



# PENSION BOARD

FRIDAY, 27 MAY 2022

10.00 AM COUNCIL CHAMBER, COUNTY HALL, LEWES

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

## A G E N D A

1. Minutes (*Pages 3 - 12*)
2. Apologies for absence
3. Disclosure of interests
4. Urgent items  
Notification of any items which the Chair considers urgent and proposes to take at the appropriate part of the agenda.
5. Representation on the Pension Committee (*Pages 13 - 28*)
6. Pension Committee Agenda (*Pages 29 - 32*)
7. Governance Report (*Pages 33 - 76*)
8. Employer Engagement and Contributions Report (*Pages 77 - 80*)
9. Pensions Administration Report (*Pages 81 - 90*)
10. Internal Audit reports (*Pages 91 - 122*)
11. East Sussex Pension Fund 2020/21 Budget Quarterly report (*Pages 123 - 126*)
12. East Sussex Pension Fund Risk Register (*Pages 127 - 140*)
13. Communications Report (*Pages 141 - 166*)
14. Training Report (*Pages 167 - 184*)
15. External Audit Plan for the East Sussex Pension Fund 2021/22 (*Pages 185 - 208*)
16. Annual Report of the Pension Board (*Pages 209 - 212*)
17. Work Programme (*Pages 213 - 230*)
18. Any other non-exempt items previously notified under agenda item 4
19. 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).

20. Pension Fund Breaches Log and Internal Dispute Resolution Procedure case Report  
(Pages 231 - 236)
21. Employer Admissions and Cessations Report (Pages 237 - 244)
22. Any other exempt items previously notified under agenda item 4

PHILIP BAKER  
Assistant Chief Executive  
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19 May 2022

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## PENSION BOARD

MINUTES of a meeting of the Pension Board held at Committee Room, County Hall, Lewes on 10 February 2022.

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### PRESENT

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

### ALSO PRESENT

Ian Gutsell, Chief Finance Officer  
Sian Kunert, Head of Pensions  
Michael Burton, Pensions Manager - Governance and  
Compliance  
Russell Wood, Pensions Manager: Investment and Accounting  
Paul Punter, Head of Pensions Administration  
Tim Hillman, Pensions Manager - Employer Engagement  
Dave Kellond, Compliance and Local Improvement Partner  
Danny Simpson, Principal Auditor  
Paul Linfield, Pensions Communications Manager  
Paul Freedman, Pensions Investment Analyst  
Paula Jenner, Employer Engagement Officer  
Mya Khine, ESPF Accountant  
Izzy Widdowson, CIPFA Trainee - Pensions  
Thea Synnestvedt, Policy Development Intern

Councillor Gerard Fox, Chair of Pension Committee

### 67. MINUTES

67.1 The Board agreed the minutes of the previous meeting held on 5 November 2021 as a correct record.

68. APOLOGIES FOR ABSENCE

68.1 There were no apologies for absence.

69. DISCLOSURE OF INTERESTS

69.1 There were no disclosures of interests.

70. URGENT ITEMS

70.1 There were none.

71. PENSION COMMITTEE AGENDA

71.1 The Board considered a report containing the draft agenda for the Pension Board meeting due to be held on 24th February 2022. The Pension Board discussed the draft agenda for the Pension Committee and noted that with the exception of the investment report items, all other reports were being considered by the Board. Russell Wood (RW) Pensions Manager - Investment and Accounting outlined that the investment report will cover the outcomes of the search for global infrastructure and fixed income investments as part of the implementation of the agreed investment strategy.

71.2 A discussion was held on the progress of divestment from fossil fuel investments and Brighton and Hove City Council's (BHCC) request for representation on the Pension Committee following a deputation that had been received by BHCC. It was agreed that Councillor Tom Druitt (TD) would produce a report on representation proposals to be shared with the Chair by end of February and to be considered at the next Pension Board meeting in June 2022.

71.3 The Board RESOLVED to note the report.

72. GOVERNANCE REPORT

72.1 The Board considered a report providing an update on various governance issues relating to Local Government Pension Schemes (LGPS) and the East Sussex Pension Fund (ESPF or the Fund), including changes in legislation and regulations.

72.2 Cllr Toby Illingworth (TI) asked what the impact of the increase in National Minimum Pension Age (NMPA) from 55 to 57 on 6 April 2028 would be on the Fund.

72.3 Michael Burton (MB), Pensions Manager - Governance and Compliance, outlined that any impacts on the Fund will be taken into account in future triennial valuations. The Chair commented that in actuarial terms the impact on the Fund will be broadly neutral.

72.4 MB provided an update on the appointment of a new Board scheme member representative to replace Diana Pogson. It is anticipated that the appointment will be made by the Governance Committee at the beginning of March and a replacement will be in place for the June Pension Board meeting.

72.5 The Chair asked for the Board member's views on increasing the number of employer and member representatives to four each to broaden representation on the Board. The Board discussed the Chair's suggestion and agreed to ask officers to explore the impact of changing the Board membership and to provide information on the composition of other Pension Boards for comparison.

72.6 The Board discussed the proposals for pension board member representation on the ACCESS Pool Joint Committee. The Chair outlined the current proposal which is for the eleven pension boards of the pension funds in the ACCESS Pool to nominate one representative (either employer or member representative), who will take turns in rotation to sit on the Committee. This would mean the pension board representative would change for each meeting and would give no opportunity for the representative to build up their knowledge of the issues under discussion. A more permanent representative, nominated for a longer term may be preferable. In addition, mechanisms would need to be agreed to ensure adequate feedback and representation of issues of concern to the various pension boards.

72.7 Lynda Walker (LW) commented that having some representation on the ACCESS Pool Joint Committee is to be welcomed and there has been a longstanding request to have member representation. Cllr Gerard Fox (GF), Chair of the Pension Committee, commented that the Scheme Advisory Board (SAB) had talked about a number of models to allow greater oversight by pension boards. Alternative suggestions for representation had been discussed by the Joint Committee, and the Pension Board could express an opinion if they feel the current proposals are not adequate.

72.8 The Board agreed that the Chair should write to ACCESS to say that the Pension Board does not consider having a rotating representative is satisfactory for the reasons discussed. The East Sussex Pension Board would prefer a model with a more permanent representative and arrangements to ensure a wider pension board representation and a mechanism for the dissemination of information.

72.9 BM outlined the offer and costs for an online video learning academy from Hymans Robertson to cover a range of pensions issues and invited views from the Board on whether this resource would be useful and should be purchased.

72.10 The Board expressed mixed views on whether the online resource would be used and whether it would be useful. The Board asked if a trial could be arranged so that Board members could assess the usefulness of the material.

72.11 MB responded that it might not be possible to arrange a trial and the offer was on a cost per user licence. The purchase of a smaller number of licences could be explored. Paul Punter (PP) Head of Pensions Administration explained that he could make a number of training modules available which are part of the Heywood pensions administration system.

72.12 The Board expressed the view that it would be more prudent to explore the use of the training resource from Heywood first and agreed to recommend to the Pension Committee that the online training offer from Hymans Robertson is not taken forward at this point in time.

72.13 The Board RESOLVED to:

- 1) Note the change to normal minimum pension age and the possible change to the 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) Agree that the Chair should write to the ACCESS Pool regarding pension board representation as detailed in paragraph 72.8 (above) regarding ways improve pension board member representation in the ACCESS Pool; and

7) Recommend to the Pension Committee that the online learning academy offer from Hymans Robertson is not taken forward at this point in time.

### 73. EMPLOYER AND CONTRIBUTIONS REPORT

73.1 The Board considered a report providing updates on Employer Engagement activities including the i-Connect project, communications, and the collection of Employer contributions.

73.2 TD asked if the issues BHCC had with i-Connect had been resolved.

73.3 Tim Hillman (TH), Pensions Manager - Employer Engagement, responded that there are ongoing conversations with BHCC to resolve the issues and the BHCC payroll provider has built a template for the data transfer using i-Connect. There is still some work to be done to resolve some end of year queries so that a member match can be run between the BHCC payroll and ESPF pension administration system to identify any discrepancies.

73.4 The Chair noted that the team had created some Fund specific specifications for i-Connect and asked if this would mean the team would have to go back and repeat work with employers who were already using i-Connect.

73.5 TH responded that the work on specifications related mainly to how different payroll systems treat employees with more than one role (e.g. by creating more than one personal identification number for an employee, when i-Connect may only recognise one). This has now been resolved and will not impact existing i-Connect users.

73.6 TI asked if the team are on track to rollout and onboard all employers onto the i-Connect system.

73.7 TH responded that the original target was to complete the project by the end of March 2022. This has been delayed by the need to produce the Fund specific specifications and time has been taken to speak to other local authorities using i-Connect to cover any other issues that might be encountered with the implementation. It was important to get the process right and have the capacity in the team and the Pension Administration Team (PAT) to carry out the necessary work. Consequently, the target is now the end of December 2022 to have all employers using i-Connect. Paul Punter (PP) Head of Pension Administration added that most pension funds only get a number of the larger employers to use i-Connect whereas the ESPF is aiming to get all employers to use it, so the scale of the work is different.

73.8 TH introduced the new Pensions Communications Manager, Paul Lindfield (PL), to the Board. PL will take over chairing of the Communications Working Group. PL outlined that the website will be the focus for communication with members and he is exploring a number things such as making sure the information is accessible, explaining what the Fund is doing for members and member surveys. It is hoped the website will fill the gap in communication with members identified by the Board.

73.9 LW welcomed the appointment of the Pensions Communications Manager and outlined her interest in making sure members get the information they are looking for or are interested in. LW offered to forward a summary of the types of questions and requests she receives from members.

73.10 TH outlined the work being undertaken on employer contributions. He reported that there did not appear to be one single cause behind late payments and the team is using regular

reminders and issuing administration charges to persistent late payers to tackle late payments. The Board noted the good progress that is being made on this issue.

73.11 The Board RESOLVED to note the report.

#### 74. PENSIONS ADMINISTRATION REPORT

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

74.2 The Board discussed the performance information contained in appendix 1 of the report. The Chair asked about the Retirement Notification key performance indicator (KPI) and whether the performance reflected a shorter time to carry out this task. TD asked for an explanation of the variation in the performance of the Transfers in Quotation Value, which was good at the beginning of the year but a little more variable later on.

74.3 Paul Punter (PP) Head of Pension Administration responded that the time allowed for the Retirement Notification task had been reduced which is reflected in the KPI information. Had the old KPI remained in place the December result would have been 97%. Staff training and a reduction in the number of processes for the Transfers in Quotation Value task led to an improvement in performance at the beginning of the year. Since then, work volumes have been going up and the nature of some of the tasks has changed requiring more time to complete them. The chart shows two key staff were also seconded to projects for the month which impacted the checking resource available. PP said he would like to review the suitability of the new KPIs in say six months. PP commented that he is happy with the overall performance against the KPIs which is at 95%.

74.4 LW asked what progress had been made to fill the vacant posts and bring staffing levels up to the full complement of staff.

74.5 PP outlined that the recruitment to the vacant posts had been delayed slightly by the need to check and establish new gradings for each of the posts. This process is expected to be completed very shortly now that the technical nature of the pension administration roles has been clarified. The need to fill the vacant posts is acknowledged and the hard work of the team throughout the pandemic has been recognised.

74.6 PP reported that helpdesk performance has improved with lower abandoned call rates and improving call answering times. The helpdesk is answering or clearing 85% of the enquiries it receives, with the rest passed to the Pension Administration Team (PAT) for resolution. There is still room for improvement, but overall PP is happy with the service the team is getting from the helpdesk. LW commented that she is getting fewer comments from members about the helpdesk and performance appears to be better.

74.7 The Board RESOLVED to note the updates contained in the report.

#### 75. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC) REVIEW

75.1 The Board considered a report on the Additional Voluntary Contribution (AVC) scheme arrangements for the Pension Fund. PP outlined that the report had been requested following concerns about the administration performance of the existing AVC provider Prudential.

75.2 The Chair asked what proportion of the Fund's members are paying into the AVC scheme.

75.3 PP responded that around 3% of members are paying into the AVC scheme. This relatively low figure may be due to the relatively high level of the main scheme contributions.

75.4 The Board discussed the performance of the AVC scheme and the range of funds available for members to invest in under the scheme. There are around ten funds that members of the AVC scheme can choose from which include an environmental, social, and governance fund. In addition, there are two lifestyle funds. Each fund has different levels of investment risk and potential return. It was noted that most AVC members invest in the default (with profits) or multiple funds, which suggests they understand risk.

75.5 TD ask for clarification on the relationship between the ESPF and the AVC provider and asked whether the service issues had been cushioned by the Fund.

75.6 PP responded that the contract for the provision of the AVC scheme is between the ESPF and the AVC provider who deals with all enquiries, benefits, and transfers etc. Any contributions are paid directly to Prudential by the employers. As such, the ESPF has a fiduciary duty to monitor the performance of the AVC provider. The Fund has sought to cushion the service issues experienced by members and has helped to ensure members have not been affected financially. Prudential have committed to ensure late contributions are invested at prices on the day they should have been invested if in the members best interests and late settlements are being compensated.

75.7 The Chair asked what the Board is being asked to recommend.

75.8 PP responded that he is satisfied that most of the administration performance issues and complaints about the current provider have been resolved. The Standard and Poors rating of the provider remains at A+. Therefore, there is no need to change provider at this point in time, but both administration and investment performance should be monitored regularly by the Committee. There is also a need to consider the suitability of the fund choices being made available and particularly the default fund.

75.9 TI asked for more details of the performance of the AVC fund investments against benchmarks.

75.10 PP outlined that the performance of AVC investments is generally good, and more detailed information could be provided at the next meeting.

75.11 LW agreed that the performance of the AVC provider should be monitored regularly as this would be best practice in terms of governance and oversight. As Prudential had acted to resolve the complaints and service issues, there would appear to be no reason to change AVC provider at the moment.

75.12 The Board RESOLVED to:

1) advise the Pension Committee that the administration performance issues with the AVC provider have been resolved and there is no need to undertake a full market review of AVC providers at this point in time; and

2) recommend that the performance and investments of the AVC provider are monitored regularly through an annual report.

## 76. INTERNAL AUDIT REPORTS

76.1 The Board considered three internal audit reports contained in appendices 1-3 of the report and the Internal Audit Strategy for Pensions and Annual Plan 2022/23 (appendix 4).

76.2 Dany Simpson (DS), Principal Auditor outlined the positive outcomes of the audits and summarised the main changes to the Annual Plan which are:

- Compliance testing will be included as part of other audits rather than being a separate audit;
- The audit of the pension administration will be divided into two parts: cash management and administration of benefits;
- There are two ICT audits planned for the coming year on i-Connect and cyber security (these will change in future years).

76.3 The Board RESOLVED to:

- 1) Note the internal audit reports; and
- 2) Recommend approval of the Internal Audit Strategy for Pensions and Annual Plan 2022/23 to the Pension Committee.

## 77. EAST SUSSEX PENSION FUND BUSINESS PLAN AND BUDGET 2022/23

77.1 The Board considered a report on the quarter 3 budget outturn for 2021/22 and the ESPF Business Plan and Budget for 2022/23.

77.2 RW outlined that the forecast outturn for the ESPF budget for the current financial year has decreased substantially since the last report. This has mainly been due to a reduction in investment fees, actuarial costs, an underspend on Fund officer's salary costs and an adjustment to the way the cost of the Heywood software licence fee is accounted. The Custodian costs have increased due to the major changes to the Investment Strategy which are being implemented.

77.3 The Chair asked officers to confirm whether the long-term running costs of the Fund will be around £7 million per annum.

77.4 RW confirm that the long-term running cost will be around £7 million per annum, and the increased use of the ACCESS Pool may lower investment fees further as management fees tend to be deducted from the investment fund rather than being invoiced separately.

77.5 The Board RESOLVED to:

- 1) note the forecast 2021/22 Q3 outturn position for the ESPF; and
- 2) note the ESPF Business Plan and Budget for 2022/23 in Appendix 1 of the report.

## 78. PENSION FUND RISK REGISTER

78.1 The Board considered a report on the updated risk register for the Fund. Sian Kunert (SK) Head of Pensions outlined the main changes to the risk register.

78.2 The Pension Board RESOLVED 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; and
- 3) Note the addition of risk A7, covering East Sussex County Council's (ESCC's) Modernising Back Office Systems (MBOS) project.

## 79. WORK PROGRAMME

79.1 The considered report on the combined Pension Board and Pension Committee work programme.

79.2 The Chair outlined that a report on the deputation to BHCC regarding Pension Committee membership will be prepared by TD by the end of February and it was agreed to add this to the Pension Board work programme for the meeting in June 2022 (as discussed in paragraph 71.2 above).

79.3 SK summarised the changes to the work programme and the additional reports that will be presented at the June meeting which will include the Covenant report and the Pension Board Annual Report. Mariana Obetzanova the Pensions Training Coordinator has recently emailed Board members with a number of training opportunities and SK invited the Board to report any training events they had attended since the last meeting.

79.4 The Chair requested that the time allowed for the June meeting be extended by an hour due to the length of the agenda and a revised meeting invitation be sent out. It was proposed that the June meeting be held in person to allow Board members to meet each other, including the new member representative.

79.5 The Board RESOLVED to agree the work programme together with the addition to the June 2022 Pension Board meeting of an item on the deputation to BHCC as detailed in paragraph 79.2 above.

## 80. ANY OTHER NON-EXEMPT ITEMS PREVIOUSLY NOTIFIED UNDER AGENDA ITEM 4

80.1 There were none.

## 81. EXCLUSION OF THE PUBLIC AND PRESS

81.1 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).

## 82. PENSION FUND BREACHES LOG

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

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

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

83. EMPLOYER ADMISSIONS AND CESSATIONS REPORT

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

83.2 The Board RESOLVED to note the report.

84. ANY OTHER EXEMPT ITEMS PREVIOUSLY NOTIFIED UNDER AGENDA ITEM 4

84.1 There were none.

The meeting ended at 12.57 pm.

Councillor Ray Martin (Chair)

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**Report to:** Pension Board

**Date:** 27 May 2022

**By:** Chief Finance Officer

**Title:** Representation on the Pension Committee

**Purpose:** This report looks at the structure of the Pension Committee and comments on governance of the Fund.

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## RECOMMENDATION

The Pension Board is recommended to discuss the report and appendix and consider if there are any governance areas it suggests require review.

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### 1. Background

1.1 At the Pension Board meeting on 10 February 2022 Councillor Tom Druitt agreed to produce a report on employer organisation representation on the East Sussex Pension Committee proposals to be shared with the Chair of the Pension Board by end of February 2022 and to be considered at the next Pension Board meeting in June 2022. The paper received from Councillor Druitt on 28 February 2022 is included in **Appendix 1**.

1.2 In addition to the paper received in Appendix 1, a petition was presented to the Chairman before the Full Council meeting on 10 May 2022 with 450 signatures, calling for Brighton & Hove City Council to have representation on the Pension Committee. This petition is included as **Appendix 2**.

1.3 This report addresses the legal position of the Pension Committee structure, representation, and governance for consideration alongside Councillor Druitt's paper. This report does not address any political views, discussion around climate change or the topic of divestment verses engagement as, although these are themes in the Appendix 1, they are not considered relevant to the issue of representation and governance.

1.4 The main purpose of the Pension Board is to assist the Scheme Manager, (East Sussex County Council "ESCC"), to ensure the effective management and administration of the Local Government Pension Scheme (LGPS), secure compliance with the LGPS regulations and any other legislation relating to the governance and administration and requirements imposed by The Pension Regulator (TPR), of the East Sussex Pension Fund (the Fund) and to provide oversight of Fund governance and administration matters.

1.5 The Pension Board is not a decision-making body, it is an advisory body that also seeks to obtain assurance that due process is followed by the Fund.

1.6 Pension Board members are appointed as scheme employer representatives or member representatives. Employer representatives are appointed to offer the breadth of employer representation for the Fund. Scheme member representatives are appointed to represent the views of Active, Deferred and Pensioner members of the Fund.

1.7 Board members should consider only those areas in which the Board has a responsibility, such as whether the Pension Committee makes decisions in line with the legislation and with due

diligence and effective governance. The Board does not have any powers or involvement in the appointment of members of the Pension Committee, its only course of action of a governance concern on the Pension Committee structure would be to advise the Governance Committee of East Sussex County Council if it felt the appointment process required review.

## **2. Fund responsibility**

2.1 The prime duty the Pension Committee Members is to act in the best financial interest of the Fund's beneficiaries, i.e. Scheme Members. Scheme members make contributions to the Fund in the course of doing their jobs, and as a result of this, it was found by the Supreme Court that members' pensions represent deferred pay, hence the assets invested by the Fund are those of the beneficiaries and not of any other stakeholder.

2.2 The views of other parties, whether scheme employers, taxpayers, or Scheme Members themselves cannot supersede the ultimate obligation of the Committee to decide strategic investment matters itself with the aim to provide the best long term investment return for Scheme Members.

2.3 In the LGPS, the assets of the Fund are owned solely by the Administering Authority (East Sussex County Council, as named by the Local Government Pension Scheme Regulations 2013) or Scheme Manager, not by the beneficiaries, employers or other stakeholders. This is confirmed in opinion by Nigel Giffin QC in October 2016 to the Local Government Association (LGA), who advises that the assets of the fund legally and beneficially belong to the administering authority and do not 'belong to another person' despite the administering authority, through its Pension Committee, owing fiduciary duties to Scheme Members and indirectly to scheme employers.

## **3. Regulations**

3.1 The Fund is part of the national LGPS, and is a defined benefit scheme, the terms of which are prescribed by delegated legislation made under section 7 of the Superannuation Act 1972. The main current governing instrument for the Fund is the Local Government Pension Scheme Regulations 2013 (the "2013 Regulations").

