstructured and do not set out the overall process for pension administration. This may weaken the effective governance of pension administration. An action was agreed in the last Pensions Administration – People, Processes and Systems audit report to establish a comprehensive suite of procedures and guidance by August 2022.
- 3.7. In conclusion, we have found that the transferring of data from the old system to the new was carried out effectively. However, there remains work to be done to ensure that all users of the system have access permission in accordance with their needs and comprehensive guidance is needed, covering the end-to-end administration process.

4. Acknowledgement

- 4.1. We should like to thank all staff who assisted during the course of this audit.

Appendix A

Management Responsibilities

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

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

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

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East Sussex
Local Government Pension Scheme
Internal Audit Strategy and Plan
2022/23

1. Introduction

- 1.1. The Scheme provides retirement benefits for employees of the County Council and 127 other employer organisations, including Brighton & Hove City Council, district and borough councils and academic institutions.
- 1.2. We (the Orbis Internal Audit & Counter Fraud Team) provide internal audit services to the East Sussex Pension Fund.

2. Objective

- 2.1. The objective of this Pension Scheme Audit Strategy and Plan (The Strategy), which is formally reviewed on an annual basis, is to provide the Scheme with a consistent, risk-based approach to determining an internal audit programme for the Pension Fund, which takes maximum advantage of the available sources of internal and external assurance.
- 2.2. The ESPF pools funds with another 10 funds as part of the ACCESS Pool, a collaboration of central, eastern and southern shires. The ACCESS pool has assets of £32.9bn with the ESPF representing £2.3bn of these. The Fund also has assets of £2.3bn outside the ACCESS Pool. Where possible, we shall seek additional sources of assurance over controls operating over the ACCESS Pool.
- 2.3. The Fund's actuary is Barnett Waddingham LLP, and the next actuarial valuation is due to take place in 2022. The Fund receives professional advice from ISIO.
- 2.4. The Pension Administration Team was transferred from a Surrey-based Orbis team, to the Finance Team in East Sussex, in 2021, and is now managed by a sovereign East Sussex Head of Pension Administration, who reports directly to the Head of Pensions. This transfer brought the team under the direct control of the Council's Chief Finance Officer (Section 151 Officer). These changes are providing greater oversight and accountability.
- 2.5. The Strategy seeks to provide assurance on the following aspects of pension fund activities:
 - Governance;
 - Investments and Accounting;
 - Cash Management;
 - The Administration of Benefit Payments;
 - The data transfer portal, i-Connect; and
 - Cyber Security.

3. Approach

- 3.1. The Strategy uses risk assessment as its foundation. On a periodic basis, risks will be reviewed in consultation with the Chairs of the Pension Committee and Board and with management to identify any new risks. The risk assessment will consider the materiality and significance of the processes involved, any negative factors such as problems or significant changes and any positive factors, which provide comfort or assurance. It should be borne in mind that the Pension Fund is a material and fundamental financial system in its own right and, as such, should be subject to a level of coverage that complements the work of the Scheme's external auditors.
- 3.2. The outcome of the risk assessment will be an objective view of those areas of the business where the organisation requires assurance that risks are being managed effectively. Internal Audit will then use a number of potential sources to provide that assurance.
- 3.3. Throughout the year, there will be routine liaison between Internal Audit and officers representing the Fund to identify emerging risks and ensure that this Strategy continues to reflect the needs of, and risks to, the Fund. COVID-19 has continued to affect the way many areas of the pension administration service are being delivered, as well as having a wider impact on the Fund, in particular on the performance of its investments.
- 3.4. As result of the structural changes to the team, identified in the previous section (see para 2.4), we are changing our approach to the audits for 2022/23 to align our work more closely with the new governance structure.
- 3.5. Where appropriate, audit coverage will be varied from year to year. In areas where no significant findings were made in the previous year, the scope may be widened to other areas to maximise the breadth of coverage. For instance, where new policies have been introduced, we shall review compliance with these.
- 3.6. Where possible, direct access to source data will be obtained, including to data held in the administration system (Altair), information passed via the Pension Regulator's on-line portal and HMRC's event reporting portal.
- 3.7. We plan to deliver 100 audit days for the year 2022/23. This level of coverage will be kept under review to ensure that it remains appropriate to the needs of the Fund.

4. Professional Standards

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

5. Reporting Arrangements

5.1. Internal Audit work will be reported in the following manner:

- Terms of Reference will be drafted and agreed with management.
- An initial draft report will be issued to management for its comments on factual accuracy and response to the issues and risks identified.
- A final report that includes agreed actions and implementation dates will be published to management.
- The results of audit work on the Scheme will be reported:
 - in full, to the Pension Board and Pension Committee; and
 - in summary form, to the Audit Committee as part of our routine quarterly progress reports.

5.2. Audit work for 2022/23 will be reported in six separate reports (in addition to any specific follow-up audits), covering the risks detailed below:

- Governance
 - Inadequate governance arrangements, including unclear delegation of key functions, result in poorly defined Fund objectives and ineffective strategic oversight.
 - Lack of resilience on the part of the Fund, or an inexperienced Board or Committee may weaken stewardship of the Fund.
 - Ineffective risk management arrangements result in financial loss and reputational damage to the Council.
 - Ineffective communication or poor professional advice results in a lack of understanding amongst relevant stakeholders and/or poor decision making.
 - Inaccurate reporting (including performance targets and breaches) results in a failure to identify and correct poor performance.

- Investments and Accounting
 - The ACCESS Pool does not achieve the benefits of economies of scale, or fails to oversee the Operator, Fund Managers¹ or Custodian effectively, resulting in the loss of assets or investment opportunities.
 - Poor performance of the Fund's investments results in financial loss and reputational damage.
 - Investment returns² are not received in full in a timely manner.
 - Unexpectedly high levels of payments, or low levels of income, result in the Fund's bank account becoming overdrawn.
 - Accounting of the Pension Fund is inaccurate resulting in mis-statement of the Fund's annual accounts.

- Cash Management
 - Failure to collect pension contributions due from all employers in the scheme, at the time they fall due, increases the risk of Pension Fund deficit.
 - The dependency on employers for the timely provision of information, increases the risk of data inaccuracy, undermining the Fund's ability to deliver an effective service.
 - Without obtaining guarantees or bonds to support the funding levels of new employers, the Fund may be exposed to additional financial risk.³
 - Unexpected spikes in benefit demands (e.g. large death benefits) may result in the Fund becoming overdrawn.

- The Administration of Benefit Payments
 - Poor data quality leads to inaccuracies in transactions, or a failure to meet statutory requirements, resulting in financial loss, and/or regulatory sanction.
 - Inaccuracies in the calculation of pension benefit entitlements may cause financial loss to the Scheme or financial hardship to members and reputational damage for the Council.

¹ Includes the internal controls of external fund managers.

² Some investments are still managed directly by the fund managers appointed by the ESPF.

³ Also noting that undue delay to signing an admission agreement may result in new pensioners not receiving their pension.

- Poor or inadequate delivery of the pension administration service (including as a result of inadequate procedure notes or system access controls) may result in regulatory breach, leading to reputational damage for the Council and/or complaints by members.
- I-Connect – Application Controls
 - Where access to the system is not sufficiently managed, there is a greater potential for fraud and for data breaches, both of which could have significant financial and reputation impact to the Fund.
 - Where input controls are insufficient, the data in the system could be incorrect, which may cause financial loss to the Scheme or financial hardship to members and reputational damage for the Council.
 - Lack of Business Continuity Planning could result in the service being unable to function in the event that the system is unavailable for any prolonged period.
 - System patching may not be managed sufficiently, causing unplanned outages or known vulnerabilities not being managed in a timely manner.
- Pension Fund Cyber Security Arrangements
 - Cyber risk can be broadly defined as the risk of loss, disruption or damage to a scheme or its members as a result of the failure of its information technology systems and processes. These include risks to information (data security) as well as assets, and both internal risks (e.g., from staff) and external risks (e.g., hacking).