3.2 Regulation 2(2) of the 2013 Regulations provides: "The Scheme manager responsible for the local administration of pensions and other benefits payable under these Regulations is referred to in these Regulations as the "administering authority"."

3.3 Regulation 53(1) of the 2013 Regulations provides that: "The bodies listed in Part 1 of Schedule 3, referred to in these Regulations as "administering authorities", must maintain a pension fund for the Scheme."

3.4 Part 1 of Schedule 3 provides "The following bodies are required to maintain a pension fund and are administering authorities for the purposes of these Regulations— (a) a county council in England;" among other specific bodies.

3.5 The regulations also specifically comment on the administering authority for Brighton and Hove City Council in Part 2 of Schedule 3 where it provides that the appropriate administering authority for a member of the Scheme from Brighton & Hove City Council is East Sussex County Council, effective in accordance with reg. 1(2)(b) of the amending S.I. by The Local Government Pension Scheme (Amendment) Regulations 2015 (S.I. 2015/755), regs. 1(2), 32(e).

## **4. Pension Committee Structure**

4.1 It is a statutory obligation for membership of the Pension Committee to be allocated in accordance with the rules under s15 of Local Government and Housing Act 1989 and the Local Government (Committees and Political Groups) Regulations 1990 which provide for representation of different political groups on committees.

4.2 The Pension Committee is made up of five East Sussex County Councillors, the composition of the committee is defined in the ESCC constitution to be politically representative of ESCC.

4.3 Whilst ESCC is also a scheme employer, the appointment of the Pension Committee is under the capacity of ESCC as Administering Authority and, as such, the Committee members are not appointed as scheme employer representatives but representatives of the Administering Authority to act on behalf of all Scheme members and employers. This is made expressly clear in the Pension Committee Terms of Reference where it states “No matters relating to East Sussex County Council's responsibilities as an employer participating within the East Sussex Pension Fund are delegated to the Pension Committee“. The members of the Pension Committee are required to consider “views expressed by employing organisations and staff representatives in relation to the operation of the East Sussex Pension Fund” but are not permitted to take decisions in order to benefit any particular employer ahead of the overall interests of the Fund.

4.4 The Local Government Association (LGA) obtained legal opinion from James Goudie QC in January 2015 where it was confirmed that a Pension Committee with investment decision making powers is a Finance Committee and is, therefore, restricted in its membership, excluding non-elected members onto the Committee unless there is a separate subcommittee for investment decisions, which consists solely of elected members of the Administering Authority. For the Fund, investment decisions are taken by the Pension Committee.

4.5 The current roles and responsibilities set out in the Terms of Reference of the Pension Committee, indicate that this Committee is appointed to regulate and control the finance of the Fund. As such non-ESCC councillors would not be permitted to be allowed to be members of the Pension Committee via section 102(3) of the Local Government Act 1972.

4.6 The Pension Committee is required under the 2016 LGPS Investment Regulations to take ‘proper advice’ – meaning the advice of a person whom the authority reasonably considers to be qualified by their ability in and practical experience of financial matters in formulating its investment strategy.

4.7 Whilst all Committee Members bring with them their own knowledge and experience, political views should form no part of the consideration of issues or of the decision-making process. Committee Members must act as fiduciaries, safeguarding the interests of those to whom they owe their duties. Committee Members must take decisions in accordance with their public law obligations, including the obligations of reasonableness, rationality and impartiality.

## **5. Representation**

5.1 The Pension Board has three employer representatives, a Councillor representative from Brighton and Hove City Council with another Councillor to represent the Borough and District Councils and the third representative to represent the smaller employers. Scheme Member representatives include two union members who are active members of the Fund and a pensioner member. The Board also has an independent chair. All appointments are made by the ESCC Governance Committee under delegated authority.

5.2 The independent chair of Pension Board attends all Pension Committee meetings and comments on all papers during the meeting, the independent chair stays for the exempt section of Committee meetings also (this is at the agreement of the Pension Committee at each meeting rather than in the Terms of Reference). The Pension Board minutes are the first item of the Pension Committee agenda so feedback from the Pension Board can be taken into account by the Pension Committee. Other Pension Board members are welcome to attend as a member of the public to the Pension Committee.

5.3 The Chair of the Pension Committee attends Pension Board meetings on the request of the Pension Board, other Pension Committee members are also invited to attend, and they do occasionally sit in.

5.4 In addition to the Pension Committee and Pension Board, the Fund has a number of working groups to help develop, progress and monitor specific areas of work such as administration, communications and the McCloud project. There is also an investment implementation working group to implement investment decisions made by the Pension Committee, and to carry out research to present to the Pension Committee for decision, membership is open only to Fund Officers and advisers with the Chair of the Pension Committee invited to sit in.

5.5 The Pension Committee discusses the same papers as the Pension Board, other than investment items, with the Pension Committee also approving the budget and accounts of the Fund. The Pension Board has the opportunity to comment on the budget in its meetings in advance of the Pension Committee prior to the decision making.

5.6 The Fund and the Administering Authority has no fiduciary duty to residents of any locality and as such there is no representation in any form of “residents” in either the Pension Committee or Pension Board structure. The fiduciary duty of the Fund is to the beneficiaries of the scheme. Scheme Members are located not just in East Sussex or Brighton and Hove but across the UK and farther afield.

5.7 As laid out in the Communications Strategy, elsewhere on the agenda, there are several routes for communication with the Fund for Scheme Members. In addition to the representation of the Scheme Members on the Pension Board, the Fund also carries out surveys with members to get feedback on the administration of the Fund; the results of the recent surveys will be discussed at Communications Working Group when available.

## **6. Governance**

6.1 The Fund underwent a comprehensive Governance review in 2020 carried out by an independent governance consultant. The findings of this review were presented to Pension Board and Committee in June 2020. This review was a follow up to focus on governance and resource arrangements following a report in January 2019 which looked at the evolution of the Fund and interaction with the Fund’s management. The governance review focused on ensuring the Fund would be compliant with the Scheme Advisory Board’s Good Governance Project and making it a leader in the LGPS for governance arrangements.

6.2 As a result of this review the independent consultant made a number of recommendations aimed at improving the Fund’s organisational and governance structure. Most of the recommendations were implemented immediately with a change to the constitution, the terms of reference to both the Pension Committee and Pension Board, change to delegations, creation of a new Pensions Team structure and implementation of two new strategies, the remaining recommendations were implemented in the following quarters with the last item implemented in November 2020. These recommendations have led to major changes within the management and governance of the Fund.

6.3 The Fund won the Fund of the Year (over £2.5bn assets) at the 2021 LAPF investment awards. The LAPF Investments Awards were established in 2015 and have come to be recognised as a mark of excellence in the field of pensions provision in the LGPS. To win this award the Fund has to demonstrate excellence in: Implementing best practice; Leadership across pension fund operations; Investment performance; Governance; Administration; Collaboration and leadership within the LGPS.

6.4 Internal Audit reports in 2020 and 2021, both found substantial assurance on regulatory compliance, with no recommendations made in 2021.

6.5 The Fund publishes a governance and compliance statement annually, the most recent update has been covered in an earlier paper to this Board meeting. The Fund is fully compliant in all areas.

6.6 The LGPS Investment Regulations 2016 require the Fund to take and follow expert advice, the investment strategy is in line with all advice from the Investment Consultant, Independent Adviser and all government department and ministerial advice. Failure to follow investment advice could lead to intervention by the Secretary of State.

6.7 The Pension Committee must maintain an Investment Strategy Statement (ISS) which is maintained in line with statutory guidance from the Department of Levelling Up, Housing and Communities (previously Ministry of Housing Communities and Local Government). The ISS provides an overall framework for the Fund to invest and expresses the Pension Committee's views on a range of factors to take into account when making investment decisions. The ISS includes a comprehensive Statement of Responsible Investment Principles, which is publicly available which addresses climate risk and energy transition risk. Climate risk including a number of mitigations are clearly presented in the Fund Risk Register. This Risk Register is considered at all Pension Board and Pension Committee meetings.

6.8 The Fund was highly commended on their Climate Strategy at the 2021 LAPF investment awards.

## **7. Conclusion and reasons for recommendation**

7.1 Legal advice obtained by the Fund and reported throughout as relevant legislation, confirm that the Pension Committee is structured in line with the Local Government Act 1972; in that the Committee must be solely appointed from elected members of the Administering Authority (as defined in the Local Government Pension Scheme Regulations 2013 as East Sussex County Council), as the work of the Pension Committee includes areas such as Investments which are deemed to regulate and control the finance of the Fund. In addition, the Pension Committee is politically balanced to represent the Administering Authority in line with rules under s15 of Local Government and Housing Act 1989, the Local Government (Committees and Political Groups) Regulations 1990.

7.2 Pension Board members are requested to consider whether the Administering Authority makes decisions in line with the legislation and with due diligence and effective governance and that it upholds its fiduciary duty to act in the best financial interest of Scheme Members. If further details are required from the Pension Committee or Officers to determine whether there is effective governance in decision making or compliance with the law, then a request for information can be made in line with the SAB's guidance in relation to the operation of the Pension Board.

7.3 The Pension Board is recommended to discuss and consider if there are any governance issues the Pension Board feel require review by the Administering Authority.

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## THE FIDUCIARY CASE FOR ADDING TWO BRIGHTON & HOVE CITY COUNCILLORS TO THE EAST SUSSEX PENSION COMMITTEE

### Summary:

Climate change is *the* major long-term threat to the East Sussex Pension Fund. Failure to support effective action to address this threat is therefore a clear violation of the Pension Committee's fiduciary duty.

Because of their central role in driving climate change, fossil fuel companies need to be singled-out in the Fund's approach to climate risk. Yet, despite repeated calls from Brighton & Hove City Council (BHCC) for it to do otherwise, the Committee has continued to promote and defend a failed policy of 'engaging' with fossil fuel companies that isn't fit for purpose.

The Fund should be focussing on engaging with policymakers (rather than with fossil fuel companies, as shareholders), pressing them to take the national and international actions necessary to address the climate crisis. Crucially, these actions will need to include across-the-board measures to rapidly phase out fossil fuels from the energy sector. Instead, the Fund's current approach is, in effect, providing cover for fossil fuel companies' ongoing attempts to block and slow-down effective climate action.

This is a governance problem for two reasons:

1. According to the 2014 Law Commission report 'Fiduciary Duties of Investment Intermediaries':

*'Where the purpose of a trust is to provide a pension, trustees will generally act in their beneficiaries' best interests by exercising their investment power to generate **the best realistic return over the long term, given the need to control for risks.**'* (emphasis added)<sup>1</sup>; and

2. Residents of Brighton & Hove have no democratic oversight over the local government pension scheme in the same way that other residents of East Sussex have.

Expanding the Pension Committee to include Councillors from Brighton and Hove (eg. by adding two Councillors from BHCC) would help to address this failure by restoring full democratic oversight of the fund and increasing the diversity of perspectives present on the Committee to ensure the long term interests of fund members are given due consideration in light of the impending climate emergency.

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<sup>1</sup> *Fiduciary Duties of Investment Intermediaries*, Law Commission, 2014, page 128, [https://www.lawcom.gov.uk/app/uploads/2015/03/lc350\\_fiduciary\\_duties.pdf](https://www.lawcom.gov.uk/app/uploads/2015/03/lc350_fiduciary_duties.pdf). The same report noted: (a) that 'there is no impediment to trustees taking account of environmental, social or governance factors where they are, or may be, financially material.' (p. 112); and (b) that the need to control for risks: 'is a question of broad judgment rather than mathematical formulae – and must be judged at the time of the decision, not in hindsight.' (p. 93).

## Main body:

### ‘THE ONLY REAL PATH TO PROTECT LONG-TERM INVESTMENT VALUE AND RETURNS’

Climate change is \*the\* major long-term threat to the East Sussex Pension Fund.

Indeed, according to the investor initiative Climate Action 100+ (CA100+), of which the East Sussex Pension Fund is a member:

*‘If left unchecked, [physical and transition] climate risks will threaten investors’ long-term ability to sustain value and generate ongoing returns for their beneficiaries over decades. But because of the scope and size of these climate risks to the global economy ... climate change entails ‘unhedgable’ risk for investment portfolios. **That means action to cut emissions and avoid the worst impacts of climate change is the only real path to protect long-term investment value and returns.**’* (emphasis added)<sup>2</sup>

Failure to take effective action to address this threat is therefore a clear violation of the Pension Committee’s fiduciary duty, as spelled out in the 2014 Law Commission report ‘Fiduciary Duties of Investment Intermediaries’:

*‘Where the purpose of a trust is to provide a pension, trustees will generally act in their beneficiaries’ best interests by exercising their investment power to generate **the best realistic return over the long term, given the need to control for risks.**’* (emphasis added)<sup>3</sup>

Because of their central role in driving climate change, fossil fuel companies need to be singled-out in the Fund’s approach to climate risk.

Indeed, fossil fuels are the largest source of anthropogenic greenhouse gas emissions in the world: the fossil fuel industry and its products accounted for 91% of global industrial Greenhouse Gases (GHGs) in 2015, and about 70% of all anthropogenic GHG emissions.

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- 2 ‘The Business Case’, Climate Action 100+, <https://www.climateaction100.org/business-case> (accessed 11 August 2021). Likewise, Mercers’ 2019 report ‘Investing in a Time of Climate Change - The Sequel 2019’ concluded that: ‘Advocating for and creating the investment conditions that support a “well-below 2°C scenario” outcome... is most likely to provide the economic and investment environment necessary to pay pensions... over the timeframes required by beneficiaries.’ (<https://www.mercer.com/our-thinking/wealth/climate-change-the-sequel.html>).
- Recent modelling by ORTEC Finance and the Institute and Faculty of Actuaries concluded that in a ‘failed transition’ scenario (which sees global warming of approx. 4°C by 2100) global GDP would be 70% lower in 2100 than in the baseline pathway without the warming. They also found that such a scenario would lead to a 50% decline in Global equity returns by 2060. (‘Climate scenario analysis: An illustration of potential long-term economic & financial market impacts’, June 2020, <https://www.actuaries.org.uk/system/files/field/document/IFoA%20Paper%202.pdf>). In a similar vein, modelling by Swiss Re suggests that ‘current likely temperature-rise trajectories, supported by implementation of [current] mitigation pledges’ would lead to global GDP being 11 – 14% less in 2050 than in a world without climate change (‘The economics of climate change: no action not an option’, Swiss Re Institute, April 2021, <https://www.swissre.com/dam/jcr:e73ee7c3-7f83-4c17-a2b8-8ef23a8d3312/swiss-re-institute-expertise-publication-economics-of-climate-change.pdf>).
- 3 *Fiduciary Duties of Investment Intermediaries*, Law Commission, 2014, page 128, [https://www.lawcom.gov.uk/app/uploads/2015/03/lc350\\_fiduciary\\_duties.pdf](https://www.lawcom.gov.uk/app/uploads/2015/03/lc350_fiduciary_duties.pdf). The same report noted: (a) that ‘there is no impediment to trustees taking account of environmental, social or governance factors where they are, or may be, financially material.’ (p. 112); and (b) that the need to control for risks: ‘is a question of broad judgment rather than mathematical formulae – and must be judged at the time of the decision, not in hindsight.’ (p. 93).

And just 100 fossil fuel producers are responsible for 52% of all GHG emissions since the industrial revolution.<sup>4</sup>

Therefore, no approach to climate change makes any sense unless it singles out these companies and their actions for special attention. To put it crudely, the speed at which the umbrella industry decarbonises will have little or no impact on whether global warming is limited to 1.5°C. The speed at which the fossil fuel industries decarbonise (which in practice means phasing them out of the energy sector<sup>5</sup>) will be decisive.<sup>6</sup>

Significantly, the East Sussex Pension Committee has yet to publicly acknowledge this reality – at least in responses to questions from the general public.<sup>7</sup>

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- 4 'The Carbon Majors Database: CDP Carbon Majors Report 2017', Carbon Disclosure Project, July 2017, <https://b8f65cb373b1b7b15feb-c70d8ead6ced550b4d987d7c03fcdd1d.ssl.cf3.rackcdn.com/cms/reports/documents/000/002/327/original/Carbon-Majors-Report-2017.pdf?1499691240>
  - 5 The IEA's 'Net Zero' pathway still has fossil fuels contributing 20 percent of global energy supply in 2050. However, it can only permit this because it relies on unproven technology and unrealistic levels of land use (for carbon offsetting etc...) Fortunately, renewable energy is 'already more than capable of scaling up at the speed necessary to protect the climate, meet energy demands, ensure energy access for the poor, and support sustainable development', with the complete removal of fossil fuels from the energy sector by 2050: see 'Fossil Fuel Exit Strategy', June 2021, <https://fossilfuel treaty.org/exit-strategy>
  - 6 In May 2021 the International Energy Agency (IEA) declared that if the world is serious about dealing with the climate crisis 'there can be no new investments in oil, gas and coal, from now – from this year' (IEA Executive Director, Fatih Birol, 'No new oil, gas or coal development if world is to reach net zero by 2050, says world energy body', Guardian, 18 May 2021, <https://www.theguardian.com/environment/2021/may/18/no-new-investment-in-fossil-fuels-demands-top-energy-economist>). Likewise, in February 2021 the Transition Pathway Initiative noted that: 'An almost complete and immediate stop in exploration and sanctioning of new oil fields would ... be required to avoid locking in future oil production that would see temperatures exceed a 1.5°C increase' in global warming. ('The oil and gas industry will need to scale back much faster to limit warming to 1.5°C', Transition Pathway Initiative, 12 February 2021, <https://www.transitionpathwayinitiative.org/publications/48?type=NewsArticle>). However, while *necessary* for limiting global warming to 1.5°C, simply ending investments in new oil, coal and gas projects isn't by itself *sufficient* to limit global warming to 1.5°C. To achieve the latter the world will also need to 'actively wind down production from existing coal mines and oil and gas wells' – as 'emissions under a "no expansion" scenario are already 22% too high in 2025 and 66% in 2030 compared to a 50% chance of achieving a 1.5°C temperature target.' See 'Fossil Fuel Exit Strategy', op. cit.
  - 7 To date, members of the public have submitted the following question to Full Council meetings over 400 times: 'Does the East Sussex Pension Committee accept that, because burning fossil fuels is the key driver of global warming, the goals of the Paris Climate Agreement (to keep global warming to 'well below 2 °C', pursuing 1.5°C) cannot be achieved without the rapid alignment of the big fossil fuel companies with a 1.5°C pathway? By a 1.5°C pathway we mean one that: (a) yields a 50% or better chance of keeping global warming below 1.5°C; and (b) does so without assuming the future creation of global scale 'negative emissions technologies' (ie. ones that remove carbon dioxide from the atmosphere) that don't currently exist.' The Pension Committee has yet to answer this question. See <https://democracy.eastsussex.gov.uk/documents/b15215/Item%204-%20public%20questions%2013th-Oct-2020%2010.00%20Full%20Council.pdf?T=9>; <https://democracy.eastsussex.gov.uk/documents/b15365/Item%204%20-%20public%20questions%2001st-Dec-2020%2010.00%20Full%20Council.pdf?T=9>; <https://democracy.eastsussex.gov.uk/documents/b15572/Item%204%20-%20public%20questions%2009th-Feb-2021%2010.00%20Full%20Council.pdf?T=9>; <https://democracy.eastsussex.gov.uk/documents/b15908/Item%2015%20-%20Public%20questions%2025th-May-2021%2010.00%20Full%20Council.pdf?T=9>

## ENGAGING WITH FOSSIL FUEL COMPANIES: A FAILED POLICY

Brighton & Hove City Council (BHCC) has repeatedly called on the East Sussex Pension Committee to fulfil its fiduciary duty by making a public commitment to divest the East Sussex Pension Fund from fossil fuels: first in April 2017<sup>8</sup>, then in again in October 2020<sup>9</sup> and for a third time this February.<sup>10</sup>

It has yet to receive an adequate response from the Committee.

Instead, the Committee has continued to promote and defend a failed policy of 'engaging' with fossil fuel companies that simply doesn't work.

In a written response to questions from the public to the October 2020 Full Council meeting the Chair of the Pension Committee claimed that the Fund's current approach of 'engaging' with oil and gas companies 'has made substantial demonstrable progress over the last 3 years in persuading major companies, including a number of oil and gas majors like BP, to more seriously address the energy transition'<sup>11</sup>.

However, while it is true that several large fossil fuel companies have garnered a considerable amount of publicity for their climate or 'net-zero' 'ambitions', the reality is that these all fall far short of what is required if we're to avoid catastrophic climate change ('the only real path to protect long-term investment value and returns' – CA100+).