EAST SUSSEX PENSION FUND INTERNAL AUDIT PLAN 2022/23

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

Review Name	Outline Objective	Estimated Timing
Governance	We shall assess the effectiveness of the Fund's governance arrangements and seek to provide assurance that strategic oversight, risk management, reporting and communication processes are in place to maximise the likelihood that the Fund's objectives are met. This review will also cover controls to ensure that only new employers with adequate funding levels are admitted to the Scheme.	Q1
Investments and Accounting	A review to assess the adequacy of controls over the Fund's cash flow, its investments, including the performance of investments, the performance of the ACCESS Operator and the receipt of, and accounting for, investment income.	Q3
Cash Management	We shall review the arrangements in place designed to ensure the complete and timely collection and recording of pension contributions from scheduled and admitted bodies.	Q3
The Administration of Benefit Payments	We shall review controls over the calculation and payment of pension benefits, transfers to and from the Pension Fund and the maintenance of the data.	Q3
I-Connect - Application Controls	This application audit will review controls over i-Connect, the employer portal, to ensure appropriate system ownership and management, including data input controls and business continuity arrangements.	Q2
Cyber Security	We shall review arrangements in place to manage cyber security risks to the Fund's information technology systems and data, including risks arising from both internal and external threats.	Q4

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Report to: Pension Board

Date of meeting: 10 February 2022

By: Chief Financial Officer

Title: East Sussex Pension Fund (ESPF) quarterly budget report and 2022/23 Pension Fund business plan and budget

Purpose: This report provides an update on the forecast 2021/22 Outturn and sets out the business plan and budget for 2022/23

RECOMMENDATION

The Board is recommended to:

- 1) note the forecast 2021/22 Q3 outturn position for the East Sussex Pension Fund
 - 2) note the Business Plan and Budget for 2022/23 in Appendix 1
-

1. Background

1.1 Under the Local Government Pension Scheme (LGPS) Regulations, East Sussex County Council is required to maintain a pension fund, known as East Sussex Pension Fund (ESPF or the Fund), for its employees and other scheme employers.

1.2 The Business Plan and budget sets out the direction of travel, objectives and targets to be achieved in the management of the Fund, and for the Council to be able to perform its role as the administering authority in a structured way. The Pension Committee is charged with meeting the duties of the Council in respect of the Pension Fund.

1.3 At its meeting on the 1 March 2021 the Pension Committee agreed a budget of £7.155m to support the business plan for 2021/22. In the same meeting the Pension Committee approved an additional budget for a permanent Communications Manager to be added to the team structure, at an estimated salary plus on costs of £50,000. The budget presented as part of Q3 monitoring below includes both the approved budget and additional post totalling £7.205m. The budget estimates do not incorporate any provision for investment fees earned by fund managers where these are deducted at source by asset managers.

2. 2021/22 Q3 Outturn position

2.1 The budget requirement for 2021/22 was significantly increased from 2020/21 due to the insourcing of the Pensions Administration team, which has consequently provided a better understanding of ongoing costs. In addition, some investments were moved from Fund Managers, who deducted fees at source from the asset valuation, into new Fund Managers who will be invoicing fees directly to the Fund, increasing the reportable costs through budget monitoring compared to 2020/21.

2.2 The forecast outturn at the second quarter of 2021/22 is **£5,898m**, a decrease of £0.930m from the last reported position. The 2021/22 projected outturn against budget line items is shown at Table 2 below. The underspend mostly relates to the revised manager

fees and analysis of the Actuarial and system fees. The main movements to the budget are set out in Table 1 below and movements detailed in Paragraphs 2.3 to 2.7.

Table 1

	2021/22 Q2 Outturn	2021/22 Q3 Outturn	Variance from last reported position
Fund Officers	1,380	1,234	(146)
Actuarial Fund Work	175	52	(123)
Investment Manager Fee Invoices	3,313	2,874	(439)
Custodian	75	151	76
System Services and License	346	89	(257)
Other Minor movements	1,539	1,498	(41)
Total	6,828	5,898	(930)

2.3 The budget for staffing was set at £1.756m assuming that no vacancies were being held by the Fund. Since the last meeting the Pensions Accountant and Communications Manager post has been recruited however these appointments have started later than anticipated. The current job descriptions are being reviewed for the Pensions Administration team, as many of the team are on historic contracts of employment prior to the TUPE (Transfer of Undertakings Protection of Employment regulations) transfer of staff into the team. This may result in increased costs as roles are potentially regraded. The continued presence of vacancies has resulted in a decrease of £0.146m from the last reported figure.

2.4 The budget set for actuarial fund work costs for 2021/22 was reduced to £0.175m in the last report as the invoiced amounts that were coming in were lower than originally anticipated of the new actuarial contract. The evidence from the last 9 months of invoices has demonstrated that the costs for actuarial services from the Fund has continued to have been lower as a result of lower reliance upon the scheme actuary due to the capabilities within the new structure than anticipated and a further reduction in the charges of £0.123m has been made.

2.5 The budget set for manager fees which the Fund pays direct, was set at £3.313m, based on asset values as at December 2020. This did not anticipate that money would be moving into the ACCESS pool (£225m Ballie Gifford investment) that has reduced the assets that the Fund is invoiced. The invoices are payable quarterly in arrears. The Fund has two quarters information and accurate estimates for the third quarter. This has demonstrated that the costs for investment management fees are looking to be lower than previously reported and a reduction of £0.493m has been made.

2.6 The custodian's fees were based upon the same structure of assets being held for the year and no major transitions were taking place. As a result of the change in equity strategy, there have been two transitions events in 2021/22, the first was the transfer of UBS assets to the Baillie Gifford Global Alpha ACCESS sub fund and the second is due to take place in later this year in funding the UBS/Osmosis strategy. The second transition event will also change the structure of assets held and the Fund will be holding these as a segregated account and will increase the custodian charges for these assets. These changes have resulted in an increase of £0.076m.

2.7 The budget set for System Services and License for 2021/22 was based on the contract that was agreed with Heywoods and reported to the committee in November 2020. During the review of payments made to Heywoods to confirm the relatively low spend to date for this item it was identified that a there was an invoice paid in March 2021 covering different aspects of the agreement which was not subsequently accrued and were included in the prior year figure. The spend has therefore been reduced to account for this mismatch of payments by £0.257.

Table 2 2021/22 Outturn Report

2020/21 Outturn £000	Item	2021/22 Budget £000	2021/22 Actuals to October £000	2021/22 Forecast Outturn Q2 £000	2021/22 Forecast Outturn Q3 £000	Variance to Q2 Forecast Outturn £000
	Pension Fund Staff Costs					
592	Fund Officers	1,756	279	1,380	1,234	(146)
53	Recruitment costs	12	2	12	2	(10)
645	Sub Total	1,768	281	1,392	1,236	(156)
	Pension Fund Oversight and Governance					
341	Actuarial Fund Work	250	41	175	52	(123)
87	Actuarial Employer Work	100	30	70	79	9
(64)	Employer reimbursement	(100)	(8)	(70)	(66)	4
2	Training Costs	10	3	10	15	5
40	External Audit – Grant Thornton	30	(35)	30	35	5
190	East Sussex County Council	286	2	257	243	(14)
285	Legal Fees	165	40	100	65	(35)
157	Subscriptions and Other Expenses	72	31	72	79	7
1,038	Sub Total	813	104	644	502	(142)
	Investment activities					
221	Investment Advice	192	112	230	195	(35)
37	ESG Advice	25	21	25	25	-
61	Custodian	75	50	75	151	76
80	ACCESS	93	129	103	103	-
2,365	Investment Manager Fee Invoices	3,313	820	3,313	2,874	(439)
2,764	Sub Total	3,698	1,132	3,746	3,349	(397)
	Pension Administration					
894	Orbis Business Operations Support Services	-	-	-	-	-
-	East Sussex County Council	237	52	213	203	(10)
282	System Services and License	346	156	346	89	(257)
90	Consultancy & Service Providers - Benefits	100	45	239	234	(5)
-	Operational Support Services	225	9	244	244	-
183	Other Expenses	18	16	9	46	37
-	Other Income	-	(2)	(5)	(5)	1
1,449	Sub Total	926	278	1,046	812	(234)
5,896	Total	7,205	1,795	6,828	5,898	(930)

3. 2022/23 Business Plan and Budget

- 3.1 The Business Plan and Budget is set out in **Appendix 1**.
- 3.2 Total budget proposed is **£7,141k** (£7,205k 2021/22) to support the Business Plan activities and administration of the Fund.
- 3.3 The budget is slightly lower than the 2021/22 budget due to lower costs as a result of removing outsourcing of work that can be completed through the new Fund team structure and a reduction in expected investment management fees paid directly by the Fund to managers. The budget does not include investment management fees deducted at source by the Investment managers or investment income.

4. Conclusion and reasons for recommendation

- 4.1 The Board is recommended to note the Q3 2021/22 outturn position and note the Business Plan and Budget for 2022/23.

IAN GUTSELL
Chief Finance Officer

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East Sussex Appendix 1

Pension Fund

2022/23

Business Plan & Budget

1. Business Plan

1.1 It is anticipated that 2022/23 will see some key activities within the following themes:

- **Pension Fund Oversight and Governance activities:** Creation of Decision Making Matrix, development of Business Continuity Plan, provision of training, Fund Annual Report and Accounts, achievement of the Statutory Annual Benefit Statement, review of Admission Agreement process, review of bonds and security and employer covenant reviews, i-Connect implementation, contribution monitoring, communications strategy including a review of communications platforms, Triennial Valuation and contribution setting for employers, Funding Strategy Statement updates.
- **Investment activities:** Review investment strategy, continue develop the Fund's Environmental, Social and Governance (ESG) credentials, submission under UK Stewardship Code 2020, review and implement any agreed changes to the Fund's credit structure, Investment Governance, implementation of Illiquid strategies, Cost Transparency, Cost Management, Manager engagement.
- **ACCESS activities:** ACCESS support unit (ASU), Actively managed listed assets, Alternative/ non-listed assets, passive assets, Governance.
- **Pension Board/Committee Training:** Implementation of the agreed training strategy for the Board and Committee, Attendance at third party provided LGPS related training, focus on training throughout Triennial Valuation process.
- **Pension Administration:** Recruitment to key vacancies, data management activities from i-Connect submissions, Maintaining Member Data, Data Improvement, finalisation of GMP reconciliation project, Annual Benefit Statement (ABS) production, complete rectification of historical Annual Allowance cases, development of robotics.

1.2 Each theme within the Business Plan includes activities planned for the year. The strategic nature of East Sussex Pension Fund objectives means that a number of the 2022/23 activities build on work previously undertaken and will in turn provide the foundation for further milestones in subsequent years.

2. Budget

A budget totalling **£7,141k** (£7,205k 2021/22) to support the business plan for 2022/23 is detailed below in Table 1:

Table 1 Pension Fund Management Expenses

2020/21 Outturn £000	Item	2021/22 Budget £000	2021/22 Forecast Outturn £000	2022/23 Budget £000
	Pension Fund Staff Costs			
592	Fund Officers ¹	1,756	1,234	1,900
53	Recruitment costs	12	2	5
645	Sub Total	1,768	1,236	1,905
	Pension Fund Oversight and Governance			
341	Actuarial Fund Work ²	250	52	200
87	Actuarial Employer Work	100	79	80
(64)	Employer reimbursement	(100)	(66)	(80)
-	Communications	-	-	42
2	Training Costs	10	15	30
40	External Audit – Grant Thornton	30	35	35
190	East Sussex County Council Recharges ³	286	243	249
285	Legal Fees	165	65	78
157	Subscriptions and Other Expenses	72	79	72
1,038	Sub Total	813	502	706
	Investment activities			
221	Investment Advice	192	195	135
37	ESG Advice	25	25	50
61	Custodian	75	151	136
80	ACCESS	93	103	125
2,365	Investment Manager Fee Invoices	3,313	2,874	2,872
2,764	Sub Total	3,698	3,349	3,318
	Pension Administration			
894	Orbis Business Operations Support Services	-	-	-
-	East Sussex County Council Recharges ³	237	203	281
282	System Services and License	346	89	346
90	Consultancy & Service Providers - Benefits	100	234	100
-	Other Administration projects	-	-	150
-	Admin operational support services	225	244	289
183	Other Expenses	18	46	50
-	Other Income	-	(5)	(4)
1,449	Sub Total	926	812	1,212
5,896	Total	7,205	5,898	7,141

¹This is assuming a full team it is in place

²As we are moving into a valuation year we expect the actuarial cost to increase in 2022/23

³Overheads allocated based on staffing levels have been separated from the direct staffing costs to provided greater clarity on costs.

Key budget assumptions

2.1 The key budget assumptions are set out below

- ACCESS cost based on the budget set by the ACCESS Joint Committee.
- Manager fees based on invoiced fees only. Fees are based on the assets under management no movement has been included in this figure.
- The 21/22 Pay Award is anticipated to be 1.75% and the 22/23 Pay Award budgeted at 2%. Figures also include an increase in employer National Insurance contributions which comes into effect in April 2022.
- Administration staffing costs do not reflect potential changes of staffing moving from TUPE contracts to ESCC Terms and Conditions of Employment.
- It is assumed that vacancies within the Administration team will be filled on or before 1 April 2022
- The overhead rate from ESCC will stay at its current rate

3. Business plan deliverables by key theme

Theme	Tasks	2022/23 activity
Fund Oversight and Governance activities	Decision Matrix	Development of matrix showing decision making levels across the Fund Identify areas for potential improvement Recommendations to Board/Committee as appropriate to cover next steps for making identified improvements
	Business Continuity Planning	Engage with IT Team to discuss existing levels of protection Identify ways to improve liaison with key BCP contacts across the Local Authority Fully documented procedures for the Fund rolled out to all staff and decision makers to enact if required. Test BCP
	Provision of training	See training section
	Triennial Valuation	Engage with Actuary to understand its requirements and timetable Liaise with Employers over their contribution rates for the next three years.
		Update the Funding Strategy Statement and consult with employers on changes

Theme	Tasks	2022/23 activity
	<p>Pension Fund Annual Report and Accounts</p> <p>External audit/ Internal audit</p> <p>Admission Agreement process</p> <p>Bond and security review</p> <p>Covenant review</p> <p>Policy review</p> <p>i-Connect implementation</p> <p>Contribution monitoring</p> <p>Communications strategy</p>	<p>Production of Fund Financial Statements and Audit Working papers and creation of the Annual Report</p> <p>Liaise with auditor as appropriate</p> <p>Embed new Admission Agreement processes and improve where required.</p> <p>Implement Admission portal for simple population of agreements to speed up execution of documents</p> <p>Review existing security held</p> <p>Ensure process in place for early identification of expiring security</p> <p>Work with specialist adviser to ensure good understanding of employer covenant strength and identify potential risk to cashflow from weaker employers</p> <p>Update policies as per schedule or where change in law requires action</p> <p>To roll out the i-Connect employer interface module to all employers to simplify data submission and validation.</p> <p>Continue to develop contribution monitoring and reconciliation in conjunction with the roll out of i-Connect.</p> <p>To develop and implement a revised communication strategy so that we are proactive in providing information to employers and members.</p>
Investment activities	<p>Review investment strategy</p> <p>Develop the Fund's ESG credentials</p>	<p>Implement strategic changes agreed at the 2021 strategy review which have not yet been enacted.</p> <p>Implement any investments into the Fund's private markets programmes to achieve the Funds strategic asset allocation for these.</p> <p>Review the cashflow of the Fund investments and create a cash management policy.</p> <p>Review effectiveness of the current strategy at the strategy meeting.</p> <p>UK Stewardship Code Report created with a view to the Fund becoming a signatory.</p>

Theme	Tasks	2022/23 activity
		<p>Complete reporting of Fund Activities to PRI as part of requirements of being a signatory.</p> <p>Undertake a review of the ESG credentials of all managers and develop appropriate analytic metrics to monitor the Fund.</p> <p>Collate quarterly analysis of fossil fuel exposure and voting & engagement records.</p> <p>Continue to develop the Funds reporting in line with TCFD requirements including scenario analysis</p>
ACCESS	<p>Actively managed listed assets</p> <p>Alternative / non listed assets</p> <p>Passive assets</p> <p>Governance</p>	<p>Launch of Tranche 5b – Fixed Income sub funds</p> <p>Launch of Tranche 5c - Equities</p> <p>Determine, approval & launch of Tranche 6 – Emerging Markets equities</p> <p>Scheduled BAU evaluation</p> <p>Continued implementation outcomes of Scheduled BAU evaluation including the commencement of an IAA review in September 2022</p> <p>Initial implementation of approach to pool illiquid assets</p> <p>Following the appointment of the pool’s Implementation Adviser in 2021/22 The first pooled illiquid vehicles will be launched</p> <p>Ongoing monitoring of assets managed on a passive basis Further engagement and exploration with UBS will continue throughout the year</p> <p><i>Meetings and oversight</i> Arrangements will be made to support meetings of the Joint Committee (usually each quarter)</p> <p>Meetings of s151 Officers will also be held</p> <p><i>Operational protocols</i> The implementation of the revised Governance Manual</p> <p><i>Engagement with HM Government / Department for Levelling UP, Communities & Housing (DLUCH)</i> ACCESS will liaise with the Scheme Advisory Board as Appropriate</p> <p>Periodic reports will be provided to DLUCH as required The Pool will actively participate with any Cabinet Officer / DLUCH pooling related consultations</p>