Indeed, despite many years of such 'engagement' **not a single major oil company is aligned with a 1.5°C pathway.**<sup>12 13</sup>

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8 <https://present.brighton-hove.gov.uk/mgAi.aspx?ID=56672>

9 <https://present.brighton-hove.gov.uk/mgAi.aspx?ID=81285>

10 <https://present.brighton-hove.gov.uk/documents/g10367/Printed%20minutes%2003rd-Feb-2022%2018.30%20Council.htm?T=1&CT=2>

11 <https://democracy.eastsussex.gov.uk/documents/b15215/Item%204-%20public%20questions%2013th-Oct-2020%2010.00%20Full%20Council.pdf?T=9>

12 A September 2020 analysis by Oil Change International concluded that 'not a single climate plan released by a major oil company comes close to aligning with the urgent 1.5°C global warming limit' (*Big Oil Reality Check: Assessing Oil and Gas Company Plans*, Oil Change International, September 2020, <http://priceofoil.org/2020/09/23/big-oil-reality-check>). In November 2021 the Transition Pathway Initiative declared that: 'Three oil and gas firms – Occidental Petroleum, TotalEnergies and Eni – have set emissions reduction targets which are ambitious enough to reach net zero by 2050 and to align with TPI's 1.5°C benchmark.' (see <https://www.transitionpathwayinitiative.org/publications/92.pdf?type=Publication>). However, this analysis: (a) 'solely relies on declarations from companies and does not consider facts and figures. This means that even if companies put forward unrealistic ambitions, the TPI benchmark will build on it anyway'; and (b) 'disregards the critical importance of short and medium term emission reduction to avoid immediate acceleration of climate change.' (see 'The TPI benchmark: misleading approach, dangerous conclusion', Reclaim Finance, December 2021, <https://reclaimfinance.org/site/en/2021/12/06/the-tpi-benchmark-misleading-approach-dangerous-conclusion>). For example, oil and gas major TotalEnergies 'is credited as 1.5°C-aligned because the company reaches TPI's emission intensity target in... 2047. Each year before that, TotalEnergies is above TPI's pathway, thus emitting too much GHG in the atmosphere and contributing to the overshoot of our short-term carbon budget. By 2035, TotalEnergies' emissions under its own scenario will already be more than 33% higher than if it aligned from now on with the 1.5°C pathway provided by the TPI.'

13 A few more illustrations:

(1) In 2019 the oil and gas industries were forecast to spend \$4.9 trillion over the next decade on new oil and gas fields – none of which is compatible with limiting warming to 1.5°C ('Overexposed: How the IPCC's 1.5°C report demonstrates the risks of overinvestment in oil and gas', Global Witness, April 2019, <https://www.globalwitness.org/en/campaigns/oil-gas-and-mining/overexposed/>);

(2) While BP and Total have declared 'Net Zero' goals for 2050, neither 'goal' actually covers all of the company's owned production and global product sales. For example, BP excludes its stake in Rosneft

And of course, time is running out. As the chair of the International Energy Agency announced in May 2021:

*'We are approaching a decisive moment for international efforts to tackle the climate crisis – a great challenge of our times ... [the] gap between rhetoric and action [on climate action] needs to close if we are to have a fighting chance of reaching net zero by 2050 and limiting the rise in global temperatures to 1.5 °C.'*<sup>14</sup>

## ENGAGING WITH FOSSIL FUEL COMPANIES: PROVIDING COVER FOR BIG OIL

The Committee's current policy – shrinking the Fund's exposure to fossil fuel companies down to something like 0.5% of the Fund while refusing to make a public divestment commitment – is effectively providing cover for these companies' ongoing attempts to block and slow-down effective climate action.<sup>15</sup>

As academics Dario Kenner and Richard Heede have noted, 'what the executives and directors [of companies like BP, Shell, Exxon and Chevron] have in common is a desire to maintain demand for oil and gas, and to defend their company's social license to operate'<sup>16</sup>.

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from its Net Zero goal, even though this makes up around a third of BP's global production volume. Likewise, Total's goal fails to include end-user ('scope 3') emissions for its customers outside Europe. ('Absolute Impact 2021: Why oil and gas "net zero" ambitions are not enough', Carbon Tracker, May 2021, <https://carbontracker.org/reports/absolute-impact-2021/>);

(3) None of Shell, Equinor, Repsol, Occidental, Conoco-Philips, Chevron and Exxon have made any commitment to absolute emissions reductions by 2030 (meaning that they could actually increase their emissions during this period without breaching their 'goals'). This despite the fact that CO<sub>2</sub> emissions from oil and gas must fall by at least 44% and 39% by 2030 respectively if we're going to limit global warming to 1.5°C. (See 'Big Oil Reality Check', op. cit., p.7 and 'Analysis: Why coal use must plummet this decade to keep global warming below 1.5°C', CarbonBrief, 6 February 2020, <https://www.carbonbrief.org/analysis-why-coal-use-must-plummet-this-decade-to-keep-global-warming-below-1-5c>);

(4) Even where companies have net zero 'goals', these remain 'heavily reliant on a range of unproven technologies to mitigate emissions, impacting their credibility'. For example, 'Eni and Shell's plans involve a combined 140Mt/CO<sub>2</sub> of carbon dioxide removal per year through afforestation, effectively implying a forest larger than Bulgaria, and potentially nearly as large as Spain.' As Carbon Tracker note: 'This is a huge land area needed to address just 0.3% of current average emissions (41.5Gt/CO<sub>2</sub> per year).' ('Absolute Impact', op. cit.)

(5) In March 2021 the *Economist* set out to assess the impact of the CA100+ investor initiative using a portfolio of 100 large emitters that were not engaged by CA100+ but which roughly matched the CA100+ firms in terms of sectors and regions represented. They found little difference between the two groups, in terms of commitments made, concluding that '\$50trn-worth of investor pressing does not seem to result in much change'. ('The Impact of Green Investors', *Economist*, 27 March 2021, <https://www.economist.com/finance-and-economics/2021/03/27/the-impact-of-green-investors>).

14 'Net Zero by 2050: A Roadmap for the Global Energy Sector', International Energy Agency, May 2021, <https://iea.blob.core.windows.net/assets/4482cac7-edd6-4c03-b6a2-8e79792d16d9/NetZeroBy2050-AroadmapfortheGlobalEnergySector.pdf>.

15 In March 2019, Influence Map – whose research CA100+ use for their Net Zero Benchmark – published research which found that the five largest publicly-traded oil and gas majors (ExxonMobil, Royal Dutch Shell, Chevron, BP and Total) had invested over \$1bn of shareholder funds on misleading climate-related branding and lobbying since the 2015 Paris Climate Agreement. According to their report, these efforts were 'overwhelmingly in conflict with the goals of this landmark global climate accord and designed to maintain the social and legal license to operate and expand fossil fuel operations.' ('How the oil majors have spent \$1Bn since Paris on narrative capture and lobbying on climate', Influence Map, March 2019, <https://influencemap.org/report/How-Big-Oil-Continues-to-Oppose-the-Paris-Agreement-38212275958aa21196dae3b76220bddc>). Such activity is ongoing, see eg. 'How a powerful US lobby group helps big oil to block climate action', *Guardian*, 19 July 2021, <https://www.theguardian.com/environment/2021/jul/19/big-oil-climate-crisis-lobby-group-api>.

16 Dario Kenner and Richard Heede, 'White knights or horsemen of the apocalypse? Prospects for Big Oil to align emissions with a 1.5C pathway', *Energy Research & Social Science*, 17 March 2021, <https://www.sciencedirect.com/science/article/pii/S2214629621001420>

The never-ending process of 'shareholder engagement' and its associated greenwash plays into this:

***'When BP, Shell and others talk of net zero, they are trying to stay part of the decision-making process. They want to be in charge of the transition as much as possible so they can slow it down – that is the whole point of trying to convince society to trust them ... It can't be just about what Shell is doing or BP. It must be industry-wide. And should be about acting on climate science and phasing out oil and gas in line with a 1.5°C target' (emphasis added).***<sup>17</sup>

## ENGAGING WITH POLICYMAKERS: THE MISSING ALTERNATIVE

As Kenner and Heede suggest, when it comes to fossil fuel companies, engaging with policymakers - rather than shareholder engagement – should be the Fund's main focus, with the Fund actively pressing for national and international action to rapidly phase-out the fossil fuel industries in line with what the science requires.

Noting that 'going through the investment process is a bizarre place to try to create social impact in the first place', Tariq Fancy - formerly BlackRock Inc.'s chief investment officer for sustainable investing - has observed that:

***'Systemic problems such as a global pandemic or climate change – require systemic solutions. Only governments have the wide-ranging powers, resources and responsibilities that need to be brought to bear on the problem'.***<sup>18</sup>

Yet to date the Fund appears to have done very little in the way of public policy engagement. At its February 2022 meeting, the Pension Committee couldn't even agree a proposal for it to call on the UK Government to stop licensing new oil and gas fields (in line with what the International Energy Agency says is necessary if we're going to limit global warming to 1.5°C).

A public commitment by the Fund to divest from fossil fuels – as repeatedly called for by Brighton & Hove City Council - would greatly enhance the Fund's credibility in pressing policymakers for effective climate action.

Moreover, investigations by two major financial management firms, BlackRock and Meketa, have 'separately concluded that **investment funds have experienced no negative financial impacts from divesting from fossil fuels. In fact, they found evidence of modest improvement in fund return ...**'<sup>19</sup>

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17 'Oil firm bosses' pay 'incentivises them to undermine climate action', Guardian, 15 April 2021, <https://www.theguardian.com/environment/2021/apr/15/oil-firm-ceos-pay-is-an-incentive-to-resist-climate-action-study-finds>

18 'BlackRock hired me to make sustainable investing mainstream. Now I realize it's a deadly distraction from the climate-change threat', Globe and Mail, 25 March 2021, <https://www.theglobeandmail.com/business/commentary/article-sustainable-investing-is-a-deadly-distraction-from-actually-averting>. Fancy came to the conclusion that, when it comes to climate change, ESG is actually functioning as a "deadly distraction", like giving wheatgrass to a cancer patient: 'medically harmless; but if that wheatgrass convinces the patient to delay chemotherapy, it's a complete disaster.'

19 'Major investment advisors BlackRock and Meketa provide a fiduciary path through the energy transition', Institute for Energy Economics and Financial Analysis, 22 March 2021, <https://ieefa.org/major-investment-advisors-blackrock-and-meketa-provide-a-fiduciary-path-through-the-energy-transition/>.

## ENHANCING THE COMMITTEE THROUGH EXPANSION

Expanding the East Sussex Pension Committee to include adequate representation for Councillors from Brighton & Hove (eg. by adding two Councillors from BHCC to the existing five<sup>20</sup>) would enhance the Pension Committee's ability to act in the best financial interests of the Fund's beneficiaries by:

(a) increasing the diversity of perspectives present on the Committee (eg. Brighton & Hove City Councillors are unlikely to share the view, often voiced in Pension Committee meetings, that fossil fuel companies are 'part of the solution' to the climate crisis, bearing in mind their stated support for divestment from fossil fuel assets.);

and

(b) ensuring that the Fund finally makes a public commitment to divest from fossil fuels and begins the process of aggressive engagement with policymakers, pressing them for effective climate action ('the only real path to protect long-term investment value and returns' - CA100+).

## ADDRESSING THE ACCOUNTABILITY DEFICIT

Finally, such an expansion of the Committee would also address a fundamental deficit: the Fund's lack of democratic accountability to a large chunk of its membership.

Brighton & Hove City Council employees make up 26.9% of the membership of the East Sussex Pension Fund<sup>21</sup> and, together with BHCC as their employer, contribute 31.9% of annual contributions to the Fund.<sup>22</sup> The figures for \*all\* members from active participating Brighton-based employers would be higher still.<sup>23</sup>

Yet, Fund members who live in Brighton & Hove (unlike those who live in the rest of East Sussex) currently have no democratic means of holding the Pension Committee to account.

If they believe that the Pension Committee is failing in its fiduciary duty then there is currently no way in which these members (unlike their fellow members in East Sussex) can vote to alter the Committee's composition (eg. by changing the political balance on East Sussex County Council). Currently, these Fund members are not even officially permitted to raise questions about the Fund in Full Council meetings or to petition the Council for

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20 Note that (2/7) = 28.6% is almost precisely the proportion of the Fund's membership that are current or former employees of BHCC (26.9%) – see note 21 below.

21 As at 31 March 2020 BHCC had 20,677 members in the scheme (active, deferred and pensioner) out of a total of 76,792 (<https://www.whatdotheyknow.com/request/727793/response/1742970/attach/html/2/Response%20all%20information%20to%20be%20supplied.pdf.html> and 'East Sussex Pension Fund Annual Report and Accounts: 2019-2020', p.3, <https://democracy.eastsussex.gov.uk/mgConvert2PDF.aspx?ID=33539>).

22 For the financial year ending 31 March 2020, BHCC's employers' and employees' pension contributions totalled £41.561m (see page 130 of <https://www.brighton-hove.gov.uk/sites/default/files/2020-12/Statement%20of%20Accounts%202019%20to%202020.pdf>). For the same financial year the total annual contributions to the East Sussex Pension Fund linked to active employees were £130.421m (see page 110 of <https://www.eastsussex.gov.uk/media/17241/escc-statement-of-accounts-2019-20-including-audit-opinion.pdf>).

23 For example, Brighton University made £7.8m in contributions to the Fund in 2019/20 (see page 56 of <https://tinyurl.com/univbrighton2019-20>). If we add these to the £41.561m in contributions (employer and employee) from BHCC then we get a figure of £49.361m, amounting to 37.8% of annual contributions to the Fund.

redress. The only democratic option available to them is to lobby Brighton & Hove City Council, who have no seat on the Pension Committee. Herein lies the problem.

**In effect, the current set-up makes BHCC employees (and other Brighton-based members) second-class members of the Fund, with fewer rights than those based in the rest of East Sussex.**



TO: EAST SUSSEX COUNTY COUNCIL

**STOP INVESTING BRIGHTON AND HOVE'S  
PENSION FUND IN FOSSIL FUELS**

East Sussex County Council (ESCC) runs the local government pension scheme covering Brighton, Hove and East Sussex: the East Sussex Pension Fund. The Fund currently has tens of millions of pounds of local people's pensions invested in the giant oil and gas companies which are driving the climate crisis.

Brighton and Hove's population makes up a third of the population of East Sussex, Brighton and Hove. And Brighton and Hove City Council (BHCC) and its employees pay a significant proportion (31.9%) of the annual contributions to the Fund.

BHCC has repeatedly called for the Fund to stop investing in fossil fuels (oil, coal & gas). Yet because it has no representation on the Fund's decision-making body (the East Sussex Pension Committee), which is made up entirely of East Sussex County Councillors, it has no say in how the Fund is invested.

We the undersigned therefore call on ESCC to grant BHCC adequate representation on the East Sussex Pension Committee so that it can ensure that these climate-destroying and financially risky investments are eliminated from the Fund.

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## PENSION COMMITTEE

FRIDAY, 17 JUNE 2022

10.00 AM COUNCIL CHAMBER, COUNTY HALL, LEWES

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

### 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
7. Annual Report of the Pension Board
8. Governance Report
9. Employer Engagement and Contributions Report
10. Communications Report
11. Pensions Administration report
12. Internal Audit reports
13. External Audit Plan for the East Sussex Pension Fund 2021/22
14. Quarterly budget report
15. Risk Register
16. Training Report
17. Work programme
18. Any other non-exempt items previously notified under agenda item 4
19. 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).

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

PHILIP BAKER  
Assistant Chief Executive  
County Hall, St Anne's Crescent  
LEWES BN7 1UE

9 June 2022

Contact Martin Jenks, Senior Scrutiny Adviser,  
01273 481327  
Email: [martin.jenks@eastsussex.gov.uk](mailto:martin.jenks@eastsussex.gov.uk)

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



# PENSION COMMITTEE

WEDNESDAY, 20 JULY 2022

10.00 AM COUNCIL CHAMBER, COUNTY HALL, LEWES

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

## 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. Investment Performance and update report
6. Training Item - Is there still a place for Growth Equities in the current environment
7. Training Item - Impact on liabilities and Funding position from high inflation
8. Stewardship Code Draft submission
9. Any other non-exempt items previously notified under agenda item 4
10. 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).
11. Investment Report - Fixed Income Implementation
12. Carbon Footprinting reporting
13. ESG and climate impact report
14. Any other exempt items previously notified under agenda item 4

PHILIP BAKER  
Assistant Chief Executive  
County Hall, St Anne's Crescent  
LEWES BN7 1UE

12 July 2022

Contact Martin Jenks, Senior Scrutiny Adviser,  
01273 481327

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**Report to:** Pension Board

**Date of meeting:** 27 May 2022

**By:** Chief Finance Officer

**Title:** Governance Report

**Purpose:** To provide an update on various governance workstreams completed and changes effecting Local Government Pension Schemes and the East Sussex Pension Fund

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## RECOMMENDATIONS

The Pension Board is recommended to:

- 1) **Note and comment on the revised Governance and Compliance Statement (Appendix 1)**
  - 2) **Note there is an expectation for further consultations and guidance to be published on Pension Dashboard**
  - 3) **Note TPR is consulting on its enforcement policy**
  - 4) **Note the changes made to the Privacy Notices (Appendix 2)**
  - 5) **Nominate a new Vice Chair, drawn from the member representatives**
  - 6) **Note progress being made with the creation of a decision-making matrix**
  - 7) **Note the content of the letter sent to the chair of the ACCESS Joint Committee (Appendix 3)**
  - 8) **Nominate two representatives as observer attendees of the ACCESS JC when there is the opportunity to attend**
  - 9) **Note the ongoing correspondence between Prudential and the LGA**
- 

## 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 Governance and Compliance Statement

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

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

2.3 In addition to the details within the regulation, the Chartered Institute of Public Finance and Accountancy (CIPFA) require the Governance and Compliance Statement to be included in the annual report. CIPFA's guidance for LGPS Funds preparing the annual report suggests the

Statement should include the overall governance structure in place including, in addition to the regulations, application of how the CIPFA knowledge and Skills Framework has been applied; how oversight of the asset pool takes place; and policies and procedures for managing conflicts of interest.

2.4 The Governance and Compliance Statement requires an annual review.

2.5 The main changes are the addition of a compliance statement table. As well as expansion of the responsibilities of the Pension Committee to align with the terms of reference for more consistency with this section to the responsibilities of the Pension Board; reference has been made to working through the pandemic; Pension Board appointment has been expanded based on recent experience; Update to the working groups currently in place; and addition of a section on audit of the Fund.

2.6 The revised Governance and Compliance Statement is included in **Appendix 1** for discussion.

### **3 Changes in Legislation and Regulation**

3.1 The initial consultation of Pension Dashboard has now closed. Concerns have been raised in the market around how the Dashboard Regulations will interact with the requirements of the UK GDPR, which are expected to be changed in turn following the Queen's Speech. Further consultations are expected from the Information Commissioner's Office and The Pensions Regulator.

3.2 The Pensions Regulator [opened a consultation on 4 May 2022 on its enforcement policy](#). The consultation lays out how the Regulator would look to act in a number of scenarios, which are connected to the objective behind taking action. The possible objectives are noted as being: Prevention; remedy; restoration and deterrence. The powers available to the Regulator have not changed since the Pension Board and Committee were previously notified of changes in the law and the Regulator is seeking to provide clarity as to its proposed approach.

### **4 Privacy notices**

4.1 Since the last meeting, Officers have reviewed the existing long and summary privacy notices. They have been updated in line with the recommendations made by the Local Government Association (LGA). This concludes the annual review of our privacy notices. The new privacy notices are available on our website and are included at **Appendix 2**

4.2 Very few changes have been made and these focus on clarifying we are able to use member contact details in order to issue surveys and the impact of the UK leaving the European Union.

### **5 Pension Board and Pension Committee appointments**

5.1 During the February 2022 meeting Officers provided an update on progress being made on the appointment of someone to the vacant position on the Pension Board. On 1 March 2022 the Governance Committee took the decision to appoint Neil Simpson as the new pensioner representative for a term of 4 years. In welcoming Neil to the Board an induction training plan has been put in place.

5.2 The previous pensioner representative was one of the Vice Chairs of the Pension Board. The constitution calls for both an employer and member representative vice chair to be in place to cover any occasion where the Independent Chair is not available. An employer representative Vice Chair is currently in place; this is currently Stephen Osborne.

5.3 The constitution of the Council requires the Governance Committee to appoint a Vice Chair. The Pension Board is asked to agree which member representative should be nominated as a Vice Chair of the Pension Board for approval by the Governance Committee ahead of the next meeting of the Pension Board.

5.4 On 10 May 2022 the Full Council agreed a change to the makeup of Pension Committee with Cllr. Hilton being replaced by Cllr. Georgia Taylor, both of which are members of the Green Party which leaves the political makeup of the Committee unchanged.

## **6 Prudential Additional Voluntary Contributions (AVCs)**

6.1 The Local Government Association has been contacted by Prudential about the ongoing services issues that have previously been identified. To date, the LGA has not fully digested the content of the letter but believes the service being provided is not improving. Officers continue to monitor the situation and will provide updates to the Pension Board and Pension Committee when relevant.

## **7 ACCESS Joint Committee and governance**

7.1 In the February 2022 meeting the Pension Board agreed that the Chair should write to Cllr. Kemp-Gee, the Chair of the ACCESS Joint Committee, regarding its recommendation that members from the pension boards of the 11 participating funds should be elected for a term of 3 or 4 years to provide more permanent representation for members on the Joint Committee. This letter was issued and can be found in **Appendix 3**.

7.2 On 7 March 2022 the ACCESS Joint Committee met and discussed the approach to be taken in relation to governance and member representation. A proposal was put forward more aligned with the Pension Board's views on this matter, however this was not passed. It was decided that each Fund participating in ACCESS should send two Pension Board members to observe on a rotational basis. The observers can be independent, member representative or employer representatives with a preference that at least one observer be a member representative. The decision is scheduled to be reviewed in 12 months.

7.3 Pension Board members are asked to nominate two representatives as observer attendees of the ACCESS JC when there is the opportunity to attend during the meeting cycle.

7.4 When the Pension Committee met in February 2022 it was identified that if Cllr. Fox, the Fund's representative on the ACCESS Joint Committee, is unable to attend a meeting no substitute has been appointed. The Pension Committee recommended that Cllr. Redstone be the nominated substitute and a paper was sent to Governance Committee covering this request.