Theme	Tasks	2022/23 activity
	ACCESS Support Unit	<p><i>Joint Policies & guidelines</i> Continued activity will take place on implementing the Communications plan.</p> <p>The implementation of revised ESG / RI guidelines on ESG / RI.</p> <p>A procurement will be completed for RI reporting support</p> <p>A third-party review of the ASU will be undertaken</p>
Pension Board/ Committee Training	<p>Implementation of training strategy</p> <p>Third party training</p>	<p>Provision of speakers to deliver East Sussex Pension Fund led training.</p> <p>Testing of existing knowledge and understanding levels</p> <p>Identifying useful third party provided session that will be useful for ESPF to attend.</p>
Pension Administration	<p>Recruitment to key vacancies</p> <p>Maintaining Member Data</p> <p>Data Improvement</p> <p>Annual Benefit Statement (ABS) production</p> <p>Data projects</p> <p>Development of Robotics</p>	<p>JD completion and evaluation complete for all posts in the department with recruitment to vacancies</p> <p>Day to day imputing of data into the pension system to ensure the records are up to date.</p> <p>Management of data submitted through i-Connect</p> <p>Identifying areas where data within the pension system can be improved and developing plan of redress.</p> <p>Full roll out of new KPI's</p> <p>Annual Benefit Statements need to be produced by statute. Ensuring the data is up to date to be able to provide an accurate statement to Members.</p> <p>Group to work through the redress of benefit calculations in relation to the GMP</p> <p>Rectification of historical Annual allowance errors.</p> <p>Review of casual workers with zero pay for 2 years to highlight with employers</p> <p>Audit of Altair user access</p> <p>Mortality and Address tracing completed in 2022</p> <p>Preparation for Pensions Dashboard</p> <p>Investigation of and development of robotics to automate processes and provide improved functionality</p>

4. Pension Board/Committee Training

4.1 Addressing the ESPF Business Plan

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

Consideration will be given to various training resources available in delivering training to the Board and Committee. The Fund will commit to providing a minimum of 4 formal training sessions per year for Board and Committee. Regular training options accessible to Board and Committee members will be circulated at least monthly.

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

The proposed budget includes sufficient funding to provide training to those involved in administering the Fund.

4.2 The Pensions Regulator E-learning toolkit

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

These modules are designed to apply to all public service schemes and are not LGPS specific. It does however provide a good grounding in some general areas.

Report to: Pension Board

Date of meeting: 10 February 2022

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) Note the change to risk A4 to cover wider separation from Orbis rather than Pension Administration
 - 2) Note the addition of Ransomware to the existing Cyber Security risk
 - 3) Note the addition of risk A7, covering East Sussex County Council's (ESCC's) Modernising Back Office Systems (MBOS) project
-

1. Background

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

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

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.

1.4 It is accepted that whilst mitigations are put in place for identified risks, it will not always be possible for all risk to be eliminated. In these cases, a level of risk is tolerated and kept under review.

2. Supporting Information

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

3 Changes to the Risk Register

3.1 In the meeting of November 2021 the Pension Committee agreed that risk A4, which covered the risk of the Fund separating from Orbis could be removed. It also asked that this risk be replaced by consideration of the risks posed by the wider separation from Orbis by Business Services. Risk A4 in **Appendix 1** now covers this risk. This risk mostly effects support services and agreements have been put in place to mitigate these, such as the Working Together Agreement with Surrey County Council for the provision of Pension Helpdesk services. Where separate agreements or contracts have not been made Officers will review the ongoing situation if there is a risk that connected work would be undermined or hampered by the crystallisation of the risk.

3.2 The Pension Committee has asked that the risk of Ransomware be included in the risk register in more detail. The existing risk covering cyber security, G3, has been updated to specifically mention the risk of Ransomware and the efforts that will be made to improve the Fund's resilience in the event of a cyber incident.

3.3 A spelling error in risk I7 was identified in November 2021. This has been corrected.

3.4 Risk A7, which covers the Local Authority's MBOS project, has been added. East Sussex County Council is in the process of changing its accounting system, with the implementation of Oracle Fusion. Officers are involved with the development and roll out of the new system to mitigate the risk that the needs of the Pension Fund are not taken into account and that potential flaws are identified before it is rolled out.

4. Conclusion

4.1 The Pension Board is asked to note the continuing steps being taken to mitigate the risks to the Fund and to inform Officers of any new risks they have identified. Officers will advise members of new risks as they arise.

IAN GUTSELL
Chief Finance Officer

Contact Officer: Sian Kunert, Head of Pensions
Email: Sian.Kunert@EastSussex.gov.uk