7.5 The Governance Committee met on 22 March 2022 and agreed with the Pension Committee's recommendation.

## **8 Conclusion**

8.1 The Board is asked to:

- Note and comment on the revised Governance and Compliance Statement (Appendix 1)
- Note there is an expectation for further consultations and guidance to be published on Pension Dashboard
- Note TPR is consulting on its enforcement policy
- Note the changes made to the Privacy Notices (Appendix 2)
- Nominate a new Vice Chair, drawn from the member representatives
- Note progress being made with the creation of a decision-making matrix
- Note the content of the letter sent to the chair of the ACCESS Joint Committee (Appendix 3)
- Nominate two representatives as observer attendees of the ACCESS JC when there is the opportunity to attend
- Note the ongoing correspondence between Prudential and the LGA

**IAN GUTSELL**  
**Chief Finance Officer**

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## GOVERNANCE AND COMPLIANCE STATEMENT

**June 2022**

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## Governance Policy Statement

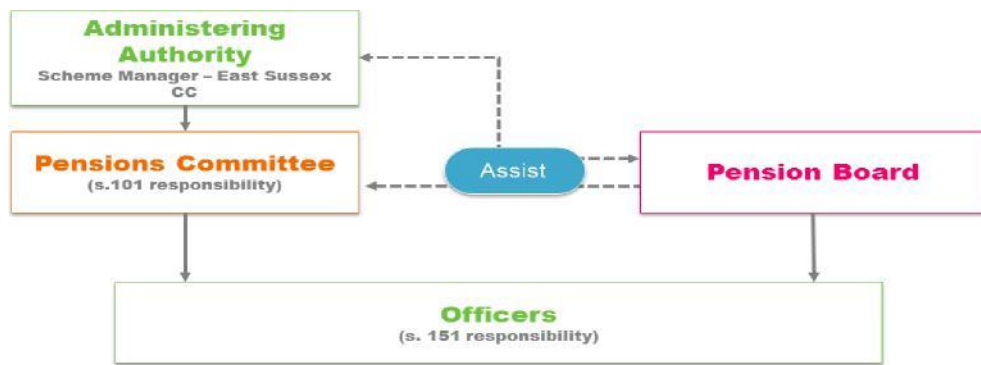
### Introduction

1. This is the Governance Policy Statement of the East Sussex Pension Fund (the Fund), which is managed by East Sussex County Council, the Administating Authority (Scheme Manager) on behalf of all the relevant employer bodies in the Fund. All Local Government Pension Scheme (LGPS) Funds in England and Wales are required to publish and keep under review a Governance Compliance Statement.
2. The Public Services Pensions Act 2013 (The Act) introduced a new framework for the governance and administration of public service pension schemes. The Act has a material impact on existing governance arrangements in the Local Government Pension Scheme (LGPS), which are enforced by changes to the LGPS regulations.
3. As a result of the Act, The Pensions Regulator introduced codes of practice covering specific areas relating to public sector pension schemes. It is noted that The Pensions Regulator intends to make changes to its Codes of Practice and the potential impact on the Fund is being monitored. It is expected that the new Code of Practice will come into force in the second half of 2022.
4. As Administering Authority, East Sussex County Council is the designated statutory body responsible for administering the East Sussex Pension Fund of behalf of the constituent Scheduled and Admitted Bodies in the relevant area. The Local Government Pension Scheme Regulations specify that, in investing the Fund's money, regard must be given to the need for diversification and for proper advice obtained at reasonable intervals.

### Governance of East Sussex Pension Fund

5. East Sussex County Council operates a Cabinet style decision-making structure. Under the Constitution, the Pension Committee has delegated authority to exercise the powers of the County Council in respect of all powers and duties in relation to its functions as the Scheme Manager and Administering Authority for the East Sussex Pension Fund, including the approval of the Fund admission agreements.
6. Delegations by the administering authority are published in the Council's constitution which can be accessed at <https://www.eastsussex.gov.uk/yourcouncil/about/keydocuments/constitution/>
7. The Fund governance focuses on:
  - The effectiveness of the Pension Committee, the Local Pension Board (Pension Board) and Officers to which delegated function has been passed, including areas such as decision-making processes, knowledge and competencies.
  - The establishment of policies and their implementation.
  - Clarity of areas of responsibility between officers and Pension Committee/Board members.
  - The ability of the Pension Committee/Board and Officers to communicate clearly and regularly with all stakeholders.
  - The ability of the Pension Committee/Board and Officers to ask for the appropriate information and advice and to interpret that information in their supervision and monitoring of the Scheme in all areas.
  - The management of risks and internal controls to underpin the framework.

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



### Responsibilities of the East Sussex Pension Committee

8. The Council's Pension Committee is established as the Fund's scheme manager and is responsible for arrangements for the investment, administration funding, communication, risk management and the overall governance process surrounding the Fund.
9. The Pension Committee is responsible for setting all Fund policies including the setting of the appropriate funding target for the East Sussex Pension Fund.
10. The Pensions Committee will exercise its functions in accordance with fiduciary duties, safeguarding the interests of the beneficiaries of the Fund.
11. Committee Members must take decisions in accordance with their public law obligations, including the obligations of reasonableness, rationality and impartiality.
12. Committee Members are required to be rigorous about conflicts of interest and potential conflicts of interest, actual or perceived, as laid out in the Conflict of Interest Policy.
13. The Committee is subject to the statutory obligation of political balance in the membership of the Committee. Whilst all Committee Members bring with them their own knowledge and experience, political views should form no part of the consideration of issues or of the decision-making process.
14. Detailed terms of reference for the Committee are included as **Appendix A**.

### Responsibilities of the East Sussex Pension Board

15. To help to ensure that the East Sussex Pension Fund is managed and administered effectively and efficiently and complies with the code of practice on the governance and administration of public service pension schemes issued by The Pension Regulator (TPR).
16. To provide assistance to East Sussex County Council as the Administering Authority and the LGPS Scheme Manager in securing compliance with:
  - LGPS Regulations and any other legislation relating to the governance and administration of the LGPS;
  - requirements imposed in relation to the LGPS by TPR;
  - ensure effective and efficient governance and administration of the LGPS; and
  - any other matters as the LGPS regulations may specify.

## **East Sussex Pension Fund**

17. The role of the Pension Board is to provide oversight of these matters and it is not a decision making body. The Board seeks assurance that due process is followed by the Fund.
18. Detailed terms of reference for the Board are included as **Appendix B**.

### **Operational Procedures of the Pension Committee and Pension Board.**

19. The Pension Committee receives and reviews quarterly reports in relation to all its Investment Fund Managers through its Investment Consultant, Isio. The Pension Committee is also advised by an additional Independent Advisor to help balance the advice providing additional challenge and debate to decision making.
20. In addition, the Pension Committee and Pension Board is advised by the County Council's Chief Finance Officer (in their capacity as the Council's designated section 151 officer).
21. The Pension Board meet around two weeks in advance of the Pension Committee to enable the Board to consider and comment on the reports due to be considered by the Committee. This ensures the Committee takes into account the comments of scheme member and employer representatives of the Board ahead of the Committee making decisions. The Board's minutes are included as part of the Committee agenda pack and the independent chair of the Board attends the Committee meetings commenting on discussion points raised by the Board on each item.
22. The Pension Board and Pension Committee consider reports on Administration of the Fund, the Risk Register and any breaches of the law at all core meetings.
23. Both the Pension Board and Pension Committee have access to professional advice via specialist advisers, where appropriate to work being carried out.
24. Agendas and reports for both the Board and Committee are published on the ESCC website at least 5 working days in advance of the meeting.
25. All meetings are open to the public except where the Board and Committee resolve to exclude the press and public due to the consideration of information that is exempt under section 12A of the Local Government Act 1972. During the Covid pandemic, the meetings were held virtually with a webcast being made available for public viewing. Pension Committee meetings are now hybrid meetings with Councilors and some Officers meeting in person and other Officers joining remotely. These meetings are made available to the public through a webcast. Meetings will be held either in person or as hybrid meetings going forward.
26. The work plan of both Board and Committee is set out in a work programme agreed at each meeting. This helps the stakeholders understand what will be discussed at future meetings.
27. The Committee and Board receive full reports on all necessary matters as decided by the Chief Finance Officer, and matters raised by the Committee or Board for detailed reports and discussion. Provision exists for the calling of special meetings if circumstances demand.

### **Frequency of meetings of the East Sussex Pension Committee.**

28. The Pension Committee meets at least 4 times a year with an additional meeting scheduled to discuss the investment strategy.

### **Frequency of meetings of the East Sussex Pension Board.**

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

### Membership of the Pension Committee

30. The County Council appoints five members to the Committee in accordance with political balance provisions. All members of the Committee have voting rights.

### Membership of the Pension Board

31. In accordance with Regulation 107 of the LGPS Regulations 2014, a Pension Board must include an equal number of employer and member representatives with a minimum requirement of no less than four in total. In considering the size of the East Sussex Pension Board, the Council has taken into consideration number of factors including:
- The size of the Council's existing Pension Fund governing arrangement and decision making process.
  - The number of scheme members, number and size of employers within the Fund and any collective arrangements in place for them to make decisions or provide input in relation to Fund matters.
  - The direct and indirect cost of establishing and operating the Board.
32. Composition of the East Sussex Pension Board - The Pension Board consists of 7 members as follows:
- Employer representative x 3 (to represent all employers within the scheme)
  - Scheme member representative x 3 (to represent all members of the scheme; active, deferred and pensioners)
  - Independent Chair x 1
33. Employer representatives and scheme member representatives have voting rights. The Independent Chair does not have voting rights
34. Where possible, the employer representatives will be appointed to represent each of Brighton and Hove City Council, as the second largest scheme employer after ESCC; the five district and borough councils; and all other employers. However, in practice, all will actively represent the full range of employers in the scheme.
35. An independent chair is appointed to enhance the experience, continuity, knowledge, impartiality and performance of the Board. The chair of the Board is invited to attend Pension Committee meetings where they are able to report back on discussions and recommendations from the Board, to represent the views of the employer and member representatives into Fund decision making.
36. The term of office for Board members is 4 years. This can be extended following reselection by 2 years.

### Pension Board Representatives nomination/appointment

37. The methodology for appointing employer and member representatives is not prescribed by the Regulations. It is therefore up to the Administering Authority to establish an appropriate process, which has been included within the East Sussex Pension Board terms of reference. For details see **Appendix B** to this statement.

38. Pension Board representatives are normally appointed for a term of 4 years. Appointments are made by the Governance Committee. The Governance Committee can also agree a temporary extension of up to 2 years. In the case of multiple appointments and re-appointments the Governance Committee may choose to appoint members on a mixture of full and 2 year terms to minimise the number of vacancies needing simultaneous appointments in the future.
39. Where a Pension Board Representative has their term extended this can only happen once before a fully appointment process will be run.
40. In the past year it has been necessary to appoint people to vacant positions on the Pension Board. The approach followed was to request expressions of interest for member representatives and nominations for employer representatives. In both cases the expressions of interest and nominations were only sought from the cohort whose representative would fill the vacant position. The people with an interest in joining the Pension Board were invited to meet with Officers and the Pension Board chair, with potential member representatives also being asked to provide a CV and personal statement due to the number of people interested in the vacancy. Once the meetings were concluded a recommendation was made to the Governance Committee regarding making an appointment.

### **Vice Chair appointment**

41. Meetings of the Pension Board cannot go ahead without the Chair or Vice Chair present, so there is a risk that a meeting of the Board would not be able to proceed if the Chair is unable to attend for any reason.
42. The Pension Board agreed that in order to maintain the balance between scheme members and employer representation that a scheme member vice chair and an employer vice chair would be nominated from the existing Pension Board members, and that the role of vice chair would alternate between scheme member and employer at each meeting. There is a vacancy for the scheme member vice chair following a change in representatives in early 2022 and this post will be filled following the May 2022 meeting, which will be the first meeting following the appointment of a new member representative.

### **Consultation with Employing Authorities**

43. All employing bodies are kept informed of current pension issues, such as proposed changes in the regulations and their implications, by quarterly newsletter. They are encouraged to get in touch if they have questions.
44. In addition to these electronic briefings, the Fund holds an annual Employers' Forum to which all scheduled and admitted bodies of the Fund are invited. This was held virtually in 2021, due to the Covid-19 pandemic, but is expected to be re-instigated as a physical event in 2022. This annual meeting covers both actuarial and investment issues and always contains a presentation from the Fund's Actuary. In 2021 Employers received information about new software being implemented by the Fund and the onboarding process, the importance of protecting members from fraud and other topics. Employers are able to raise topics of interest for this forum and ask questions of officers and advisers as required at the event.
45. An annual survey is carried out with employers to get input into the administration of the Fund.
46. Where there are proposed changes to the Administration Strategy or to the Funding Strategy Statement, employers are consulted prior to implementation of the revisions.

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

### Consultation with Scheme Members

48. All active members receive newsletters twice a year to and Pensioner members once a year. These newsletters update on pension issues, especially on any changes affecting benefits. These updates are shared with all employers.
49. The Fund carries out an annual survey with active and pensioner members to seek their views on the administration of the Fund. In 2022 this survey will also lightly touch on investment strategy.
50. More detail on the approach to communication is covered in the separate Pension Fund Communication Statement.

### Working Groups

51. The Fund has set up a number of working groups to help progress specific projects or areas of focus. The Pension Board are able to initiate working groups to focus on areas that would benefit from focus of the employer or member representatives.
52. An update is provided at each Pension Board and Pension Committee meeting to report back on the activities of each working group.
53. In 2021/22 the Fund had four working groups. A communications working group, McCloud working group, an investment implementation working group and a data improvement working group. During the year the project being overseen in relation to data improvement was found to be sufficiently advanced for the remit of the relevant working group to be expanded to the wider administration of the Fund. Going forward the data improvement working group will be called the administration working group.
54. Each working group has its own terms of reference and membership which is firstly discussed at Pension Board and approved by Pension Committee.
55. The Chair of the Pension Committee is invited to join the Investment Implementation Working Group, while membership of the group is Officers and Advisers. The Pension Board Chair is invited on occasion where it is appropriate based on the meeting agenda. All other working groups consist of a mix of Officers, Pension Board members and Pension Committee members.

### Conflicts of interest

56. A conflict of interest is a financial or other interest which is likely to prejudice a person's exercise of their duties as a member of the Pension Board or Pension Committee. It is not permitted for a Pension Board member to have an actual conflict of interest.
57. To prevent conflicts of interest members of the Pension Board, Committee and Officers are required to disclose interests. Potential conflicts are also disclosable as a standing item on the agenda for Board and Committee meetings. Interests which may lead to a potential conflict are additionally reviewed annually.
58. Where a potential conflict of interests is identified the person with the potential, or perceived, conflict is not able to take part in discussions on the topic, excluded from voting, or otherwise has the conflict managed at the discretion of the Chair or Vice Chair as appropriate.
59. The Fund reviewed its conflict of interest policy in 2021, expanding on the previous policy to include perceived conflicts of interest.

### Knowledge and understanding

60. It is a requirement that members of the Pension Board have sufficient knowledge and understanding to carry out their function. Where a new member joins the Pension Board they are to develop this level of knowledge as soon as possible. Whilst the law does not stipulate a timeframe it does for a new trustee of a private occupational scheme and an inference can be drawn that the same six-month time period should apply.
61. The Scheme Advisory Board's (SAB) Good Governance Report says that Officers and Committee members should also have sufficient knowledge and understanding to carry out their functions. The Fund's Training Policy is in line with this recommendation and applies to Pension Board and Committee members as well as officers. It is linked to the CIFPA skills matrix.
62. The Fund has a Pensions Training Co-Ordinator. This Officer engages with the Chairs of both the Pension Board and Pension Committee to establish the individual needs of members, as well as liaising with Officers, to develop a detailed training plan. This plan will be in line with the published Training Policy. The amount of time spent training will also be recorded.
63. New members of the Pension Board and Committee, along with those already in role and relevant Officers, are invited to induction training. Some of this training is provided by the Fund's legal, actuarial and investment advisors.
64. The Fund carried out a training needs analysis in 2021 with Committee and Board members through a self-assessment questionnaire. The results of these training needs lead to the creation of the annual training plan for Board and Committee members and is being used to develop the content of training events which will be offered to Pension Board and Pension Committee members in 2022/23.
65. The Fund invite members of both the Board and Committee to a range of in-house and external training sessions and conferences to help develop their knowledge and skills relevant to their roles. In addition, officers attend training sessions and conferences in compliance with the training strategy and their professional CPD requirements to stay current. Notification of forthcoming training opportunities is provided at least once per month. The Fund have a budget assigned for training to ensure this is a priority of the Fund and sufficient resources available.

### Good Governance report

66. In February 2021 the SAB published an updated version of its report following its review of good governance across the LGPS. This report covers representation, conflicts of interest and knowledge and understanding. The findings of these areas are referred to in the relevant sections above. Additionally, the SAB made a number of recommendations in the areas of service delivery along with compliance and improvement.
67. The SAB recommends that all funds in the LGPS should have a Pension Administration Strategy. The Fund updated and enhanced their policy in 2020 to ensure this is more complete and accessible. This strategy was shared with employers in the Fund as part of a consultation process prior to implementation. The Pension Administration Strategy is also publicly available on the Fund's website. This policy is reviewed at least every three years.

68. The SAB has also recommended that funds in the LGPS document decision making levels. The Fund is working with an external service provider to review its constitution and clearly signpost decision making authority. This review will also allow the Fund to consider where improvements to the constitution can be made.

### **Audit review of service provision**

69. The ESCC Audit team carries out independent appraisals of the County Council's systems under the direction of the Chief Operating Officer. The Pension Fund has commissioned 100 days of audit to review various aspects of its service provision. An annual audit plan is reviewed and approved at the start of the year with all audit findings reports being considered and discussed at each Board and Committee meeting once the reports are finalised.
70. In 2021/22 the internal audit team carried out audits on Governance; Investments and External Control assurance; Compliance with regulatory requirements; Pensions Administration; Implementation of Altair and Internal Controls of the Altair system.

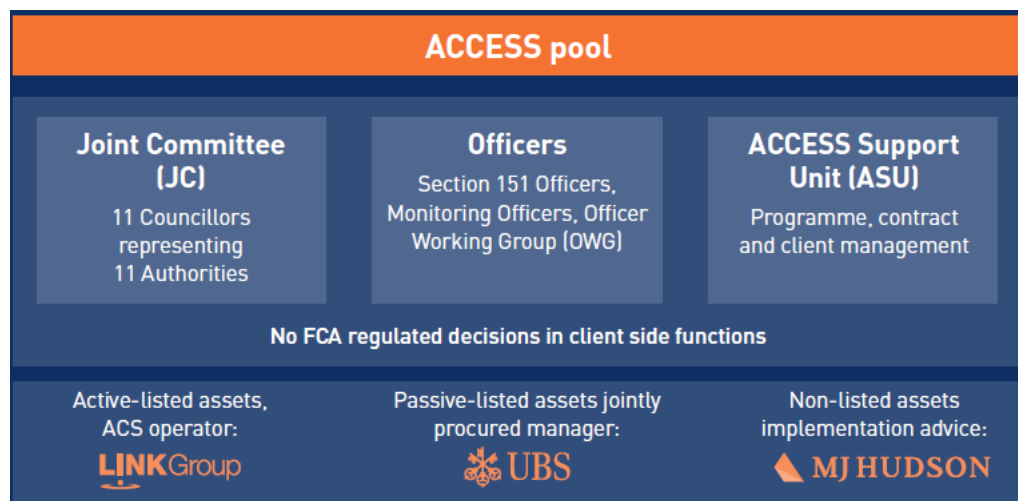
### **LGPS Asset Pooling Governance - ACCESS Pool**

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

### **ACCESS Pool Governance**

72. The ACCESS Pool is not a legal entity in itself but is governed by an Inter Authority Agreement signed by each Administering Authority. The Inter Authority Agreement sets out the terms of reference and constitution of ACCESS.
73. The formal decision-making body within the ACCESS Pool is the ACCESS Joint Committee. The Joint Committee has been appointed by the 11 Administering Authorities under s102 of the Local Government Act 1972, with delegated authority from the Full Council of each Administering Authority to exercise specific functions in relation to the Pooling of Pension Fund assets.
74. The Joint Committee is responsible for ongoing contract management and budget management for the Pool and is supported by the S151 Officers, Officer Working Group and the ACCESS Support Unit. The Officer Working Group are Officers identified by the Administering Authorities whose role is to provide a central resource for advice, assistance, guidance and support for the Joint Committee.
75. The ACCESS Support Unit (ASU) provides the day-to-day support for running the ACCESS Pool and has responsibility for programme management, contract management, administration and technical support services.
76. The Section 151 Officer of each Pension Fund provide advice to the Joint Committee and in response to decisions made by the Joint Committee ensure appropriate resourcing and support is available to implement the decisions and to run the ACCESS Pool.
77. Strategic oversight and scrutiny responsibilities remain with the Administering Authorities as does all decision making power to their own Funds asset allocation and the pooling of assets that each Fund holds within the arrangements developed by the ACCESS Pool.
78. During 2021/22 a Governance technical lead was appointed to review and update the Governance Manual. This piece of work is expected to complete in 2022. In addition, the Joint Committee approved a new set of criteria to bring in new sub-funds including an approval workflow for this process.

79. At its meeting on Monday 7 March 2022, the ACCESS Joint Committee agreed proposals enabling each ACCESS Authority's Local Pension Board to send two observers, on a rotational basis, to Joint Committee meetings. In practice, observers from three ACCESS Authority LPBs at a time will attend JC meetings in person, allowing each Pension Board to be represented at least once a year. The observers can be drawn from scheme member representatives, employer representatives or independent members. This arrangement will be reviewed after its first full year.
80. The diagram below sets out the overarching ACCESS structure.



### ACCESS Pool Operator

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

### ACCESS Implementation Adviser for illiquid assets

82. In January 2022, the ACCESS Pool appointed MJ Hudson, the specialist service provider to the asset management industry, as implementation advisor for the pooling of illiquid assets, including private equity, infrastructure, private debt and real estate. As implementation advisor, MJ Hudson will provide support to the Pool in selecting individual investment opportunities and investment managers to build portfolios in a range of illiquid assets.