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	<p>Failure to collect contributions on time</p> <p>Failure to collect contributions in line with Rates and Adjustments certificate</p> <p>Failure to monitor and reconcile contributions</p> <p>Liquidity failures with employers due to business risk or Covid 19 implications</p> <p>Incorrect coding of contributions</p> <p>Employer unable to pay increased contributions on a trigger event</p> <p>New outsourced arrangements made without thought to Pensions implications and contribution costs</p> <p>Poor employer covenant</p>	<p>Inaccurate financial statements</p> <p>Cashflow risk to pay out pensions</p> <p>Funding deficits</p> <p>Failure to track employer cashflows leading to inaccurate FRS17/IAS19 report and Valuation reports</p> <p>Future reduction in funding level</p> <p>Future Increase in employer contributions</p> <p>Employer forced into liquidation</p> <p>Increase in investment risk taken to access higher returns</p> <p>Forced to sell investments to meet cashflow requirements</p>	3	3	9	<p>Monthly Employer contribution monitoring</p> <p>Monitoring of late payments with new Employer engagement team to address breaches for late payment</p> <p>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.</p> <p>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</p> <p>Implementation of I-Connect which is being 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</p> <p>New report to be delivered at Pensions Board meetings to highlight any late payment of contributions and Employer engagement actions from February 2021</p> <p>Covenant review to begin in 2021 - PWC appointed to carry out the work, high risk employers identified and legal advice obtained</p> <p>Triennial valuation process aims to stabilise contribution rates where possible and senior management involved in detailed discussions on funding assumptions</p> <p>Guide to Employers on implications to Pensions on Outsourcing presented at employer forum in November 2020 and document issued to all employers</p> <p>Contribution deferral policy approved by Committee in June 2020.</p> <p>Regular communication with Employers through new Employer engagement team</p>	2	2	4	Head of Pensions	On-going
E2	Employer data Risk Employers fail to provide accurate and timely data to the PAT team	<p>Failure to provide Starter and Leavers information</p> <p>Failure to provide EOY returns on time and to a an acceptable data standard</p> <p>Covid 19 has reducing the ability of employers to participate in the data cleansing</p> <p>Inability for Employers to respond to additional data requests for changes in regulations</p>	<p>Risk of financial loss and damage to reputation.</p> <p>Incorrect employer's contribution calculations</p> <p>Delays to triennial actuarial valuations process.</p> <p>Fines and enforcement action by The Pension Regulator</p> <p>Inability to produce ABS in time or accurately to comply with legislation</p>	4	3	12	<p>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</p> <p>Employing authorities are contacted for outstanding/accurate information;</p> <p>User Guide and Training provided to Employers for outsourcing implications with LGPS November 2020</p> <p>Regular communication and meeting with administration services regarding service updates and additional data, when required.</p> <p>New employer engagement team established from January 2021 to support employer and provide training where required</p> <p>Issuance of a quarterly employer newsletter to support employers in their understanding of current pensions issues and activity for the Pension Fund</p> <p>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</p> <p>Data Improvement (DIP) working group set up to discuss data issues resulting from employers</p> <p>Introduction of I-Connect system will limit employer ability to submit incorrect data</p> <p>Meetings held between senior pensions Management team and employers where there are current or historic data concerns</p>	3	3	9	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		
E3	Delay in employers agreeing Admission Agreement	<p>Complexity around agreeing contribution rate</p> <p>Negotiations around provision of security</p> <p>Delays in negotiating terms and execution of documentation</p> <p>Late notification of an outsourcing arrangement</p> <p>Failure to understand the regulatory responsibilities on tenderers of new LGPS employers</p>	<p>Inability to recover missed payments in event of employer insolvency event</p> <p>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</p>	3	2	6	<p>New templates being developed - this will speed up the process of agreeing new admission agreements</p> <p>The fund are moving to a template portal which will automatically populate the variable data in the admission agreement ensuring no addition terms are changed and provides assurance from external legal term that the agreement are comprehensive and enforceable</p> <p>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.</p> <p>Officers meet monthly to review status and movement on each in progress admission</p> <p>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</p>	2	2	4	Head of Pensions	On-going
Administration												
Page 106 A1	Pensions service Delivery Risk Inadequate delivery of Pensions Administration	<p>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</p> <p>Paying pension benefits incorrectly</p> <p>Members not provided with required information</p>	<p>Members of the pension scheme not serviced to an adequate standards</p> <p>Damaged reputation</p> <p>Financial hardship to members</p> <p>Employers dissatisfied with service being provided resulting in formal complaint</p> <p>Complaints which progress to the Pensions Ombudsman</p> <p>Financial loss</p> <p>Statutory deadlines not met</p> <p>Active members not aware of delay in employee contributions being paid</p>	3	3	9	<p>The PAT team is currently undergoing a dissolution project to Insource pensions administration from Orbis Surrey to an inhouse provision.</p> <p>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</p> <p>Quarterly Reports to Pension Board and Committee</p> <p>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</p> <p>Awareness of the Pension Regulator Guidance by all team members</p> <p>Programme management by Head of Pensions admin in liaison with Orbis partners to ensure all tasks completed as planned and to a high standard</p> <p>Polices and procedures in place and all activity for members recorded on member records for other teams members to see</p> <p>Constant monitoring / checking by team managers and senior officers for more junior staff members</p> <p>In house risk logs, including for projects</p> <p>SAP / Altair reconciliation monthly to ensure financial records complete and correct</p> <p>Task management systems built into Altair to ensure activity is competed and monitored</p>	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	<p>GMP reconciliation</p> <p>GMP rectification</p> <p>GMP equalisation</p> <p>McCloud</p> <p>Pensions Dashboard</p> <p>Other changes to legislation or regulatory guides</p>	<p>Members of pensions scheme exposed to financial loss</p> <p>Inaccurate record keeping</p> <p>Damaged reputation</p> <p>Delays due to conflicting deadlines on heavy workloads</p> <p>Penalty applied due to non-compliance</p>	3	3	9	<p>Projects and/or working groups in place to deal with current regulatorily benefit changes</p> <p>Attendance at networks and officer groups to stay on top of up coming changes in regulation</p> <p>Reports to Pension Board and Committee to ensure knowledge is shared to decision makers</p> <p>Oversight via Data Improvement Working Group</p>	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 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 Business Operations from Orbis to ESCC	Risk that support unavailable to procure services Risk that existing procurement exercises are delayed during handover Risk of delay to recruitment during handover period Lack of access to Pensioner payroll services and helpdesk	Essential support from third party service provider cannot be obtained in timely manner Unable to employ and onboard new staff, delaying efforts to reach full FTE Unable to pay benefits as they fall due	3	3	9	Engaging through Financial Management Team to monitor developments in this space, allowing opportunity to adapt tasking as needed Minimise new procurement projects until after disaggregation Agreements in place with SCC for provision of helpdesk and payroll services separate to Orbis	2	3	6	Head of Pensions	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
A7	MBOS Project	Transfer to new reporting system leads to unexpected errors and incorrect data being provided Set up of new system restricts accounts reporting for statement of accounts production, budget monitoring or other data requirements	Member records updated incorrectly Publication of accounts late Accounts qualified Inability to effectively monitor spend	2	3	6	Officers are part of the project roll out and involved in testing. Needs of the Pension Fund are therefore being taken into account Officers produced process mapping for all functions within the existing finance system	1	3	3	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		
Governance												
G1	Key Person risk Risk of loss of key / senior staff resulting in lost knowledge and skills within the Pensions Team	Poor management of staff Failure to provide progression within the team structure Poor absence management Higher risk of sickness absence and reduced working hours as a result of Covid-19 Failure to provide an supportive working environment Failure to communicate with staff members in relation to potential service changes Concentration of knowledge in a small number of officers and risk of departure of key and senior staff.	Damaged reputation Inability to deliver and failure to provide efficient pensions administration service, support to employers, accurate accounts or effective management of investments Disruption and inability to provide a high quality pension service to members. The risk of losing key staff could lead to a breakdown in internal processes and service delivery, causing financial loss and potential risk to reputation.	4	4	16	Diversified staff / team Attendance at pension officers user groups to network and exchange information Procedural notes which includes new systems, section meetings / appraisals Succession planning within team structure, building from within the team Robust business continuity processes in place around key business processes, including a disaster recovery plan. Knowledge of all tasks shared by at least two team members within PAT and in addition can be covered by senior staff in all areas. Training requirements are set out in training strategy, job descriptions and reviewed annually with team members through the appraisal process. New training officer post within team structure to be recruited early 2021 Training strategy in place and regularly reviewed with training log where required	2	2	4	Head of Pensions / Head of Pensions Administration	On-going
G2	Lack of decision making caused by loss of Pension Committee/Pension Board member	Several Committee members lose seats in an election Members resign posts Terms of multiple members expire at same time	Committee/Board not quorate and unable to fulfil role Inability of Pension Board to support Committee due to loss of Knowledge and Understanding Clear instructions not given to officers Action taken by TPR for failure meet basic compliance standards	3	3	9	Record kept of terms of Office Pension Board terms of Office staggered Deputy Chairs in place to cover chair absence Officers aware of election cycle	2	3	6	Head of Pensions	On-going
G3	Cyber Security Risk of Loss of data or systems breaches through cyber attacks	Cyber attack on ESCC systems and firewalls Cyber Security of member data - personal employment and financial data Attempt to infiltrate emails systems and data exchanges Cyber attach on third party systems where ESPF data is stored Cyber attach on third party systems that ESPF require to carry out service requirements and investment functions Covid-19 Cybercrime Spike	ESCC may incur financial penalties for data breaches Damaged reputation Legal issues Members of the pension scheme exposed to financial loss / identity theft Members of the pension scheme data lost or compromised Financial loss resulting from data manipulation Inability to trade Impact on funding levels Inability to access key systems, or substantial rebuilding of alternative systems Ransomware prevents access to key 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 Engagement with ICT to understand and receive reports on monitoring for successful cyber attacks	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 Control / Response	Post Mitigation			Risk Owner	Timescales
				Likelihood	Impact	Risk Score		Impact	Likelihood	Risk Score		
G4	Inadequate governance arrangements to discharge powers & duties	<p>Pensions Board & Committee members do not have the knowledge & experience to carry out their duties properly</p> <p>In sufficient internal audit review of the fund</p> <p>Lack of advisory services</p> <p>Insufficiently qualified officers</p> <p>Poor level of testing and challenge from external auditors</p>	<p>Poor decision making</p> <p>Breaches occurred</p> <p>Areas of work not completed</p> <p>Unreliable accounting or budgetary information</p>	2	3	6	<p>Training strategy in place which covers Pension Committee, Pensions Board and officers</p> <p>100 days of internal audit commissioned for each calendar year with regular reporting from IA to committee and board</p> <p>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</p> <p>Investment regulations require proper advice, procurement processes in place to ensure quality within replacement advisers</p> <p>Training coordinator being appointed. This officer will liaise with chair of Pension Board and Committee to identify training needs</p>	1	3	3	Head of Pensions	On-going
G5	Failure to comply with General Data Protection Regulations	<p>Data breaches through failure to encrypt data</p> <p>Poor security on systems</p> <p>Unpublished privacy notice, policy and guidance</p> <p>Lack of knowledge on GDPR rules by staff</p> <p>DPO not identified</p>	<p>Reputational damage</p> <p>Fines and enforcement</p> <p>Breaches by contractors and employers</p> <p>Failure to report breaches within timescales and through correct reporting methods</p>	3	3	9	<p>Contracts with external parties where there is a data role have clear terms and conditions as part of the data processing agreements</p> <p>Data Impact assessment is carried out on all new tenders where data is involved</p> <p>DPO is in place via ESCC</p> <p>Privacy notice is on the website - the privacy statements have been refreshed in August 2021</p> <p>Memorandum of Understanding in place with employers within the fund</p> <p>All staff are required to complete an information governance course on joining the Council and this is refreshed annually</p> <p>Information governance Internal audit completed in Q4 2020/21 with a reasonable assurance level and all recommendations have been completed as at September 2021</p> <p>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</p>	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	<p>Poor strategic asset allocation resulting in insufficient protection against inflation risk of liabilities</p> <p>Performance consistently under benchmark</p> <p>Inability to rebalance portfolio</p> <p>Failure to take proper advice</p> <p>Unrealistic discount rates in valuation assumptions</p>	<p>Funding Gap</p> <p>Damaged reputation</p> <p>Increase in employer contribution</p> <p>Inability to Pay Pensions</p> <p>Forced to sell investments to meet cashflow requirements</p>	3	3	9	<p>Strategy is supported by expert investment consultants. Challenge to Consultants through Independent Adviser.</p> <p>Triennial valuation ensures funding position is known and contribution rates are stabilised</p> <p>Quarterly Performance monitoring, investment manager monitoring from consultants and Link for ACCESS sub funds</p> <p>Annual Investment Strategy Review, with interim rebalancing</p> <p>Quarterly Reporting to Pensions Committee, with decisions approved by committee, including Fund Manager performance</p> <p>Training strategy in place to ensure officers and committee members have sufficient knowledge and skills to implement and change the investment strategy</p> <p>Investment decisions are made in compliance with the ISS/FSS</p> <p>Changes to investment strategy are discussed with the actuary to ensure anticipated implications on funding aligned.</p> <p>Revision of the Asset Liability Model to support a viable Strategic Asset Allocation for the new valuation.</p>	2	2	4	Head of Pensions	On-going
I2	Changes to International Trade The changing of Regulations and International Trading relationships along with the trading environment, impact on investments in affected businesses	<p>Inability to access certain investment vehicles</p> <p>Changes to Banking legislation and MIFID II and Basel requirements</p> <p>Falls /instability in markets</p> <p>Currency fluctuations</p> <p>Inability to realise certain assets</p> <p>Increased taxation on certain assets</p>	<p>Financial loss, and/or failure to meet return expectations.</p> <p>Future Increase to employer contribution costs resulting from lower funding positions</p> <p>Changes to the regulatory and legislative framework within which the Fund operates.</p> <p>Changes in employer funding positions causing liquidity risk to employers</p> <p>Unable to sell assets preventing realignment with funding strategy or withdrawal from underperforming fund/asset class</p>	3	3	9	<p>Diversification of the Fund's investments across the world.</p> <p>Regular monitoring of investment performance and reports on potentially problematic trends</p> <p>Diversification of the Fund's investments across multiple asset classes</p> <p>Currency Hedging requirements considered within the investment strategy</p> <p>Officers receive regular briefing material on regulatory changes and attend training seminars and ensure any regulatory changes are implemented</p>	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		
13	Regulatory risk Failure to comply with regulations, legislation and guidance from an accounting and investment perspective	<p>Failure to comply with CIPFA code of practice for accounting for the pension fund</p> <p>Failure to provide employers with accurate reporting for their financial statements</p> <p>Failure to comply with the LGPS investment regs</p> <p>Failure to Comply with statutory guidance from MHCLG</p> <p>Failure to comply with the Pensions Regulator requirements</p>	<p>Risk of the accounts being qualified by the auditors.</p> <p>Risk to employers of qualified accounts causing reputational damage and potential costs</p> <p>Intervention by the secretary of state in investment strategy</p> <p>Breaches occurred</p>	3	3	9	<p>Pensions Officers are kept up to date with changes to legislative requirements via network meetings, professional press, training and internal communication procedures.</p> <p>Pension Fund financial management and administration processes are maintained in accordance with the CIPFA Code of Practice, International Financial Reporting Standards (IFRS), and the ESSC Financial Regulations.</p> <p>Regular reconciliations are carried out between in-house records and those maintained by the custodian and investment managers.</p> <p>Internal Audits - carried out in line with the Pension Audit strategy.</p> <p>External Audit review the Pension Fund's accounts annually</p> <p>Breaches policy in place to ensure breaches mapped and reported</p>	1	2	2	Head of Pensions	On-going
14	Investment pooling risk	<p>Asset classes not available in line with the funds investment strategy</p> <p>Excessive asset transition costs</p> <p>Poor governance of the ACCESS pool</p> <p>Investment beliefs on ESG issues not shared within the pool</p> <p>Inability to report performance to the fund</p> <p>Inability to manage the investment managers and structure to deal with poor performance</p> <p>Insufficient Capacity in sub funds</p> <p>There is a risk that an investment may not transition to the ACS if Link cannot resolve on-going issues relating to the operating model for the planned Feeder fund structure.</p> <p>ACCESS pool unable to generate cost efficiencies</p>	<p>Increase in investment risk taken to access higher returns</p> <p>Increased costs</p> <p>Poor governance and reputational damage</p> <p>There is a risk that an investment may not transition to the ACS if Link cannot resolve on-going issues relating to the operating model for the planned Feeder fund structure.</p> <p>Asset transition costs are greater than forecast.</p> <p>Failure to control operational risks and transaction costs during the transition process</p> <p>Insufficient risk and return parameters to comply with guidance on pooling and the investment strategy</p> <p>Intervention of the secretary of state in failing to invest in line with the statutory guidance on pooling</p> <p>An increase in the set-up costs for implementing new asset classes and managers</p>	3	3	9	<p>ACCESS Support Unit team provide support to the pool</p> <p>Operator contract provided by Link for assets held within the ACS</p> <p>The ACCESS Contracts Manager will monitor Link's progress closely. If Link cannot resolve issues in a reasonable timeframe then alternative options may be considered, e.g. Funds may continue to hold the sub fund outside the ACS</p> <p>KPI's introduced within revised operator agreements</p> <p>Consultants involved in analysing the creation of sub-funds and transitioning of our current assets into the pool, under a variety of scenarios.</p> <p>Opportunities to transfer securities in 'specie'. Reducing cost on transition</p> <p>Transition manager in place to preserving asset values, managing risk and project managing the transition process to ensure that costs are monitored and controlled.</p> <p>Due Diligence completed by legal advisers to ensure no hidden costs or governance issues not known at time of decision to invest.</p> <p>S151, chair of pension committee and monitoring officer representation on respective committees and working groups to ensure ESPF involved in all decisions and concerns and questions can be raised early in processes</p> <p>Regular meetings between officers and ACCESS pool with officers on a number of working groups to ensure involvement in decision making</p>	2	3	6	Head of Pensions	On-going
15	Funding risk due to higher inflation leading to increased liabilities and a funding gap	<p>Inflation rises faster than the actuarial assumption as a result of Govt. response to COVID-19</p> <p>Bond yields return to much higher levels</p>	<p>Liabilities are higher than expected.</p> <p>Bond-equity correlations rise, and equities also fall in price</p> <p>Fund's solvency level falls</p>	2	2	4	<p>Investment strategy include weighting to index linked gilts, infrastructure and real estate which are all inflation correlated to mitigate increases in liabilities from inflation.</p> <p>Potential to further increase infrastructure weightings</p> <p>Fund monitor portfolio sensitivity to inflation via expert investment consultants</p> <p>Triennial Valuation assumptions include local knowledge of the Administering authority on anticipated pay inflation.</p> <p>Quarterly monitoring of funding position helps identify risk early</p>	1	2	2	Head of Pensions	On-going