### Review of Governance Policy Statement

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

## East Sussex Pension Fund

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### Delegation of Functions

The following functions are delegated by the Administering Authority:

#### Scheme Administration

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

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

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

**Delegated to:**

Pension Committee (monitoring)

Chief Finance Officer (Pension Fund Governance and Investment implementation)

#### Funding

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

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

**Delegated to:**

Pension Committee (policy approval)

Chief Finance Officer (maintaining FSS and policy implementation)

#### Investment

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

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

**Delegated to:**

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

Chief Finance Officer (Pension Fund investment implementation)

#### Communications

**Governance Principle: Effective information flow; written plan policies**

Including, but not limited to, setting of a communication strategy, issuing of benefit statements, newsletters, and annual report. The Pension Committee shall be responsible for agreeing the Communications Policy.

**Delegated to:**

Pension Committee (policy approval)

Chief Finance Officer (Pension Fund policy implementation)

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

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

**Delegated to:**

Pension Committee (pension fund risk register approval)

Chief Finance Officer (maintaining the pension fund risk register)

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

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

## Compliance Statement

The Fund fully complies with the best practice guidelines on governance, issued by the Ministry of Housing, Communities and Local Government (MHCLG), for details see the table below.

<b><u>A - Structure</u></b>	
a) The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Fully Compliant
b) That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Fully Compliant
c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Fully Compliant
d) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Fully Compliant
<b><u>B - Committee Membership and Representation</u></b>	
a) That all key stakeholders are afforded the opportunity to be represented. within the main or secondary committee structure. These include:-  <div style="margin-left: 40px;">                     i) employing authorities (including non-scheme employers, eg, admitted bodies);                      ii) scheme members (including deferred and pensioner scheme members),                      iii) where appropriate, independent professional observers, and                      iv) expert advisors (on an ad-hoc basis).                 </div>	Fully Compliant
b) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.	Fully Compliant
<b><u>C - Selection and role of lay members</u></b>	
a) That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Fully Compliant
b) That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda	Fully Compliant

<b><u>D – Voting</u></b>	
a) The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Fully Compliant
<b><u>E – Training/Facility time/Expenses</u></b>	
a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	Fully Compliant
b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Fully Compliant
c) That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.	Fully Compliant
<b><u>F – Meetings (frequency/quorum)</u></b>	
a) That an administering authority's main committee or committees meet at least quarterly.	Fully Compliant
b) That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	Fully Compliant
c) That an administering authority who does not include lay members in their formal governance arrangements, must provide a forum outside of those arrangements by which the interests of key stakeholders can be represented	Fully Compliant
<b><u>G - Access</u></b>	
a) That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	Fully Compliant
<b><u>H – Scope</u></b>	
a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements	Fully Compliant
<b><u>I – Publicity</u></b>	
a) That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	Fully Compliant

### Pension Committee terms of reference and membership

#### (a) Membership

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

#### Terms of Reference

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

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

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

## East Sussex Pension Fund

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

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

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

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

### **Training**

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

### Constitution and terms of reference of the East Sussex Pension Board

#### Introduction

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

#### Objectives and role of the Pension Board

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

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

### Membership

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

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

### **Appointment of members of the Pension Board**

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

### **Term of office**

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

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

### Chairing

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

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

### **Expert advice and access to information, including the Pension Committee**

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

### **Knowledge and Skills**

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

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

### Standards and Conflicts of Interest

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

### Access to the Public and Publication of Pension Board information

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

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

### **Expense reimbursement, remuneration and allowances**

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

### **Accountability**

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

### **Decision Making Process**

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

### **Reporting and escalation**

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

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

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

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## **PRIVACY NOTICE (SUMMARY)**

### **for the members and beneficiaries of the East Sussex Pension Fund**

As the Administering Authority of the Fund we hold certain information about you and from which you can be identified ("**personal data**") which we need to administer the Fund.

In this privacy notice, we have summarised some of the key ways in which we collect and use personal data in accordance with our requirements under data protection legislation. Further information can be found in the Full Privacy Notice at the following link:

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

It is important that you read this privacy notice together with any other privacy notice or fair processing policy we may provide on specific occasions when we are collecting or processing personal data about you so that you are fully aware of how and why we are using your data. This privacy notice replaces any general privacy notice we may have previously issued and supplements any other notices and privacy policies we issue that are specific to particular data collection / processing activities.

### **What personal data do we hold?**

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

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

We obtain some of this personal data directly from you. We may also obtain data from your employer (for example, salary information) and from other sources including public databases and the advisers and service providers that we may share your personal data which are listed in the Full Privacy Notice.

### **What will we do with your personal data?**

We will use this personal data to administer the Fund and to calculate and provide you (and, if you are a member of the Fund, your beneficiaries if you die) with benefits. We will also use this personal data for statistical and financial modelling and reference purposes (for example, when we assess how much

money is needed to provide members' benefits and how that money should be invested), and to comply with our legal obligations.

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

We may also process your personal data to assess and, if appropriate, action a request you make to transfer your benefits out of the Fund.

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

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

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

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

### **How long will we hold your data?**

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

## **Your rights**

You have a right to access and obtain a copy of the personal data that we hold about you and to ask us to correct your personal data if there are any errors or it is out of date or incomplete. In very limited circumstances, you may also have a right to ask us to restrict the processing of your personal data or to transfer or (in extremely limited circumstances, such as where your personal data is no longer needed for the purpose for which it is being processed) erase your personal data. You should note that we are not obliged to erase your personal data if we need to process it for the purposes of administering the Fund.

In certain circumstances you have the right to object to the processing of your personal data; for example you have the right to object to processing of your personal data which is based on the public interest or legitimate interests identified in the section above headed "What is the legal basis for our use of your personal data?", or where the processing is for direct marketing purposes.

You can obtain further information about your rights from the Information Commissioner's Office at: [www.ico.org.uk](http://www.ico.org.uk) or via its telephone helpline (0303 123 1113).

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

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

## **Contacting us**

Please contact the Fund for further information.

East Sussex Pension Fund - Pensions Administration, County Hall East Block, F Floor, Lewes, BN7 1UE  
[pensions@eastsussex.gov.uk](mailto:pensions@eastsussex.gov.uk)

## **Data Protection Officer**

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

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

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

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

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

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

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

[Email ICO](#)

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

## FULL PRIVACY NOTICE

### for the members and beneficiaries of the East Sussex Pension Fund

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

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

This privacy notice is also provided at the following link:

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

### Why we are providing this notice to you

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

### The technical bit

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

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

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

## **What personal data we hold, and how we obtain it**

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

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

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

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

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

## **How we will use your personal data**

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

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

### **Organisations that we may share your personal data with**

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

These organisations include the Fund's:

<b>Data processors</b>	<b>Data controllers</b>
<ul style="list-style-type: none"> <li>• Administrator – (currently East Sussex County Council)</li> <li>• Tracing bureaus for mortality screening and locating members – (currently under review)</li> <li>• Overseas payments provider to transmit payments to scheme member with non-UK accounts – (currently HSBC)</li> <li>• Printing companies – (currently CFH Ltd)</li> <li>• Pensions software provider – (currently Aquila Heywood)</li> <li>• Suppliers of IT, document production and distribution services (Orbis)</li> </ul>	<ul style="list-style-type: none"> <li>• Additional Voluntary Contribution providers – (currently Prudential)</li> <li>• Fund Actuary – (currently Barnett Waddingham)</li> <li>• Insurance companies in connection with ill health benefits – (currently Legal and General)</li> <li>• LGPS National Insurance database – (South Yorkshire Pensions Authority)</li> <li>• The Pensions Ombudsman</li> <li>• Administering authorities of other LGPS funds (or their agents, such as third party administrators) where you have been a</li> </ul>

<ul style="list-style-type: none"> <li>• Legal adviser – (currently Eversheds Sutherland)</li> <li>• Scheme benefit consultants – (Hymans Robertson, Mercer, Aon)</li> <li>• External auditor – (currently Grant Thornton)</li> <li>• Internal auditor – (currently Orbis)</li> </ul>	<p>member of another LGPS fund and the information is needed to determine the benefits to which you or your dependents are entitled</p> <ul style="list-style-type: none"> <li>• The Department for Work and Pensions</li> <li>• The Government Actuary's Department</li> <li>• The Cabinet Office – for the purposes of the National Fraud Initiative</li> <li>• HM Revenue and Customs</li> <li>• The Courts of England and Wales – for the purpose of processing pension sharing orders on divorce</li> </ul>
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In each case we will only do this to the extent that we consider the information is reasonably required for these purposes.

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

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

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

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

We do not use your personal data for marketing purposes and will not share this data with anyone for the purpose of marketing to you or any beneficiary. However, we may use your data to send surveys and other documents to you to help us improve the quality of service we provide.

## **Transferring information outside the UK**

In some cases recipients of your personal data may be outside the UK. As such, your personal data may be transferred outside the UK to a jurisdiction that may not offer an adequate level of protection as is required by the UK Government. If this occurs, additional safeguards must be implemented with a view to protecting your personal data in accordance with applicable laws.

### **How long we keep your personal data**

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

### **Your rights**

You have a right to access and obtain a copy of the personal data that the Administering Authority holds about you and to ask the Administering Authority to correct your personal data if there are any errors or it is out of date or incomplete. In very limited circumstances, you may also have a right to ask the Administering Authority to restrict the processing of your personal data, or to transfer or (in extremely limited circumstances, such as where your personal data is no longer needed for the purpose for which it is being processed) erase your personal data. You should note that we are not obliged to erase your personal data if we need to process it for the purposes of administering the Fund.

In certain circumstances you have the right to object to the processing of your personal data; for example, you have the right to object to processing of your personal data which is based on the public interest or legitimate interests identified in the section above headed "The technical bit", or where processing is for direct marketing purposes.

You can obtain further information about your rights from the Information Commissioner's Office at [www.ico.org.uk](http://www.ico.org.uk) or via its telephone helpline (0303 123 1113).

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

As explained in the section above headed "How we will use your personal data", one of the reasons we collect and hold your personal data is to administer your Fund benefits. If you do not provide the information we request, or ask that the personal data we already hold is deleted or that the processing of the personal data be restricted, this may affect our ability to administer your benefits, including the payment of benefits from the Fund.

In some cases it could mean the Administering Authority is unable to put your pension into payment or has to stop your pension (if already in payment).

### **Updates**

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

### **Contacting us**

Please contact the Fund for further information.

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

### **Data Protection Officer**

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

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

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

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

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

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

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

[Email ICO](#)

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

Cllr. M Kemp-Gee  
Chair of ACCESS Joint Committee

*By email only*

14<sup>th</sup> February 2022

Dear Cllr. Kemp-Gee

**Member representation in ACCESS  
View of the East Sussex Pension Fund's Local Pension Board**

I am writing further to the ongoing discussion regarding the incorporation of member representation in the governance of the ACCESS investment pool. At our Local Pension Board meeting of 10 February 2022, we discussed the approach being considered by the Joint Committee regarding improving member representation and input into the governance of the pool following the comments made by the Scheme Advisory Board. It was agreed that I would write to you with our thoughts on the matter.

We understand the proposal as it currently stands is for Pension Board members of the 11 Local Government Pension Funds participating in ACCESS to be allowed to be present at Joint Committee meetings in rotation, with the various Pension Boards being placed into groups. Effectively a single Pension Board member from each group will attend Joint Committee approximately once per year. Whilst we consider the current proposal as a positive starting point, we believe an alternative approach would allow for stronger governance going forward.

Our proposal would be for three or four representatives of the various Pension Boards to be elected from amongst their number for either a three or four year term and sit on the Joint Committee with observer status. The elected representatives could be drawn from either employer or member representatives or independent Pension Board members. This would allow the people involved a greater opportunity to undertake the necessary training to give them sufficient knowledge to help drive up governance standards and provide effective member representation. The three elected representatives would have the responsibility to feedback to the various boards on the activities of the Joint Committee on an annual basis.

We do not believe that working on a rotational basis will allow for individual Board members to gain sufficient understanding of ACCESS matters and be able to pick up from meeting to meeting on the agenda. As a result, this will mean the governance standards of the ACCESS Pool will not improve as they should.

The East Sussex Pension Board thank you for taking the time to consider its view on the matter and looks forward to hearing the outcome of the further discussions of the Joint Committee on the topic.

Yours sincerely



Ray Martin  
Chair, East Sussex Pension Board

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**Report to:** Pension Board

**Date:** 27 May 2022

**By:** Chief Finance Officer

**Title:** Employer Engagement Report

**Purpose:** This report updates the Board on Employer Engagement activities and the collection of Employer contributions up to March 2022 which were due on 19 April 2022.

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## RECOMMENDATION

The Pension Board is recommended to note the report

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### 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 continuing to progress with more employers being contacted around onboarding to the new system and those that we have already had initial conversations with are 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 encountered some issues with the i-Connect software and some

limitations on certain 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. After feedback from other local authorities already using i-Connect, as well as what knowledge we have gleaned from using i-Connect for 12 months, we have created our own East Sussex specifications. These specifications are to sit alongside the standard Heywoods i-Connect specifications and set specific workarounds and changes that we require employers to action on their monthly returns. These are essential to get the required monthly information through the i-Connect portal. The team ran workshops for employers that have already been onboarded to go through the specifications; the recording has been shared with those employers unable to attend. The new specifications are part of the new process we run with all employers when they are first introduced and onboarded on to the i-Connect system.

2.4. Due to the creation of Fund specific specifications, the Fund has slowed down the rolling out of i-Connect to larger employers due to needing to maintain and support existing onboarded employers. We are continuing to progress with onboarding smaller employers using the 'Online Return' method of data. It continues to be a great opportunity for the team to engage and speak to different employers and has helped with other projects and queries on other pension matters.

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

Still to onboard	Initial enquiries ongoing	Started onboarding process	Onboarded
35	13	9	75

2.6. The intention was to onboard some of the larger employers onto i-Connect for year end to help with the production of Annual Benefit Statements. One of the larger employers we have been working with have been unable to fulfil this commitment due to lack of resourcing from their side. Therefore they are submitting a year end return with the intention of onboarding to i-Connect later in the year. We are finding that with the large employers we are having to carry out a lot of data cleansing and checks before we are able to go through the member matching and onboarding phase. This creates a lot of work for the Engagement, Admin and Technical teams and means slower progress for onboarding employers using the file upload method.

2.7. The Fund is looking to recruit some i-Connect specific roles that will help not only with the onboarding of employers onto the i-Connect system but also the monthly data and task creation that flows through the system to the pensions Admin system. The job descriptions for these roles have been written and signed off and will be advertised inline with the roles within the Pensions Admin team.

2.8. There has been a new release from Heywoods the i-Connect software developers to allow i-Connect to be used for contribution reconciliation purposes. This is still in the initial phases and once we have a fully resourced i-Connect team in place and all employers are onboarded we are planning on using this facility to help us reconcile monthly contributions and carry out more robust contribution governance.

2.9. The i-Connect project is continuing to help cleanse employee data for those already using the system and has provided some real 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 have offered the relevant time and support to allow for a smooth transition alongside appropriate training. The team have begun to suggest visiting employers in person to carry out training and support.

## Projects

2.10. The Employer Engagement team are working with the Pensions Admin and Technical teams on the Annual Benefit Statement project. The Team have been communicating with employers in reference to them providing the end of year salary data requirements. This data is required to allow for the preparation of Annual Benefit Statements (ABS). The team have actively helped resolve employer queries on completing the data requests and sent reminders and chasers to employers in line with the ABS project plan. There has been a good response from employers so far and help and support is being provided to those employers that are needing more assistance in getting the relevant data returned. As a large proportion of the employers are now successfully onboarded on to i-Connect we do not require end of year returns from them. The relevant data will be provided through i-Connect which should reduce the amount of time spent going back to employers with data queries.

2.11. The Engagement team is drafting some training slides for employers to cover some frequently asked questions and topics. We hope to start delivering some training sessions in the second half of the year in person to employers and their members.

2.12. Based on some feedback from employers a process guide on the specific topic of the Funds ill health policy is currently being drafted. This will cover the whole process that employers are required to go through if they have members retiring under ill health reasons.

2.13. In order to improve our communication and governance with employers we are carrying out a project to confirm authorised signatories and contacts for all employers, linked to a finding in the Internal audit work. This will allow us to check contribution forms are completed correctly and provide the team with a better breakdown of the relevant contacts we hold for employers and their team structures.

2.14. The final results of the covenant project being carried out by PricewaterhouseCoopers (PwC) with higher risk employers is due by the end of May 2022. Once these have been assessed the results will be communicated with the Board.

## 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 April 2022.*

<b>Non-Cheque</b>	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
<b>Total payments due</b>	117	117	115	115	115	117	117	117	120	121	123	123
<b>Payments received late</b>	9	9	4	3	9	8	2	3	1	2	3	0

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

<b>Overall</b>	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
<b>Total payments due</b>	129	129	127	127	127	129	129	129	130	131	133	134

<b>Payments received late</b>	11	9	8	3	15	11	5	4	4	2	4	2
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3.2 In the last 12-month period, there have been 78 late payments of contributions out of 1,554 expected payments. Contribution tables for this report have been split out to show the difference between cheque payers and non-cheque payers. A percentage of the missed payments is down to those employers that still pay by cheque. As outlined previously, 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. Some employers are limited by the infrastructure in place. The introduction to i-Connect may also provide an opportunity for cheque paying employers to review their processes.

3.3 The team continue to monitor all contribution payments but find that late payments are normally due to a range of reasons, (change in payroll provider, change in staff, staff holidays etc). In general, we are still not noticing any specific trends 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 email alongside the offer of a phone call or Microsoft Teams meeting to ascertain the reason for late payment to correct this for the following month.

3.4 There has been one employer so far that has had multiple late payments, resulting in the issue of administration charges. The team have offered support the employer if they require retraining on employer responsibilities and the requirements of paying contributions on time. We are also working with the governance team to see what further escalations can be actioned if this trend continues.

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. Official warning notifications are sent to late payers outlining that if late again in a 12-month period, administration charges will be sought in line with the administration strategy.

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 is 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:  
Email:

Tim Hillman, Pensions Manager Employer Engagement  
[Tim.Hillman@eastsussex.gov.uk](mailto:Tim.Hillman@eastsussex.gov.uk)

**Report to:** Pension Board

**Date of meeting:** 27 May 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.

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## RECOMMENDATION

**The Board is recommended to note the updates and make any comments for feedback to the Pension Committee.**

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### 1. Background

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

### 2. Key Performance Indicators (KPI)

2.1 The Performance Report, for the period April 2021 to March 2022 can be found at **Appendix 1**. The PAT saw performance numbers during quarter one 2022, average at 97.62% volume completed 2,358) which were similar to the previous quarter of 97.07% (volume completed 2,188). The volume numbers are quite different from the same period 12 months ago – 92.00% (volume completed 1,724).

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. Work has taken place with Aquila Heywood to implement the new performance measurements, and this was completed in Altair in early October 2021. The Fund are 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 now working on a hybrid approach and since April 2022 staff are attending Lewes County Hall on business need basis.

3.2 Job descriptions for the existing team have been reviewed by the Councils HR team for evaluation and new post job descriptions are being finalised. Existing staff have been offered the option to either of retaining their previous TUPE terms or switching to an ESCC contract. An advertising campaign has been drafted for recruiting to vacancies, to help better manage projects,

manage the 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. Projects update**

##### **4.1 Data Improvement Project**

Data Improvement is part of business as usual and the team is currently 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 Pension Regulator (tPR) common and conditional data scores – on 16 May 2022, these were 96.3% and 95.76% respectively.
- c) Work with Barnett Waddingham on the initial valuation data quality.

##### **4.2 Pension Increase April 2022**

This was the first time the in-house team have undertaken this project and it has been successfully completed providing most pensioners with a 3.1% pension uplift. The helpdesk has reported fewer enquiries than expected.

##### **4.3 GMP Rectification**

The project is about to re-commence with a data extract including the April 2022 pension increases for the pensioner population. This data will 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.

##### **4.4 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 Fund has provided Aon with the revised salary histories for the c.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 checked. The data is being bulk uploaded into the Altair system and final communications produced.

##### **4.5 ITM – monthly pensioner mortality checks and address tracing exercise**

These projects were due to commence in January 2022 but have been delayed with legal queries over some aspects of the contract (ITM have clarified about Government requirements of them to access the data analysis websites and the possible use of biometrics). We are now very close to finalising the contract with the specialist supplier.

##### **4.6 Annual Benefits Statements (ABS) – 2022**

The end of year data requests for the non i-Connect employers was requested on 23 March 2022 and returns are being received. First reminders were issued on 10 May 2022 to those employers where data remained outstanding. The project plan and testing matrix have been prepared and the draft benefit statement template updated.

Following the 2021 ABS process, the Chairs of Pension Board and Pension Committee wrote to Brighton and Hove City Council's Chief Executive Officer, highlighting concerns with the data from the employer and failure to provide sufficient member data to issue 10% of members ABS letters. This followed a report to the regulator in the prior year. The letter included recognition of a number of mitigating factors which suggested there would be a vast improvement in data quality and timeliness. The Fund has yet to hear back from the employer as to actions to ensure complete and timely data for this year's statutory letters. In addition, the Fund are concerned there may be recurrence of prior year issues as the employer has not been able to reconcile the active membership ahead of on-boarding to i-Connect, in time to submit the March 22 data. We are still

trying to avoid a very late and separate year end return request. There are also other projects and regulatory data requirements outstanding or delivered significantly later than requested.

#### 4.7 Casual workers

On 11 April 2022 we wrote to those employers with casual workers who have not been paid for two years suggesting the employers should review their HR processes. Some have responded positively and cancelled the casual contracts or advised the individuals should no longer be on their books and they will provide leaver forms.