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	<p>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</p> <p>Investment environment changes radically, and Fund is slow to respond</p> <p>Risk to wider social and economic risks by focusing on a single issue</p> <p>Poor transparency on underlying investment manager investments decisions on behalf of the fund</p> <p>Failure of fund managers to explain or comply against voting guidelines</p> <p>Poor corporate Governance or corruption in underlying investments</p> <p>Risk of regulatory policy changes resulting in fines to underlying investments</p>	<p>Volatile investment returns</p> <p>Loss of market value</p> <p>Reputational risk where EGS beliefs and strategy are not aligned with expectation of members</p> <p>Increased workload responding to questions and challenges over ESG risks taking officer time away from managing the fund effectively</p> <p>Increase in investment risk taken due to unassessed ESG issues</p> <p>Weaker control leading to poorer governance</p> <p>unconscious exposure to companies in violation of UN policies, human rights violations, poor governance structures</p>	3	2	6	<p>Statement of Responsible Investment Principles outline investment beliefs within ESG, implementation of decisions and monitoring of EGS factors.</p> <p>Investment Working Group and ESG working group consolidated into a single group to ensure ESG is in the heart of all investment decisions</p> <p>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</p> <p>Tracking of the portfolio as underweight in fossil fuel exposure to benchmarks</p> <p>Production of annual reports on the carbon footprint of the Fund and review of managers from EGS perspective including transition pathway of underlying companies</p> <p>Signatory to Stewardship code with commitment to comply with the new 2020 code</p> <p>Challenging managers on their holdings with regard ESG issues</p> <p>Introduction of an ESG assessment for all managers reported in July 2021 including improvement actions for each manager on ESG methodology, reporting or collaboration. This will be updated and reported annually</p> <p>Engaging via managers and investor groups including LAPFF with companies and driving them forward to comply with key ESG concerns using the greater voice by combined investment power</p>	2	2	4	Head of Pensions	On-going

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	<p>Uncertainty in energy transition impacts and timing</p> <p>Risk of stranded assets where invested in fossil fuel companies</p> <p>Lack of reliable carbon measurement data for investment pooled funds and or underlying holdings of those pooled funds.</p> <p>Risk of natural disasters on underlying investments</p> <p>Risk of changes in oil prices</p> <p>Increased capital costs of underlying investment companies to transition to greener energy solutions or lower carbon emitting supply chain models and production methods</p> <p>Fines or penalties incurred by underlying holdings by company or sector</p> <p>Increased global temperature and or erratic climate events causing devastation to underlying holdings</p> <p>Social consequence on members welfare and longevity within the fund</p>	<p>Unconscious exposure to high carbon emitters</p> <p>Reputation issues around how the Fund is progressing the move to a decarbonised global economy.</p> <p>Volatile investment returns</p> <p>Reputational risk where Climate risks, reporting, mitigations and strategies are not aligned with member views or poorly communicated</p> <p>Loss of income to the Fund from missed opportunities in oil price rally to accommodate the infrastructure to enable to the world to comply with the energy transition</p> <p>Loss of market value</p> <p>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.</p> <p>Possible increase to ill health retirement cases leading to a change in cash flows and possible enhancements beyond those anticipated</p>	4	3	12	<p>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</p> <p>Investment Working Group and ESG working group consolidated into a single group to ensure ESG is in the heart of all investment decisions</p> <p>Restructuring of the equity portfolio to avoid high risk companies and exploit opportunities, including decision to invest in impact fund in September 2020</p> <p>Trim unconscious exposure to companies with high Carbon emission, poor energy transition plans and or fossil fuel companies, through agreed removal of traditional index funds</p> <p>Member of Institutional Investors group on climate change</p> <p>The fund carry out annual carbon foot printing to better understand the carbon exposure and energy transition plans within the portfolio</p> <p>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</p> <p>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.</p> <p>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+ engagement partners leading on this work with top emitting companies, while all managers are IIGCC members for collaborate weighting of AUM to influence action</p> <p>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 negligible in market movement perspectives.</p>	2	2	4	Head of Pensions	On-going
18	Insufficient cash to pay benefits as they fall due	<p>Too much investment in illiquid assets</p> <p>Failure to track payments due</p> <p>Large investment commitments not anticipated and planned for</p> <p>Contributions not collected when due</p>	<p>Benefits not paid as they fall due</p> <p>Beneficiary financial hardship</p> <p>Forced sale of investments</p> <p>Reputational risk</p>	2	4	8	<p>Contributions monitored on monthly basis</p> <p>monitoring of members close to retirement</p> <p>Daily cash position monitored.</p> <p>Distributing investments to ensure stream of income from investment activity</p> <p>Income from investments is considered as a key risk in all investment strategy decisions and the income profile managed</p> <p>liaison between administration and investment team on cash requirements.</p>	1	4	4	Head of Pensions	on-going
19	Internal fraud	<p>Member of staff has multiple accounts and can self authorise</p> <p>Lack of internal controls and sign off procedures</p> <p>Failure to monitor staff actions</p> <p>Failure to monitor payments from the Fund</p>	<p>Loss of Fund assets</p> <p>Reputational risk</p> <p>Loss of member confidence</p> <p>Loss of Fund assets</p>	2	3	6	<p>Quarterly review of log in credentials</p> <p>Senior officer's have sight of bank account</p> <p>Senior officer's are signatories to bank account</p> <p>Multiple sign off needed to make payment</p>	1	3	4	Head of Pensions	On-going
110	External fraud	<p>Failure to properly authenticate benefit claims</p> <p>Failure to identify deceased members</p>	<p>Reputational risk</p> <p>Loss of member confidence</p>	2	3	6	<p>Monthly mortality checks</p> <p>Regular member tracing exercises</p>	1	3	3	Head of Pensions	On-going

Risk Register Risk Scores

The risk scores are calculated using the risk matrix below:

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

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Report to: Pension Board

Date of meeting: 10 February 2022

By: Chief Finance Officer

Title: Work Programme

Purpose: To note the Board and Committee work programme

RECOMMENDATION

The Pension Board is recommended to note the 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 and Committee's work both during formal meetings and outside of them. The Committee is recommended to consider and agree the updated work programme including consideration the regularity of agenda items to ensure effective governance of the Fund at the scheduled meetings.

IAN GUTSELL
Chief Finance Officer

Contact Officer: Sian Kunert, Head of Pensions

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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	Pensions Manger – Governance and Compliance
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	Pensions Manger – Employer Engagement
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. 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
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
Internal Audit Strategy and Plan	Draft internal audit Pension Fund Strategy and Audit Plan 2022/23	Internal Audit
Additional Voluntary Contributions (AVC) review	Paper reviewing the AVC provision to members	Head of Pensions

1 June 2022		
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
Communications Policy	Revision to the Communications Policy	Head of Pensions
Covenant Review Report	Report from PWC on the covenant review project – project expected to complete late 2021	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
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
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		
Employer Forum Agenda	Discussion on Pension Fund Employer Forum Agenda topics	Pensions Manger – Employer Engagement
Annual Training Plan	Report on Training completed in the year and training recommendations for the up-coming year	Head of Pensions
8 February 2023		
Business Plan and Budget 2023/24	Report to set the Budget for the Pension Fund for the Financial Year 2023/24 including the Business Plan with key deliverables for the year.	Head of Pensions
External Audit Plan for the East Sussex Pension Fund 2022/23	Draft External Audit Plan for 2021/22 Pension Fund Financial Statements	Head of Pensions
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 when new KPI tool implemented
Decision making	To revise the decision-making matrix (including a RACI model) and to circulate it for information.	To be provided June 2022

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, approval of policy amendments and McCloud working group update	Pensions Manger – Governance and Compliance
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	Pensions Manger – Employer Engagement
Pensions Administration report	An update on the performance of the Pensions Administration Team.	Head of Pensions Administration
Internal Audit reports	Internal audit reports on the ESPF and annual audit plan.	Head of Internal Audit
East Sussex Pension Fund (ESPF) Quarterly budget report	An update on the ESPF's budget - <i>reported Q2-4 only</i>	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 – <i>reported only when a new breach is recognised, or status changed. Report goes quarterly to Board.</i>	Head of Pensions
Employer Admissions and Cessations	A report on the admission and cessation of employers to the ESPF - <i>reported only when outstanding admissions or cessations.</i>	Head of Pensions
24 February 2022		
2020 Stewardship Code Submission	Report outlining the Funds compliance with the 2020 Stewardship Code	Head of Pensions
Business Plan and Budget 2022/23	Report to set the Budget for the Pension Fund for the Financial Year 2022/23 including the Business Plan with key deliverables for the year.	Head of Pensions
Internal Audit Strategy and Plan	Draft internal audit Pension Fund Strategy and Audit Plan 2022/23	Internal Audit
Additional Voluntary Contributions (AVC) review	Paper reviewing the AVC provision to members	Head of Pensions
Communications Policy	Revision to the Communications Policy	Head of Pensions
17 June 2022		