#### 4.8 Process Reviews

The PAT have now completed its first process review which was for Transfer Values out (covering both quotations and settlements) and incorporated the new scams regulation requirements. This included an update suite of letters and checklists. A training session on the new process was rolled-out to the team on 20 April 2022. Head of Pensions Administration will be the escalation point for all Amber and Red flag cases to determine the next steps.

### **5 Conclusion and reasons for recommendation**

- 5.1 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

ESCC targets agreed in Sept 20 as a result of Good Governance review cannot

East Sussex Pensions Administration - Key Performance Indicators

	Activity	Old Measure	Impact	Old Target	13/10/2021 New Target	Mar-22	Feb-22	Jan-22	Dec-21	Nov-21	Oct-21	Sep-21	Aug-21	Jul-21	Jun-21	May-21	Apr-21
	Scheme members	Pensioners, Active & Deferred				81,405	81,089	81,132	80,931	80,484	80,334	79,102	79,492	79,393	79,151	79,070	79,172
	New starters set up	Bulk, i-Connect & NewStarter Task				404	123	320	379	894	451	240	200	287	230	326	178
						Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score
1a	Death notification acknowledged, recorded and documentation sent	within 5 days	M	95%	within 2 days	28	100%	35	100%	30	100%	14	100%	35	100%	30	100%
1b	Award dependent benefits (Death Grants)	within 5 days	H	95%	within 5 days	17	100%	15	100%	9	100%	21	100%	17	95%	13	93%
2a	Retirement notification acknowledged, recorded and documentation sent	within 10 days	M	95%	within 7 days	128	88%	114	93%	101	97%	98	88%	94	90%	93	100%
2b	Payment of lump sum made	within 5 days	H	95%	within 5 days	129	100%	99	100%	130	100%	90	94%	118	97%	101	100%
3	Calculation of spouses benefits	within 5 days	M	90%	within 5 days	22	96%	13	93%	25	88%	19	100%	20	100%	14	93%
4a	Transfers In - Quote (Values)	within 10 days aggregation 25	L	90%	within 10 days, aggregation 15	37	84%	36	98%	31	91%	29	83%	23	100%	33	76%
4b	Transfers In - Payments	within 10 days	L	90%	within 5 days, aggregation 25	23	100%	21	100%	33	97%	29	90%	17	95%	22	100%
5a	Transfers Out - Quote	within 25 days	L	90%	within 15 days	57	95%	48	98%	48	100%	29	100%	55	100%	48	100%
5b	Transfers Out - Payments	within 25 days	L	90%	within 10 days	23	87%	14	93%	24	100%	18	100%	30	94%	21	100%
6a	Employer estimates provided	within 7 days	M	95%	within 15 days	10	100%	22	100%	18	100%	14	93%	27	86%	17	89%
6b	Employee projections provided	within 10 days	L	95%	within 15 days	12	100%	17	100%	19	100%	11	91%	14	100%	13	93%
7	Refunds	within 10 days	L	95%	Quotes 10 days, settle 5 days	55	100%	52	93%	33	100%	39	100%	58	100%	47	100%
8	Deferred benefit notifications	within 25 days	L	95%	within 15 days	303	100%	306	100%	221	99%	195	99%	376	100%	241	100%
TOTAL TASKS COMPLETED						844	96.68%	792	97.85%	722	98.34%	606	95.21%	883	97.62%	699	98.28%
Figures for the previous year						550	91.45%	557	90.84%	617	93.70%	408	98.28%	486	97.53%	591	98.31%
Figures for two years ago						598	99.00%	642	99.53%								
Missed target cases						28		17		12		29		21		12	
9	Complaints received- Admin					0		2		1		2		5		3	
	Complaints received- Regulatory					0		0		0		0		0		0	
	Complaints received					0		0		0		1		0		0	
Summary for failed cases						Mar-22	Feb-22	Jan-22	Dec-21	Nov-21	Oct-21	Sep-21	Aug-21	Jul-21	Jun-21	May-21	Apr-21

1b	Award dependent benefits (Death Grants)																1 overdue
2a	Retirement notification acknowledged, recorded and documentation sent					15 over by average 1.3 days	11 over by average 3 days		12 over by average of 2.6 days								
2b	Payment of lump sum made											Switch to Admin2Pay module - immed paym't					7 overdue by average of 4 days
3	Calculation of spouses benefits							3 over by average 2 days									
4a	Transfers In - Quote (Values)					6 over by average 8.5 days			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
4b	Transfers In - Payments														11 overdue	2 overdue by average of 38 days	
5a	Transfers Out - Quote																
5b	Transfers Out - Payments												1 overdue by 2 days				2 overdue by average of 10 days
6a	Employer estimates provided										2 Overdue by average of 5 days						4 overdue by average of 6 days
6b	Employee projections provided									4 Overdue by average 3 days							
8	Deferred benefit (DB5YE)						4 over by average 1.3 days										

New KPI/SLA reporting MI from Altair Insights not completed yet. <b>Key resources moved to work on Pension Increases Project</b> & System upgrades. Impact of Ivy leaving felt.			New KPI/SLA reporting MI from Altair Insights not completed yet. <b>Julie P working on AA project &amp; Haley Deeley on i-Connect</b> Lot of days holiday		New KPI/SLA targets for all new work commence on or after 13/10/21. Work commenced prior to this will continue to be measured against the old targets.				Two issues with transfers-in: PAT TUPE cases 1. Highest tasks completed since I started. 2. Use of reply received task lists Both now resolved	Two bank holidays. Steve Plastow retired 12/5/21. Lewis Leslie started 26/5/21.	Blackout period closed 8/4/21.
Mike Keogh left 14/4/22. Jennie went p/t 3 days a week	13/14 staff so far offered ESCC T&C's have accepted.	Ivy Gurr retired 28/2/22	Jennie Shuttleworth returns from maternity 17/1/22.			Adam Lansley contract made a seasonal worker 10/9/21.			Adam Lansley contract starts 10/6/21.	Steve Plastow retired 12/5/21. Lewis Leslie started 26/5/21.	Michael Keogh started 8/4/21.
Nine vacancies	Nine vacancies	Eight vacancies	Eight vacancies	Eight vacancies	Eight vacancies	Eight vacancies	Eight vacancies	Eight vacancies	Eight vacancies	Nine vacancies	Nine vacancies

Performance for the year Jan 21 to Dec 21 inclusive		
Total	Fails	% pass
292	0	100%
179	4	97.8%
1,247	66	94.7%
1,429	35	97.6%
223	8	96.4%
385	58	84.9%
273	21	92.3%
612	13	97.9%
227	10	95.6%
261	15	94.3%
202	6	97.0%
472	5	98.9%
2,902	5	99.8%
8,704	246	97.2%

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## Appendix 2

### Helpdesk performance

Introduced the call centre for 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

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
<b>GOLD TARGETS</b>	<b>85%</b>	<b>75%</b>	<b>5%</b>	<b>100%</b>
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%
December 21	81%	36%	0%	100%
January 22	83%	39%	0%	100%
February 22	80%	39%	0%	100%
March 22	86%	37%	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
<b>GOLD TARGETS</b>	<b>85%</b>	<b>75%</b>	<b>5%</b>	<b>100%</b>
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%
December 21	100%	76%	2%	100%
January 22	100%	84%	2%	100%
February 22	100%	78%	1%	100%
March 22	100%	76%	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
December 21	513	968	4	1,485
January 22	777	1,175	19	1,971
February 22	797	1,377	17	2,191
March 22	819	1,293	17	2,129
<b>Totals</b>	<b>9,953</b>	<b>13,560</b>	<b>138</b>	<b>23,651</b>

\* Includes any call fielded on the old SCC line.

### Top five reasons for calls

Reason	7/21	8/21	9/21	10/21	11/21	12/21	1/22	2/22	3/22
Self Service Activation	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>	3 <sup>rd</sup>			3 <sup>rd</sup>		4 <sup>th</sup>
Login issues	2 <sup>nd</sup>	2 <sup>nd</sup>	2 <sup>nd</sup>		1 <sup>st</sup>	4 <sup>th</sup>	4 <sup>th</sup>	2 <sup>nd</sup>	2 <sup>nd</sup>
Claim form guidance	3 <sup>rd</sup>	4 <sup>th</sup>	5 <sup>th</sup>	2 <sup>nd</sup>	4 <sup>th</sup>	2 <sup>nd</sup>	1 <sup>st</sup>	3 <sup>rd</sup>	1 <sup>st</sup>
Option guidance – member	4 <sup>th</sup>	5 <sup>th</sup>						5 <sup>th</sup>	
Update Address	5 <sup>th</sup>		4 <sup>th</sup>	4 <sup>th</sup>	3 <sup>rd</sup>	3 <sup>rd</sup>		4 <sup>th</sup>	
Leaver form received		3 <sup>rd</sup>	3 <sup>rd</sup>	1 <sup>st</sup>	2 <sup>nd</sup>	1 <sup>st</sup>	2 <sup>nd</sup>	1 <sup>st</sup>	
Progress check - Actual				5 <sup>th</sup>	5 <sup>th</sup>	5 <sup>th</sup>			
Progress check - Quote							5 <sup>th</sup>		5 <sup>th</sup>
Document / Form enquiry									3 <sup>rd</sup>

We are initiating a possibility of using a Chatbot (robot) as an online support tool to help with FAQ type enquiries.

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

Question No.	1	2	3	4
Star Rating	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5
December 21	0 0 0 4 23	1 1 0 5 20	1 0 1 4 21	0 2 1 2 21
January 22	1	0	1	4
February 22	1	1	0	5
March 22	0	2	1	2

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?

Month	First Call	Second Call	Third Call	Fourth or more
December 21	17	4	2	4
January 22	44	9	3	3
February 22	21	4	2	0
March 22	25	12	0	2

An example of some recent positive feedback the helpdesk received earlier this month:

*“I would like to thank the helpdesk for the assistance given to me over the last year while I made my decision to retire and take my pension early. From yourself in initially helping me set up my portal login, and to all the other phone operators I have spoken to. It was so useful to be able to speak directly on the phone to such knowledgeable, helpful and patient operators. Also not to be fobbed off by recorded messages to go to a website for information, which is often the case these days and can be very stressful when dealing with such important, life changing matters as your pension.*

*Today I had excellent customer service from Virginie who explained how I complete the claim form. She was pleasant, patient, clear and went through the form with me.*

*I value this enormously.”*

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**Report to:** Pension Board

**Date of meeting:** 27 May 2022

**By:** Chief Internal Auditor

**Title:** Internal Audit Reports

**Purpose:** This report advises the Board of the outcomes of the attached audits.

---

## RECOMMENDATIONS

The Board is recommended to note the following Internal Audit reports:

- Pension Fund Investments 2021/22 (Appendix 1); and
- Pension Administration – People, Process and Systems 2021/22 (Appendix 2).

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## 1. Background

1.1 The reviews of:

- Pension Fund Investments 2021/22 (Appendix 1); and
- Pension Administration – People, Process and Systems 2021/22 (Appendix 2)

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. These are the final two reports for 2021/22.

1.2 As a result of our work on Pension Fund Investments 2021/22, we were able to provide an opinion of **Substantial Assurance** over the controls in place, as we did in the previous year, and this reflects the robustness of controls over the Fund's investments. The report contains five findings, all of which were of low risk.

1.3 Following our work on Pension Administration – People, Process and Systems 2021/22, we were able to provide an opinion of **Reasonable Assurance** over the controls in place. This represents a consolidation of the significant improvements in control that we reported in our audit of 2020/21, in which we also gave an opinion of reasonable assurance. There were six medium- and four low-risk findings contained in the report and a robust action plan was agreed with management to address these.

## 2. Conclusions and Reasons for Recommendation

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

### 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 Investments

### Final

Assignment Lead: Elsie Awe, Principal Auditor  
Assignment Manager: Danny Simpson, Principal Auditor  
Prepared for: East Sussex County Council  
Date: March 2022

## Internal Audit Report – Pension Fund Investments

### Report Distribution List

#### **Draft Report:**

Sian Kunert, Head of Pensions  
Russell Wood, Pension Fund Investment Manager

#### **Final Report, as per Draft Report with the inclusion of:**

Phil Hall, 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

**Chief Internal Auditor:** Russell Banks, ☎ 07824362739, ✉ [russell.banks@eastsussex.gov.uk](mailto:russell.banks@eastsussex.gov.uk)

**Audit Manager:** Nigel Chilcott, ☎ 07557541803, ✉ [nigel.chilcott@eastsussex.gov.uk](mailto:nigel.chilcott@eastsussex.gov.uk)

**Anti-Fraud Hotline:** ☎ 01273481995, ✉ [confidentialreporting@eastsussex.gov.uk](mailto:confidentialreporting@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 127 employers.
- 1.2. The Fund is responsible for managing assets for the long-term benefit of scheme members in accordance with statutory regulations.
- 1.3. The Fund is a member of the ACCESS Pool, a collaboration of 11 LGPS Administering Authorities who are working together to reduce investment costs and gain economies of scale. The Pool became live on 1 April 2018, in line with the deadline set by Central Government. As of 30 June 2021, members of the ACCESS Pool had assets worth £59.0bn, of which £32.6bn were managed by the Pool itself. The figures for the East Sussex Pension Fund were £4.5bn and £2.3bn, respectively.
- 1.4. As part of this audit, we reviewed the arrangements to manage investments, including pooling arrangements, and the internal controls of external fund managers.
- 1.5. This review is part of the agreed Internal Audit Plan for 2021/22.
- 1.6. This report has been issued on an exception basis whereby only weaknesses in the control environment have been highlighted within the main body of the report.

### 2. Scope

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

### 3. Audit Opinion

- 3.1. **Substantial Assurance** is provided in respect of Pension Investments (2021/22). This opinion means that controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.

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

### 4. Basis of Opinion

- 4.1. We have provided **Substantial Assurance** over the controls in place for Pension Investments for the following reasons:
- 4.2. There are robust processes in place to ensure that investments are aligned with the expectations of the Fund, which include the review, monitoring, and quarterly reporting to the Pension Committee.
- 4.3. The Fund maintains appropriate records of all investment managers, including the Custodian.
- 4.4. The Custodian (Northern Trust) collects, records and reports on dividends/income earned on investments on behalf of the Fund in a timely manner.
- 4.5. Quarterly reports are provided to the Fund showing the movements in investment balances, which are reviewed, approved and journals posted to reflect these in the accounting records (SAP).
- 4.6. Investment decisions are based on appropriate guidance from professional investment advisors and are made within the terms of the framework set by the Pension Committee to maximise the likelihood that investment performance meets the requirements of the Fund.
- 4.7. However, a small number of areas were identified, where controls could be strengthened further, including:
- 4.8. Ensuring that, where control weaknesses are identified in a fund manager's internal control report, the fund manager should be chased more robustly to provide an explanation, and in particular, to provide assurance that the weaknesses identified do not impact on the ESPF's investments.
- 4.9. The need to produce process notes covering the management of investments, to ensure a consistent approach is applied and to provide resilience in the absence of key staff.
- 4.10. The posting of journals more promptly to ensure that SAP reflect the Fund's current position.

## Internal Audit Report – Pension Fund Investments

### 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.	5	1 - 5
Total number of agreed actions		5	

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 should like to thank all staff that provided assistance during the course of this audit.

## Internal Audit Report – Pension Fund Investments

### Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
1	<p><b>Meetings with the Custodian</b></p> <p>Weekly service calls are held with Northern Trust to review matters relating to the Fund's investments. However, no record is maintained of the key discussions and agreed actions from the meetings.</p>	A lack of a written record of decisions and actions reached at meetings increases the risk that decisions are not implemented.	Low	The Fund have now started recording actions from the weekly meetings with the Custodian to ensure any action or outstanding issue is captured and acted upon.
Responsible Officer:		Russell Wood	Target Implementation Date:	February 2022

## Internal Audit Report – Pension Fund Investments

### Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
2	<p><b>Process for Addressing Issues Identified in Control Assurance Reports</b></p> <p>Our review noted that the UBS Asset Management control report, for the year ending 31 December 2020, received a qualified opinion. This was mainly due to ineffective controls around the setting up of new securities, the recording of dividend income data, controls over change management and access controls.</p> <p>The report was received in August 2021, and an email was sent to UBS in October 2021, requesting additional information about the issues raised in it, to ascertain the degree to which these may affect ESPF investments. At the time of the audit, in January 2022, no response had been received from UBS and no further follow up action had been undertaken by the Fund.</p>	Without following up or escalating enquiries relating to unfavourable opinions where no response has been received, the opportunity to take appropriate corrective action may be delayed.	Low	<p>A response has since been received and this information has been provided to the Pension Committee to advise of the report. The Control Assurance reports are a last step in the control environment on Fund managers due to the time lapse in the reporting of this information back to investors.</p> <p>The Fund agree that a more proactive approach should have been taken to chase the response and linked to ref 5 on procedure notes. Guidance will be produced covering the process to be followed when internal control reports with adverse opinions are received, including follow-up or escalation procedures.</p>
Responsible Officer:		Russell Wood	Target Implementation Date:	June 2022

## Internal Audit Report – Pension Fund Investments

### Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
3	<p><b>External Control Reports for ACCESS Pool Investments</b></p> <p>As noted in the last audit, there is no centralised process, within the ACCESS Pool, to review the External Control Assurance reports of fund managers, thus resulting in these reviews being duplicated across the Pool's members.</p> <p>One of the benefits of being in the ACCESS pool is the ability to use economies of scale to reduce inefficiencies and costs. We acknowledge that the Pool's members receive consolidated reports about fund managers' performance.</p>	Where the benefits of the pooling arrangement are not fully utilised, the Fund may incur unnecessary costs.	Low	<p>The Fund anticipate this to be a very long way down the list of activities for the pool as the primary function of the pool is to provide investment sub funds and not ancillary services for efficiencies; however, this is a good to have and the Fund will continue to work with the ACCESS Pool to identify areas where efficiencies can be gained.</p> <p>As this is not a primary function of the pool, and is outside our control, we are unable to provide a target implementation date.</p>
Responsible Officer:		Russell Wood	Target Implementation Date:	N/A

## Internal Audit Report – Pension Fund Investments

### Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
4	<p><b>The Posting of Investment Journals</b></p> <p>Our review of the accounting process for the investment funds revealed that journals are not being posted on time to bring the SAP balances in line with the investment transactions recorded by the Custodian.</p> <p>The investment journal for quarter 2, ending 30 September 2021 (c.£231m), was not posted until January 2022.</p>	Without the timely processing of journals, investment balances in the accounting record (SAP) may not be correctly stated at the end of each quarter.	Low	<p>The position has improved over the past year in that there are now quarterly journals; however, the Fund agrees that timeliness can be improved.</p> <p>It is worth noting however that this journal is a reflection in the balance sheet on assets as provided by the Fund's Custodian who provide accounting services to the Fund. There is no decision making or reporting on this data within the SAP system, other than the Final account production, as in-year reporting is completed within the Custody system.</p> <p>A per ref 5, guidance will be produced covering the timeliness of the posting of journals.</p>
Responsible Officer:		Russell Wood	Target Implementation Date:	June 2022

## Internal Audit Report – Pension Fund Investments

### Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
5	<p><b>Lack of Documented Procedures for Fund Accounting</b></p> <p>As noted in the previous audit, there are no process notes in place for Fund accounting, covering the required standards and policies.</p> <p>In addition, our review of investment fees noted that there are no process notes in place for the review of the Custodian's fees, including checks for accuracy.</p>	Without appropriate supporting guidance, staff may not be fully aware of their responsibilities and key tasks may not be performed as required.	Low	<p>Processes will be documented, covering the key accounting and control processes, to strengthen resilience and ensure a consistent approach is applied.</p> <p>A long timeline is suggested for this action as documenting all areas of Investments and Accounting will take time due to the scale. The two specific procedures highlighted above will be prioritised.</p>
Responsible Officer:		Russell Wood	Target Implementation Date:	December 2022

# Appendix A

## Audit Opinions and Definitions

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

## Management Responsibilities

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

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

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

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# Internal Audit Report

## Pension Administration - People, Processes and Systems 2021/22

### Final

Assignment Lead: Danny Simpson, Principal Auditor; Elsie Awe, Principal Auditor

Assignment Manager: Nigel Chilcott, Audit Manager

Prepared for: East Sussex County Council

Date: April 2022

**Report Distribution List**

Draft:

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

Final as draft with the addition of:

- Ian Gutsell - Chief Finance Officer
- Phil Hall – Interim Chief Operating Officer
- Ros Parker – Chief Operating Officer
- Michael Burton - Pensions Manager - Governance and Compliance
- Pension Committee
- Pension Board

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**

**Chief Internal Auditor:** Russell Banks, ☎ 07824362739, ✉ [russell.banks@eastsussex.gov.uk](mailto:russell.banks@eastsussex.gov.uk)

**Audit Manager:** Nigel Chilcott, ☎ 07557541803, ✉ [nigel.chilcott@eastsussex.gov.uk](mailto:nigel.chilcott@eastsussex.gov.uk)

**Anti-Fraud Hotline:** ☎ 01273 481995, ✉ [FraudHotline@eastsussex.gov.uk](mailto:FraudHotline@eastsussex.gov.uk)

**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 the Local Government Pension Scheme (LGPS) Regulations.
- 1.2. The governance of the Fund is the responsibility of the East Sussex Pension Committee, and the Pension Board, supported by the Chief Finance Officer for East Sussex County Council. The day-to-day administration of the Fund was provided by Orbis Business Operations, but this responsibility was transferred to the Pensions Team at East Sussex County Council, commencing on 1 April 2021.
- 1.3. As at 31 March 2021, the Fund comprised 127 scheme employers with 25,002 active, and 31,234 deferred, scheme members. The most recent actuarial valuation of the Fund was carried out in 2019. The valuation found that the funding level had improved from 92% in 2016 to 107% in 2019. The Fund's assets and liabilities were valued at £3,633m and £3,386m respectively, a surplus of £247k, compared with a funding deficit of £240m in 2016.
- 1.4. During the financial year 2020/21, the scheme collected £131.5m in contributions from members and their employers and made benefit payments of approximately £128.7m to members who are now pensioners.
- 1.5. This audit tested the controls employed by management covering the calculation and payment of pension benefits; transfers to and from the Pension Fund; and the collection and recording of pension contributions (including contributions from admitted and scheduled bodies).
- 1.6. This review was part of the agreed Internal Audit Plan for 2021/22.
- 1.7. This report has been issued on an exception basis, whereby only weaknesses in the control environment have been highlighted in the main body of the report.

**2. Scope**

- 2.1. The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:
  - Payments made to pensioners are correct and on time.
  - Income due to the Fund is received in full and in a timely manner.
  - Clear and effective governance processes over pension administration ensure efficient and effective delivery of the administration service.
  - Transactions, data and outputs from the system are complete and accurate.
  - Previously agreed actions are actioned and implemented.

### **3. Audit Opinion**

- 3.1. Reasonable Assurance** is provided in respect of **Pension Administration - People, Processes and Systems 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. We have been able to provide an audit opinion of reasonable assurance because work has continued to improve the administration of the Fund, since the separation of the administration function from Surrey County Council. This has occurred despite the introduction of the new instance of the administration software, Altair, as part of the separation from Surrey, and the Pension Administration Team carrying up to nine vacancies throughout the year. There are no high-risk findings in this report.
- 4.2. Robust processes are in place to ensure that contributions due, as notified by employers, are received intact. Late payments are monitored, and official warning notifications are being sent to employers whose contributions have been received late.
- 4.3. Benefit payments and transfers out are required to be checked by an independent officer to ensure they are correct before payments are made.
- 4.4. KPI reports presented to the Pension Board and Pension Committee were found to be consistent with the underlying data in Altair and reflect the Pension Administration Team's performance.
- 4.5. Most of the actions agreed during the previous audit have been implemented. Where they have not been implemented in full, they have been restated in this report.
- 4.6. However, we found some areas where the Fund would benefit from strengthening its internal controls.
- 4.7. Greater assurance over the accuracy of pension contributions, as identified by employers, is needed to ensure that contributions are collected in full. Many employers delegate the submission of contributions to relatively junior officers, who do not indicate how they ensure that the figures they provide are correct, despite being prompted to do so when completing returns.
- 4.8. In addition to records held in Altair, historical data, relating to members transferring into the scheme, are retained separately on an unsecured spreadsheet, breaching the requirements of the General Data Protection Regulations.

- 4.9. Following last year's audit, the PAT agreed to establish a comprehensive set of process notes, set itself a target of August 2022 and continues to work on documenting its processes to ensure that tasks are carried out in a controlled manner. However, it has not yet set out a clear timetable to achieve this, reducing the likelihood that it meets the target.
- 4.10. Controls were found to need strengthening to improve the integrity of data entry, when setting up new members in the administration software, Altair. Instructions have been issued to staff to ensure that employers provide full details of new members, and that clarification is sought, where data is incomplete.
- 4.11. There remains some inconsistency in the use of the checklists that are used to control processes and provide quality assurance, with checklists not always being completed in full or signed to indicate that they have been reviewed and checked by a second officer.
- 4.12. A small number of more minor areas for improvement were also identified. Findings are set out in the main body of the report.

## **5. Action Summary**

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

<b>Risk</b>	<b>Definition</b>	<b>No</b>	<b>Ref</b>
<b>High</b>	This is a major control weakness requiring attention.		
<b>Medium</b>	Existing procedures have a negative impact on internal control or the efficient use of resources.	6	1 - 6
<b>Low</b>	This represents good practice; implementation is not fundamental to internal control.	4	7 - 10
<b>Total number of agreed actions</b>		<b>10</b>	

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 should like to thank all staff that provided assistance during the course of this audit.

## Internal Audit Report – Pension Administration - People, Processes and Systems 2021/22

### Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
1	<p><b>The Collection of Contributions</b></p> <p>Employers in the scheme submit a form (LGPS31) on a monthly basis, which provides payroll details, and the resulting amounts of pension contributions due to the Fund. The form requires employers to state the source of assurance provided to support the payroll figures on it, and for the forms to be certified correct by the employer's Section 151 Officer or equivalent (i.e., Chief Finance Officer.)</p> <p>Testing found that in all cases, the contributions received matched the contributions due, as stated on the accompanying forms.</p> <p>However, we found that half of forms made no reference to any sources of assurance (these fields were left blank), and most forms were signed by administrative officers, not the Chief Finance Officers.</p>	<p>Without obtaining assurance that payroll figures, including pension deductions, are correct, there is an increased risk that not all contributions due to the Fund are identified and received.</p> <p>There is reduced accountability where employers' CFOs do not certify forms as correct, increasing this risk further.</p>	Med	<p>Employer engagement will be used to highlight the significance of payroll returns and to reinforce employer responsibilities. The team will send out a request for signatory lists with delegations from all employers to ensure the person submitting the form has been deemed by the S151 (or equivalent) to be able to certify this document on behalf the employer.</p> <p>Incomplete forms will be returned to employers' Chief Finance Officers to ensure there has been an assurance review prior to submission.</p>
Responsible Officer:		Tim Hillman, Pensions Manager - Employer Engagement	Target Implementation Date:	May 2022

## Internal Audit Report – Pension Administration - People, Processes and Systems 2021/22

### Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
2	<p><b>System Documentation</b></p> <p>The previous audit found that there were no comprehensively documented procedure notes to cover the many transactions undertaken by the PAT. As a result, the report contained an agreed action to create a project plan to review these in August 21, with an expectation to complete the documenting of procedures during the year. The target for their overall completion was August 2022 but this is no longer expected to be met, as resources have been redirected following the disaggregation from Surrey, and due to the number of vacant posts in the team.</p> <p>Work is continuing on processes and procedures, but we were advised that no timetable for this work has yet been formalised.</p>	Without a clear approach to the documenting of processes, the likelihood of meeting the August target date is reduced. This may have a negative impact on the quality of the delivery of the service.	Med	<p>An IT Business Analyst (0.5FTE for 12 months) will start on this project (Tracey) in April 2022. We have developed a high-level project plan prioritising the order the processes should be reviewed.</p> <p>The review will create a documented “as is” and “to be” process map. The process will include a review of existing letter and checklist. We will also link to the existing task/process built into the Altair workflow system.</p> <p>Additionally, we have agreed to look at opportunities to use robotics for all or part of a process.</p>
Responsible Officer:		Paul Punter, Head of Pension Administration	Target Implementation Date:	March 2023

## Internal Audit Report – Pension Administration - People, Processes and Systems 2021/22

### Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
3	<p><b>Data Protection</b></p> <p>Together with the Accounts Receivable Team, the Pension Administration Team uses a spreadsheet to record the transfer amounts due and received. The spreadsheet is maintained on a cumulative basis and retains 2,500 members' personal data, dating back to 2016. This appears to be a historical practice, inherited from Surrey, and has not yet been reviewed. However, once transfers in have been completed, this data is recorded, securely, in Altair.</p> <p>Article 5 of the General Data Protection Regulations requires that the holding of personal data is both "limited to what is necessary in relation to the purposes for which they are processed" and "kept in a form which permits identification of data subjects for no longer than is necessary for the purposes for which the personal data are processed".</p>	The use of the cumulative transfer spreadsheets conflicts with Article 5 of the GDPR requirements and the Fund risks investigation or penalty by the Information Commissioner's Office as well as reputational damage.	Med	I can confirm that the spreadsheet which will remain in the Finance W-Drive has now been password protected and trimmed to reflect just the last two years' payments. In addition, we have set-up a quarterly review basis to delete the older entries.
Responsible Officer:		Paul Punter, Head of Pension Administration	Target Implementation Date:	Complete

## Internal Audit Report – Pension Administration - People, Processes and Systems 2021/22

### Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
4	<p><b>The Setting Up of New Members in Altair</b></p> <p>When participating employers engage new members of staff, they supply their details to the Pension Administration Team (PAT) using an LGPS5A form.</p> <p>When observing the setting up of a new scheme member in Altair, it was noted that, when faced with a form that was missing data fields (no details had been entered for the member's sex or title), an administrator assumed the sex, based on the member's name and made a further assumption about their title.</p> <p>The Auditor was advised that any errors would become apparent through correspondence with that member, who would be expected to identify any errors and notify the PAT accordingly.</p>	<p>Entering data from incomplete forms, using assumptions, increases the risk of data inaccuracy. Holding the correct details relating to the sex of members is particularly important because it affects actuarial valuations.</p> <p>Making assumptions about individuals' gender may cause offence to members and result in reputational damage to the Fund.</p>	Med	<p>An instruction has been circulated to the members of the Pension Administration Team, directing them to ensure employers have completed all fields on the forms and to seek clarification from employers, where data is missing.</p>
Responsible Officer:		Paul Punter, Head of Pension Administration	Target Implementation Date:	Complete

## Internal Audit Report – Pension Administration - People, Processes and Systems 2021/22

### Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
5	<p><b>The Setting Up of New Members in Altair</b></p> <p>When setting up new members in Altair, a checklist is followed, and data entry is checked by a second officer, who signs the checklist to confirm that the task has been successfully carried out.</p> <p>Testing found that these checklists are not always being used. Moreover, as the forms containing these members' details were not retained on their files, we were unable to test the accuracy of data entry and so cannot provide assurance in this area.</p>	Without undertaking checks on the accuracy of data entry, the risk that Altair holds inaccurate data is increased.	Med	<p>An email has been sent to the PAT on 21/1/22 and repeated on 30/3/22 to emphasise the importance of FULLY completing checklists and ensuring they are signed-off/dated by both the doer and checker.</p> <p>Our documented processes (see ref no. 2 above) will reiterate that completion of checklists is compulsory.</p>
Responsible Officer:		Paul Punter, Head of Pension Administration	Target Implementation Date:	Complete

## Internal Audit Report – Pension Administration - People, Processes and Systems 2021/22

### Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
6	<p><b>The Checking of Payments</b></p> <p>Before transferring out a member's accrued benefits to another pension fund, a final check is made on the value to be transferred out, to ensure it is correct. As detailed above, the task and checking process is governed by checklists and these cover the final check.</p> <p>However, during testing, we were not always able to find evidence that this check had been carried out, even where a second officer had reviewed the task.</p>	Without checks on outgoing payments, there is a risk that incorrect payments may be made, which may result in financial loss to the Fund.	Med	<p>An email has been sent to the PAT on 21/1/22 and repeated on 30/3/22 to emphasise the importance of FULLY completing checklists and ensuring they are signed-off/dated by both the doer and checker.</p> <p>Our documented processes (see ref no. 2 above) will reiterate that completion of checklists is compulsory.)</p>
Responsible Officer:		Paul Punter, Head of Pension Administration	Target Implementation Date:	Complete

## Internal Audit Report – Pension Administration - People, Processes and Systems 2021/22

### Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
7	<p><b>Independent Checks</b></p> <p>The processes for transferring a member's accrued benefits in or out of the Fund or setting up death benefits are governed by checklists. These detail the tasks to be undertaken by the administrator and provide quality assurance through the signature of an officer, independent of the one performing the transaction.</p> <p>Testing found that not all checklists bore evidence of having been checked by a second officer. Examples found included:</p> <ul style="list-style-type: none"> <li>• a completed transfer out;</li> <li>• a completed transfer in;</li> <li>• survivors' pension payable;</li> <li>• payment of a death grant; and</li> <li>• a checked transfer out, completed in 2021/22, but following a member's decision that was based on a transfer value quotation from 2020/21, which bore no evidence of a second check.</li> </ul>	Without carrying out independent checks on administrative tasks, the risk of error is increased.	Low	<p>An email has been sent to the PAT on 21/1/22 and repeated on 30/3/22 to emphasise the importance of FULLY completing checklists and ensuring they are signed-off/dated by both the doer and checker.</p> <p>Our documented processes (see ref no. 2 above) will reiterate that completion of checklists is compulsory.</p>
Responsible Officer:		Paul Punter	Target Implementation Date:	Complete

**Internal Audit Report – Pension Administration - People, Processes and Systems 2021/22**  
**Detailed Findings**

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
8	<p><b>Inefficient Working Practice</b></p> <p>During the walk-through of death benefit processing, it was noted that, although the new 'Admin to Pay' module in Altair calculates death benefits, the administrator still performs a manual calculation of short- and long-term benefits. We understand that the continuing manual calculation is a throwback to a time before this process became automated.</p> <p>Whilst we accept that there may be a need for some checks to ensure that the system is generating the correct output, the routine use of manual calculations is not an efficient use of resources.</p>	Carrying out benefit calculations manually, instead of using the software to process them, is expensive, inefficient, and increases the risk of error.	Low	<p>An email has been sent to the PAT on 30/3/22 to ensure manual calculations are only performed when appropriate and necessary.</p> <p>Our documented processes (see ref no. 2 above) will clarify if any manual calculations are required. For example, if volumes of a particular type of member task does not warrant the cost of automation.</p>
Responsible Officer:		Paul Punter, Head of Pension Administration	Target Implementation Date:	Complete

## Internal Audit Report – Pension Administration - People, Processes and Systems 2021/22

### Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
9	<p><b>System Automation</b></p> <p>Dependants' benefits are calculated by Altair, which also generates a letter to notify dependents of the benefits due to them. However, the letters are only partly populated, and require additional manual input to complete. In particular, they require details of the benefits to be added.</p>	<p>There is an increased risk of error, where the system only part completes documents, which then rely on manual intervention (as was found in the previous year's audit).</p>	Low	<p>We are aware that some letter templates are within Altair and others outside. We are further aware that some of the letters in Altair are only created to pick up part of the required data.</p> <p>We already have a housekeeping project underway to delete the unnecessary letter templates. The next phase will be to reduce any manual intervention (uploading data).</p> <p>The ESCC team has very limited in-house knowledge about the Altair system letter process (historically done by SCC Technical &amp; Communications teams). We have agreed that Heywood's will provide us with a scheme specific training session on 31/3/22 &amp; 6/4/22. The session will cover the creation and design of documents as well as the ability to link to benefit calculations.</p>

**Internal Audit Report – Pension Administration - People, Processes and Systems 2021/22**  
**Detailed Findings**

Ref	Finding	Potential Risk Implication	Risk	Agreed Action	
				Changes will be rolled-out as part of the process reviews (see reference no. 2 above).	
Responsible Officer:		Paul Punter, Head of Pension Administration	Target Implementation Date:	March 2023	

## Internal Audit Report – Pension Administration - People, Processes and Systems 2021/22

### Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
10	<p><b>Task Management</b></p> <p>When tasks are received by the helpdesk, they are loaded into Altair and put into the 'E-Lewes' user group so that they can be allocated to an administrator. Testing of outstanding tasks identified a small number of tasks that had not been put into the correct user group. As a result of this, they had not been identified and allocated to administrators for action.</p> <p>As part of routine performance management, Team Leaders monitor outstanding tasks against each of the administrators in their teams. However, any tasks that have not been allocated are not captured in these reports, so no corrective action is taken.</p> <p>It is pleasing to note that, despite the PAT having up to nine vacancies throughout the year, the number of outstanding tasks has not increased since last year.</p>	If tasks are not allocated to administrators, they cannot be actioned, resulting in a risk of customer dissatisfaction. Without running reports on all outstanding tasks, these exceptions cannot be identified and investigated.	Low	<p>The issue was discussed on a Helpdesk Teams meeting 22/2/22 and a follow up email instruction on 30/3/22 has been circulated to all members of the Pensions Helpdesk Team. This was a reminder that all tasks for ESCC should be allocated the user group ELEWS.</p> <p>A further reminder that to all tasks are put into reply received when we receive correspondence that requires a response from the Pensions Admin Team.</p>
Responsible Officer:		Paul Punter	Target Implementation Date:	Complete

# Appendix A

## Audit Opinions and Definitions

Opinion	Definition
<b>Substantial Assurance</b>	Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
<b>Reasonable Assurance</b>	Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
<b>Partial Assurance</b>	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.
<b>Minimal Assurance</b>	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.

**Report to:** Pension Board

**Date of meeting:** 27 May 2022

**By:** Chief Finance Officer

**Title:** East Sussex Pension Fund (ESPF) 2021/22 Outturn report

**Purpose:** This report provides the 2021/22 Financial Outturn report

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## RECOMMENDATION

The Pension Board is recommended to note the report

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### 1. Background

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

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

1.3 As reported at the last meeting, the budget estimates do not incorporate any provision for investment fees earned by the alternative fund managers since these are deducted at source by asset managers.

### 2. 2021/22 Final 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 final outturn position of 2021/22 is £6,141m, an increase of £0.243m from the last reported position. The 2021/22 outturn against budget line items is shown at Table 2 below. The overspend mostly relates to the revised manager fees and analysis of the Consultancy and Services providers – Benefits costs. The main movements to the budget are set out in Table 1 below and movements detailed in Paragraphs 2.3 to 2.5.

**Table 1**

	2021/22 Q3 Forecast Outturn	2021/22 Q4 Actual Outturn	Variance from last reported position
Investment Manager Fee Invoices para 2.3	2,874	3,210	336
East Sussex County Council charges (Oversight and Governance)	243	279	36
East Sussex County Council charges (Administration)	203	150	(53)
<b>East Sussex County Council charges Total (para 2.4)</b>	<b>446</b>	<b>429</b>	<b>(17)</b>
Consultancy & Service Providers – Benefits para 2.5	234	156	(78)
Other Minor movements	2,344	2,346	2
<b>Total</b>	<b>5,898</b>	<b>6,141</b>	<b>243</b>

2.3 An increase of £336,000 is being reported in the outturn for 2021/22 the rationale for this increase is due to rebates for an investment manager fee that is deducted at source being included in the previous quarters data. As we do not include in this report the fees deducted at source these fee rebates have now been removed from the investment management fees shown in the report. With this adjustment the investment management fees are still £103,000 less than the original budget and the reason for this underpayment is to do with the market volatility created by the increase in inflation and the war in Ukraine which has lowered the value of the assets. Investment manager fees are linked to the underlying value of the assets so when the value of our assets go down the fees payable to managers decreases.

2.4 The Charge to Fund for East Sussex County Council charges (in total) was £17,000 lower than the previous forecast, however the split between Oversight and Governance administration has changed more significantly (£36,000 greater charge to oversight and Governance a reduction of £53,000 to the Administration charge). This was due to a review of the charges once we had received all the information from the Council and these were subsequently reallocated.

2.5 The outturn for the consultancy and service providers - benefits line consists of several projects that span financial year end periods. The forecast outturn position provided at the last meeting contained the total projected costs for these projects and not the solely the costs associated with the current financial year. This has resulted in a £78,000 underspend on this item some of these projects are the annual allowance, GMP, Mortality and McCloud. These costs are included in the projects budget for 2022/23.

Table 2 2021/22 Outturn Report

2020/21 Outturn £000	Item	2021/22 Budget £000	2021/22 Actual Outturn Q4 £000	2021/22 Forecast Outturn Q3 £000	Variance to Q3 Forecast Outturn £000
	<b>Pension Fund Staff Costs</b>				
592	Fund Officers	1,756	1,234	1,234	-
53	Recruitment costs	12	2	2	-
<b>645</b>	<b>Sub Total</b>	<b>1,768</b>	<b>1,236</b>	<b>1,236</b>	<b>-</b>
	<b>Pension Fund Oversight and Governance</b>				
341	Actuarial Fund Work	250	55	52	3
87	Actuarial Employer Work	100	57	79	-22
(64)	Employer reimbursement	-100	-38	-66	28
2	Training Costs	10	8	15	-7
40	External Audit – Grant Thornton	30	47	35	12
190	East Sussex County Council charges	286	279	243	36
285	Legal Fees	165	56	65	-9
157	Subscriptions and Other Expenses	72	65	79	-14
<b>1,038</b>	<b>Sub Total</b>	<b>813</b>	<b>529</b>	<b>502</b>	<b>27</b>
	<b>Investment activities</b>				
221	Investment Advice	192	216	195	21
37	ESG Advice	25	21	25	-4
61	Custodian	75	139	151	-12
80	ACCESS	93	110	103	7
2,365	Investment Manager Fee Invoices	3,313	3,210	2,874	336
<b>2,764</b>	<b>Sub Total</b>	<b>3,698</b>	<b>3,696</b>	<b>3,348</b>	<b>348</b>
	<b>Pension Administration</b>				
894	Orbis Business Operations Support Services				
-	East Sussex County Council charges A	237	150	203	-53
282	System Services and License	346	98	89	9
90	Consultancy & Service Providers - Benefits	100	156	234	-78
-	Admin operational support services	225	218	244	-26
183	Other Expenses	18	58	46	12
-	Other Income	-	-3	-5	2
<b>1,449</b>	<b>Sub Total</b>	<b>926</b>	<b>677</b>	<b>811</b>	<b>-134</b>
<b>5,896</b>	<b>Total</b>	<b>7,205</b>	<b>6,138</b>	<b>5,897</b>	<b>241</b>

### **3. Conclusion and reasons for recommendation**

3.1 The Board is recommended to note the Final 2021/22 outturn position.

**IAN GUTSELL**  
**Chief Finance Officer**

Contact Officer:  
Email:

Russell Wood, Pensions Manager: Investments and Accounting  
[Russell.Wood@eastsussex.gov.uk](mailto:Russell.Wood@eastsussex.gov.uk)

**Report to:** Pension Committee

**Date of meeting:** 27 May 2022

**By:** Chief Finance Officer

**Title:** Pension Fund Risk Register

**Purpose:** To consider the Pension Fund Risk Register

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**RECOMMENDATIONS: The Pension Board is recommended to:**

- 1) Endorse the removal of Risk A4 - Risk on Dissolution of Business Operations from Orbis to ESCC
  - 2) Endorse the removal of Risk A6 - Major Incident preventing staff access to office
  - 3) Endorse the increased risk rating of Risks I5 for Funding risk due to higher inflation and I10 - External Fraud
  - 4) Endorse if there are any further risks to include on the risk register
- 

## **1. Background**

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

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

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 Amendment to Risk I10 – External Fraud. Officers are having ongoing discussions regarding the provision of tracing services for both deferred members and deceased pensioners. Whilst some measures are in place to allow for the identification of incorrect addresses and deceased members the Fund has been operating without the full range of expected services since April 2021. A contract with a third-party provider was envisaged to take effect from 1 January 2022, however challenges have emerged in signing the contract since the preferred bidder was selected. As the contract was not signed following a late request for changes by the provider this has put the sending of Annual Benefit Statements to the correct deferred member addresses at risk. Risk I10 addressed external fraud risk including identification of deceased members, so this risk has been increased and further information provided. It is of note that this will not stop Annual Benefit Statements being produced. There is also a risk of a delay in identifying deceased members, meaning the Fund could pay pensions longer than it should.