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
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
Covenant Review Report	Report from PWC on the covenant review project	Head of Pensions
Communications Policy	Revision to the Communications Policy	Head of Pensions
Training Policy	Biannual review of the training Strategy	Governance and Compliance Pensions Manager
20 July 2022 (no standing items)		
Investment Strategy Review	Annual consideration on the effectiveness of the Investment strategy and suggested changes to the Investment Strategy Statement.	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 Accounts 2021/22	A report on the External Audit findings of the Pension Fund financial Statements for 2021/22	Head of Pensions
Pension Fund Annual Report and Accounts 2021/22	2020/21 Annual Report and Accounts for approval	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

Employer Forum Agenda	Discussion on Pension Fund Employer Forum Agenda topics	Pensions Manger – Employer Engagement
Annual Training Plan	Report on Training completed in the year and training recommendations for the up-coming year	Head of Pensions

22 February 2023

Business Plan and Budget 2023/24	Report to set the Budget for the Pension Fund for the Financial Year 2023/24 including the Business Plan with key deliverables for the year.	Head of Pensions
External Audit Plan for the East Sussex Pension Fund 2022/23	Draft External Audit Plan for 2021/22 Pension Fund Financial Statements	Head of Pensions
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	Status
Beyond Oil and Gas Alliance	Request for a paper to be made available at February 2022 meeting to provide members with information on the Beyond Oil and Gas Alliance so Committee members have sufficient information to consider if they want to issue a public statement, calling on the UK Government to commit to becoming a core member of the Beyond Oil & Gas Alliance	To be presented in February 2022 meeting
Schroders Cash position	Request for officers / Isio to find out reasons for the large cash position in the Schroders portfolio	Complete – update to be provided February 2022 meeting
Correlation of assets	Request for a brief overview of how the portfolio investments are correlated	To be presented in February 2022 meeting
Inflation	Request for information on how increasing Inflation could impact the Fund	To be presented in February 2022 meeting

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"> • 18 November 2021 • 6 December 2021 • 26 January 2022 – special meeting for Infrastructure Manager Selection Presentations (Core members only invited) • 28 January 2022 	<p>William Bourne, Russell Wood, Sian Kunert, Representative from Investment Consultant</p> <p>Cllr Fox or substitute committee member is invited to attend</p>
Administration Working Group	<p>The Administration Working Group was set up in 2021 following the conclusion of the ABS and Data Improvement Working Group. The group discuss ongoing administration projects and areas of administration focus</p> <p>Recent meetings</p> <ul style="list-style-type: none"> • 2 December 2021 • 19 January 2022 <p>Scheduled</p> <ul style="list-style-type: none"> • 28 March 2022 • 4 May 2022 • 5 July 2022 • 16 August 2022 • 18 October 2022 	<p>Cllr Fox, Ray Martin, Stephen Osborne, Paul Punter, Sian Kunert, Ian Gutsell</p> <p>Vacancy for Scheme Member Rep</p>

	<ul style="list-style-type: none"> 15 December 2022 	
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"> 12 January 2022 – supported by Hymans 	<p>Cllr Fox, Stephen Osborn, Lynda Walker, Paul Punter, Sian Kunert, Dave Kellond</p>
Communications Working Group	<p>The Communications Working Group was established by the Pensions Board in February 2021 to drive forward improvements in communications with stakeholders with support from employee and employer representatives.</p> <p>Recent meetings</p> <ul style="list-style-type: none"> 14 December 2021 	<p>Lynda Walker, Ray Martin, Cllr Druitt, Sian Kunert, Tim Hillman, Izzy Widdowson, Paul Linfield</p> <p>Note - All Board members invited to attend</p>

Training and Development - recent and future events

Title of Training/Briefing	Detail	Date	Attended
LGPS-Live – A webinar series Scheme Advisory Board Update	<ul style="list-style-type: none"> • Collaborations and Consolidation in the LGPS • Should We Worry About Inflation? 	3 Nov '21	Cllrs: Hollidge, Hilton, Redstone
Aon's Global Pension Risk Survey 2021/22 UK Survey findings	Looked at the results and findings of the survey	4 Nov '21	Cllrs Hilton, Hollidge
LGPS Climate Summit	Covered: <ul style="list-style-type: none"> • The Economics of Climate Change • From Risk to Opportunity • TCFD and the LGPS • Ensuring an inclusive Net Zero transition • What next after COP26? • Pooling and Climate Risk • Which truth? Data Malaise from Pandemic to Climate Crises • Addressing Greenwashing Risks: How Can the LGPS Steer Clear? • Driving the Transition: Effectively Investing in The Transition of Carbon Intensive Industries • How is Climate Change Shaping Private Equity and Venture Capital Investments? • Looking beyond – Biodiversity as an Investment Opportunity • Expectations for the LGPS 10 Years from Now 	15 Nov '21	Cllr Hilton
Embedding ESG into Pension Scheme Decision-Making - a toolkit for pension trustees	Key elements of the A4S toolkit and how it can be used by trustees to drive consensus across their Board, and by advisers to share with their clients	16 Nov '21	Cllrs Hollidge, Hilton

ESPF Employer forum	<ul style="list-style-type: none"> • WHEB Investment Manager • Compliance and Governance update • Administration Manager Update • Engagement and Website update • I-Connect update 	24 Nov '21	R Martin, S Osborn, Cllr Illingworth. Cllrs: Fox, Tutt, Hollidge, Redstone, Hilton
Evaluating the ESG Capabilities of Your Service Providers	Top tips and examples of good practice on procuring the right service providers to deliver your ESG objectives and assessing their continuous performance.	25 Nov '21	Cllr Hilton
LGPS Governance Conference 2022	<ul style="list-style-type: none"> • The Economics of Climate Change • From Risk to Opportunity • TCFD and the LGPS • ensuring an inclusive Net Zero transition • What next after COP26? • Pooling and Climate Risk • Which truth? Data Malaise from Pandemic to Climate Crises • Addressing Greenwashing Risks: How Can the LGPS Steer Clear? • Driving the Transition: Effectively Investing in The Transition of Carbon Intensive Industries • How is Climate Change Shaping Private Equity and Venture Capital Investments? • Looking beyond – Biodiversity as an Investment Opportunity • Expectations for the LGPS 10 Years from Now 	20-21 Jan '22	Cllr Fox
Valuation	<ul style="list-style-type: none"> • Purpose and objectives of the valuation • Valuing the assets and liabilities - methodology and approach • Data - requirements and the importance of data quality • Assumptions - how these are determined and their impact on results • A look back at the 2019 funding position and what we might expect at 2022 • Hot topics impacting the valuation 	27 Jan '22	N Palermo, S Osborn; Cllrs: Fox, Hollidge, Drutt, Illingworth, Redstone, Hilton
Title of Training/Briefing	Detail	Proposed Date	Invited
LAPF Strategic Investment Forum	<ul style="list-style-type: none"> • Bonds – balancing your portfolio's risk 	3 Feb '22	Committee Members

	<ul style="list-style-type: none"> Fading scars and enduring policies – long term capital market assumptions as a key driver of portfolio construction 		
Admin and Data Forum 2022	½ day event run by Professional Pensions'. Focus on the challenges that trustees and scheme managers are currently facing, as they evolve their administrative and data functions to meet regulatory duties, capture efficiencies and provide best outcomes for members.	8 Mar '22	Committee Members
ESG Conference 2022 - Pensions, people, planet	2 day ESG conference run by PLSA	9-10 Mar '22	Committee Members
LGC Investment Seminar on 24-25 March 2022.	2 Day LGPS investment seminar held in Chester. Due to costs for this event places are not offered to all	24-25 Mar	Cllr Redstone

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