3.2 Whilst concerns have been raised about some of the proposed contract terms, namely around potential liability that would be passed to the Fund, it has been established that there is a greater risk in not signing the contract than signing with the disputed terms. This is because of the relatively low risk of attracting liability for breach of terms of accessing data from central government sources.

3.3 Officers recommend risk A4 – Risk on Dissolution of Business Operations from Orbis to ESCC is withdrawn from the risk register as this has now successfully been brought in house. There is no further risk anticipated from this dissolution.

3.4 Officers recommend risk A6 - Major Incident preventing staff access to office is withdrawn from the risk register as the Fund works primarily away from the office now instead this should form part of the Business Continuity Plan.

3.5 Officers have increased the likelihood and impact on risk I5 for Funding risk due to higher inflation, due to the current economic climate and anticipated inflation in the short and medium term.

3.6 Changes to wording throughout the register on risk controls and responses. These are all highlighted in green text where the wording is new or updated.

#### **4. Conclusion**

4.1 Pension Board is recommended to consider and endorse the removal of two redundant risks A4 and A6 and consider and endorse the revised risk rating for I8 and I5.

**IAN GUTSELL**  
**Chief Finance Officer**

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

Pension Fund Risk Register May 2022													
Reference	Risk	Potential Triggers of risk	Consequences of risk	Pre Mitigation			Risk Control / Response	Post Mitigation			Risk Owner	Timescales	
				Likelihood	Impact	Risk Score		Impact	Likelihood	Risk Score			
Employer Risk													
E1	Contributions Funding Risk Failure to collect contributions from employers in line with Funding strategy requirements and Rates and Adjustment Certificate	Failure to collect contributions on time  Failure to collect contributions in line with Rates and Adjustments certificate  Failure to monitor and reconcile contributions  Liquidity failures with employers due to business risk or Covid 19 implications  Incorrect coding of contributions  Employer unable to pay increased contributions on a trigger event  New outsourced arrangements made without thought to Pensions implications and contribution costs  Poor employer covenant  Employers not informing Fund of correct pay and contribution data for all active employees	Inaccurate financial statements  Cashflow risk to pay out pensions  Funding deficits  Failure to track employer cashflows leading to inaccurate FRS17/IAS19 report and Valuation reports  Future reduction in funding level  Future Increase in employer contributions  Employer forced into liquidation  Increase in investment risk taken to access higher returns  Forced to sell investments to meet cashflow requirements	3	3	9	Monthly Employer contribution monitoring completed Monitoring of late payments by Employer engagement team to address breaches for late payment. Chasers are sent out during the lead up to the deadline to prompt employers providing information and payment on time 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.  Administration strategy in place from January 2021 clearly outlining ability to charge employers for late payment and late receipt of remittance advice or poor quality of data. Late payment charges are now being administered as a deterrent and to cover the impact on the Fund for late payment.  Implementation of I-Connect is improving the quality of contribution data received to better aid reconciliation of payments and drill in the accuracy of employers contribution payments, however functionality is still being improved by the software provided. Report produced for Pensions Board meetings to highlight any late payment of contributions and Employer engagement actions from February 2021 Covenant review to begin in 2021 - PWC appointed to carry out the work, high risk employers identified , the results of this will feed into the triennial valuation and impact contribution rates and security of employers where there is a significant risk.  Triennial valuation process aims to stabilise contribution rates where possible and senior management involved in detailed discussions on funding assumptions Guide to Employers on implications to Pensions on Outsourcing polished and issued to all employers  Contribution deferral policy approved by Committee in June 2020.  Employer engagement team are confirming the correct signatories for contribution submissions to ensure they are signed off at an appropriate management level  Regular communication with Employers through Employer engagement team	2	2	4	Head of Pensions	On-going	
E2	Employer data Risk Employers fail to provide accurate and timely data to the PAT team	Failure to provide Starter and Leavers information Failure to provide EOY returns on time and to a an acceptable data standard  Covid 19 has reducing the ability of employers to participate in the data cleansing  Inability for Employers to respond to additional data requests for changes in regulations	Risk of financial loss and damage to reputation. Incorrect employer’s contribution calculations  Delays to triennial actuarial valuations process.  Fines and enforcement action by The Pension Regulator  Inability to produce ABS in time or accurately to comply with legislation	4	3	12	Administration Strategy approved in operation from January 2021 after consultation with employer  Employing authorities are contacted for outstanding/accurate information;  User Guide and Training provided to Employers for outsourcing implications with LGPS  Regular communication and meeting with administration services regarding service updates and additional data, when required.  Employer engagement team established from January 2021 to support employers and provide training where required Issuance of a quarterly employer newsletter to support employers in their understanding of current pensions issues and activity for the Pension Fund A data cleansing plan was completed in June 2020 lead by Hymans. The PAT look at Data Improvement as part of BAU and is a regular item on the Administration working group. Introduction of I-Connect system will limit employer ability to submit incorrect data. Data is received monthly rather than annually to allow for regular cleansing and discussion with employers. Meetings held between senior pensions Management team and employers where there are current or historic data concerns As part of the lead into the 2022 triennial valuation data cleansing and challenge is being conducted by the Actuary with PAT to ensure the integrity of data	3	3	9	Head of Pensions	On-going	

Pension Fund Risk Register May 2022												
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 for pooling rate. Fixed rate template and Bond template in place. These templates are shared with the employers early in the process to speed up the agreeing new admission agreements</p> <p>The fund will continue to consider 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. However the functionality is not yet sufficient to make the processes easier for letting employers and contractors.</p> <p>Guide to outsourcing is publicly available and distributed to all employers with coverage in both Employer forum in November 2020 and 2021. 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 at least monthly to review status and movement on each in progress admission and an update is provided at team meetings monthly to ensure the admission is complete and effective at all stages.</p> <p>A new data flow and process map has been written to ensure officers request and communicate all the required information in a timely manner and on execution of the agreements data is required in line with the Administration strategy.</p> <p>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												
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 an inhouse provision since December 2020 and enables the management team to have complete control over service delivery</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. The Fund has received reasonable assurance since bring inhouse.</p> <p>Quarterly Reports to Pension Board and Committee on areas of work and KPIs</p> <p>New service level KPI's now reportable within the Administration software.</p> <p>Awareness of the Pension Regulator Guidance by all team members, with training provided at team meetings or through provision of courses</p> <p>Task workflow is managed by the Senior Pension Officers to all PAT staff and helpdesk add all tasks to the workflow system, to ensure all all tasks completed as planned and to a high standard. All tasks are peer reviewed</p> <p>Checklists in place and all activity for members recorded on member records for other teams members to access</p> <p>All tasks are peer reviewed. 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> <p>Pension meetings held monthly to include S151, COO, IT and Business Admin to ensure other ESCC services are working effectively to ensure the Pensions team can work effectively</p> <p>Pensions Admin working group in place to discuss service delivery issues on a regular basis</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 Admin Working Group</p>	2	3	6	Head of Pensions Administration	On-going

Pension Fund Risk Register May 2022												
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. Structure of Pensions team to include an Employer Engagement team to 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 Recommendation this risk is withdrawn from Risk Register	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. Process mapping process has taken place to ensure transfers are fully documented with clear guidance to staff in carrying out this activity 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 Recommendation this risk is withdrawn from Risk Register	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 Pay suppliers 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 A specific stream of planning has been identified in the project for the interface with Altair S151 officer on the programme board	1	3	3	Head of Pensions	on-going

Pension Fund Risk Register May 2022													
Reference	Risk	Potential Triggers of risk	Consequences of risk	Pre Mitigation			Risk Control / Response	Post Mitigation			Risk Owner	Timescales	
				Likelihood	Impact	Risk Score		Impact	Likelihood	Risk Score			
Governance													
G1	Key Person risk Risk of loss of key / senior staff resulting in lost knowledge and skills with in the Pensions Team	Poor management of staff  Failure to provide progression within the team structure  Poor absence management  Higher risk of sickness absence and reduced working hours as a result of Covid-19  Failure to provide an supportive working environment Failure to communicate with staff members in relation to potential service changes Concentration of knowledge in a small number of officers and risk of departure of key and senior staff.	Damaged reputation  Inability to deliver and failure to provide efficient pensions administration service, support to employers, accurate accounts or effective management of investments Disruption and inability to provide a high quality pension service to members. The risk of losing key staff could lead to a breakdown in internal processes and service delivery, causing financial loss and potential risk to reputation.	4	4	16	Diversified staff / team  Attendance at pension officers user groups to network and exchange information  Procedural notes which includes new systems, section meetings / appraisals  Succession planning within team structure, building from within the team  Robust business continuity processes in place around key business processes, including a disaster recovery plan. Knowledge of all tasks shared by at least two team members within PAT and in addition can be covered by senior staff in all areas. Training requirements are set out in training strategy, job descriptions and reviewed annually with team members through the appraisal process. Training officer post within team structure since 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 Intervention by secretary of state 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's Training plans in place for new members	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 May 2022												
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	Pensions Board & Committee members do not have the knowledge & experience to carry out their duties properly  In sufficient internal audit review of the fund  Lack of advisory services  Insufficiently qualified officers      Poor level of testing and challenge from external auditors	Poor decision making  Breaches occurred  Areas of work not completed  Unreliable accounting or budgetary information      Intervention by secretary of state or Pension Regulator	2	3	6	Training strategy in place which covers Pension Committee, Pensions Board and officers  100 days of internal audit commissioned for each calendar year with regular reporting from IA to committee and board, including Governance and Compliance areas  External auditor provides audit plan at planning stage for each financial year and this is discussed by Audit committee as well as Pension Committee and Board  Investment regulations require proper advice, procurement processes in place to ensure quality within replacement advisers  Review carried out against TPR COP14 requirements to identify any governance gaps  Specialist legal advisers and governance advisers to provide clear and accurate advice to the Fund on point of law or regulation  Publication of annual Governance and Compliance Statement explaining governance arrangements and reviewed and approved by Board / Committee  Training coordinator appointed. This officer liaises with chair of Pension Board and Committee to identify training needs	1	3	3	Head of Pensions	On-going
G5	Failure to comply with General Data Protection Regulations	Data breaches through failure to encrypt data  Poor security on systems  Unpublished privacy notice, policy and guidance  Lack of knowledge on GDPR rules by staff  DPO not identified	Reputational damage  Fines and enforcement   Breaches by contractors and employers  Failure to report breaches within timescales and through correct reporting methods	3	3	9	Contracts with external parties where there is a data role have clear terms and conditions as part of the data processing agreements  Data Impact assessment is carried out on all new tenders where data is involved    DPO is in place via ESCC  Privacy notice is on the website - the privacy statements have been refreshed in August 2021 and April 2022  Memorandum of Understanding in place with employers within the fund  All staff are required to complete an information governance course on joining the Council and this is refreshed annually  Information governance Internal audit completed in Q4 2020/21 with a reasonable assurance level and all recommendations have been completed as at September 2021  Pensions Manager for Governance and Compliance completed review on GDPR in Q4 2020/21 resulting in a newly designed webpage, new privacy notices and change to the retention period	2	2	4	Head of Pensions	On-going
Investment/Funding												
I1	Funding risk due to poor investment returns Risk that investment strategy fails to result in performance required to meet the needs of the Funding strategy discount rate	Poor strategic asset allocation resulting in insufficient protection against inflation risk of liabilities  Performance consistently under benchmark  Inability to rebalance portfolio  Failure to take proper advice Unrealistic discount rates in valuation assumptions	Funding Gap  Damaged reputation   Increase in employer contribution  Inability to Pay Pensions Forced to sell investments to meet cashflow requirements	3	3	9	Strategy is supported by expert Investment consultants. Challenge to Consultants through Independent Adviser.    Triennial valuation ensures funding position is known and contribution rates are stabilised  Quarterly Performance monitoring, investment manager monitoring from consultants and Link for ACCESS sub funds. Officer have a rolling programme to meet and challenge investment managers  Annual Investment Strategy Review, with interim rebalancing Quarterly Reporting to Pensions Committee, with decisions approved by committee, including Fund Manager performance Training strategy in place to ensure officers and committee members have sufficient knowledge and skills to implement and change the investment strategy Investment decisions are made in compliance with the ISS/FSS All investment decisions made, based on proper advice Diversified strategy to reduce correlation of manager volatility Changes to investment strategy are discussed with the actuary to ensure anticipated implications on funding aligned. Revision of the Asset Liability Model to support a viable Strategic Asset Allocation for the new valuation.	2	2	4	Head of Pensions	On-going

Pension Fund Risk Register May 2022												
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		
12	<b>Changes to International Trade</b> The changing of Regulations and International Trading relationships along with the trading environment, impact on investments in affected businesses	Inability to access certain investment vehicles  Changes to Banking legislation and MIFID II and Basel requirements  Falls /instability in markets  Currency fluctuations  Inability to realise certain assets  Increased taxation on certain assets	Financial loss, and/or failure to meet return expectations.  Future Increase to employer contribution costs resulting from lower funding positions Changes to the regulatory and legislative framework within which the Fund operates. Changes in employer funding positions causing liquidity risk to employers  Unable to sell assets preventing realignment with funding strategy or withdrawal from underperforming fund/asset class	3	3	9	Diversification of the Fund's investments across the world.  Regular monitoring of investment performance and reports on potentially problematic trends  Diversification of the Fund's investments across multiple asset classes Currency Hedging requirements considered within the investment strategy  Officers receive regular briefing material on regulatory changes and attend training seminars and ensure any regulatory changes are implemented	2	2	4	Head of Pensions	On-going
13	<b>Regulatory risk</b> Failure to comply with regulations, legislation and guidance from an accounting and investment perspective	Failure to comply with CIPFA code of practice for accounting for the pension fund  Failure to provide employers with accurate reporting for their financial statements  Failure to comply with the LGPS investment regs  Failure to Comply with statutory guidance from MHCLG Failure to comply with the Pensions Regulator requirements	Risk of the accounts being qualified by the auditors.  Risk to employers of qualified accounts causing reputational damage and potential costs  Intervention by the secretary of state in investment strategy  Breaches occurred	3	3	9	Pensions Officers are kept up to date with changes to legislative requirements via network meetings, professional press, training and internal communication procedures.  Pension Fund financial management and administration processes are maintained in accordance with the CIPFA Code of Practice, International Financial Reporting Standards (IFRS), and the ESSC Financial Regulations. Regular reconciliations are carried out between in-house records and those maintained by the custodian and investment managers.  Internal Audits - carried out in line with the Pension Audit strategy.  External Audit review the Pension Fund’s accounts annually  Specialist legal advisers to provide clear and accurate advice to the Fund on point of law or regulation  Breaches policy in place to ensure breaches mapped and reported	1	2	2	Head of Pensions	On-going

Pension Fund Risk Register May 2022												
Reference	Risk	Potential Triggers of risk	Consequences of risk	Pre Mitigation			Risk Control / Response	Post Mitigation			Risk Owner	Timescales
				Likelihood	Impact	Risk Score		Impact	Likelihood	Risk Score		
14	Investment pooling risk	Asset classes not available in line with the funds investment strategy Excessive asset transition costs  Poor governance of the ACCESS pool  Investment beliefs on ESG issues not shared within the pool  Inability to report performance to the fund  Inability to manage the investment managers and structure to deal with poor performance  Insufficient Capacity in sub funds  There is a risk that an investment may not transition to the ACS if Link cannot resolve on-going issues relating to the operating model for the planned Feeder fund structure.  ACCESS pool unable to generate cost efficiencies  Mandation by government to pool more assets	Increase in investment risk taken to access higher returns Increased costs  Poor governance and reputational damage  There is a risk that an investment may not transition to the ACS if Link cannot resolve on-going issues relating to the operating model for the planned Feeder fund structure.  Asset transition costs are greater than forecast.  Failure to control operational risks and transaction costs during the transition process  Insufficient risk and return parameters to comply with guidance on pooling and the investment strategy  Intervention of the secretary of state in failing to invest in line with the statutory guidance on pooling  An increase in the set-up costs for implementing new asset classes and managers  Conflict between strategy and to ability to invest	3	3	9	ACCESS Support Unit team provide support to the pool  Operator contract provided by Link for assets held within the ACS The ACCESS Contracts Manager will monitor Link's progress closely. If Link cannot resolve issues in a reasonable timeframe then alternative options may be considered, e.g. Funds may continue to hold the sub fund outside the ACS  KPI's introduced within revised operator agreements  Consultants involved in analysing the creation of sub-funds and transitioning of our current assets into the pool, under a variety of scenarios.  Opportunities to transfer securities in 'specie'. Reducing cost on transition  Transition manager in place to preserving asset values, managing risk and project managing the transition process to ensure that costs are monitored and controlled.  Due Diligence completed by legal advisers to ensure no hidden costs or governance issues not known at time of decision to invest.  S151, chair of pension committee and monitoring officer representation on respective committees and working groups to ensure ESPF involved in all decisions and concerns and questions can be raised early in processes  Regular meetings between officers and ACCESS pool with officers on a number of working groups to ensure involvement in decision making	2	3	6	Head of Pensions	On-going
15	Funding risk due to higher inflation leading to increased liabilities and a funding gap	Inflation rises faster than the actuarial assumption as a result of Govt. response to COVID-19  Bond yields return to much higher levels	Liabilities are higher than expected.  Bond-equity correlations rise, and equities also fall in price  Fund's solvency level falls	4	3	12	Investment strategy include weighting to index linked gilts, infrastructure and real estate which are all inflation correlated to mitigate increases in liabilities from inflation.  Potential to further increase infrastructure weightings  Fund monitor portfolio sensitivity to inflation via expert investment consultants Triennial Valuation assumptions include local knowledge of the Administering authority on anticipated pay inflation. Flexibility in the DGF mandates to react to the market and adapt the investment portfolio Report received in Feb 22 on inflation possibilities with possible actions to take int eh medium term. To be considered as part of the strategy review day. Quarterly monitoring of funding position helps identify risk early	3	2	6	Head of Pensions	On-going

Pension Fund Risk Register May 2022												
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</p> <p>Risk to income yields by restricting the market due to ESG concerns without considering the bigger picture of the investment strategy to compensate</p> <p>Investment environment changes radically, and Fund is slow to respond</p> <p>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 manging the fund effectively</p> <p>Increase in investment risk taken due to unassessed ESG issues</p> <p>Weaker control leading to poorer governance</p> <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 r 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>2020 Stewardship code submission in process</p> <p>Membership of collaborative groups to help drive policy change</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 May 2022												
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>Breach of law in taking political action over fiduciary duties</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> <p>Loss of investment returns / underperformance from absence of Fossil fuel companies in equity mandates in oil price raise</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 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>Focus on Climate change through training to committee and officers</p> <p>Focus on Climate Change in decision making and strategy changes</p> <p>Investment in climate impact Funds and solutions to climate change who will benefit from a 1.5 degree aligned world and organised or radio energy transition</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

Pension Fund Risk Register May 2022												
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		
18	Insufficient cash to pay benefits as they fall due	Too much investment in illiquid assets Failure to track payments due Large investment commitments not anticipated and planned for  Contributions not collected when due	Benefits not paid as they fall due Beneficiary financial hardship  Forced sale of investments  Reputational risk	2	4	8	Contributions monitored on monthly basis monitoring of members close to retirement Daily cash position monitored.  Distributing investments to ensure stream of income from investment activity Income from investments is considered as a key risk in all investment strategy decisions and the income profile managed liaison between administration and investment team on cash requirements	1	4	4	Head of Pensions	on-going
19	Internal fraud	Member of staff has multiple accounts and can self authorise  Lack of internal controls and sign off procedures Failure to monitor staff actions Failure to monitor payments from the Fund	Loss of Fund assets  Reputational risk Loss of member confidence Loss of Fund assets	2	3	6	Quarterly review of log in credentials  Senior officer's have sight of bank account  Senior officer's are signatories to bank account Multiple sign off needed to make payment	1	3	3	Head of Pensions	On-going
110	External fraud	Failure to properly authenticate benefit claims  Failure to identify deceased members No mortality tracing service contract in place Inability to track members address	Reputational risk  Unable to issue ABS statements to postal members leading to recovery of payments Loss of member confidence	4	3	12	Mortality checks, Tell us once and NFI data Officers working with legal and procurement to liaise with preferred provider to resolve contract talks. Risk of not signing contract is higher than signing with disputed terms so efforts being made to arrange for contract to be signed Alternative provider will be considered should contract not be signed	3	2	6	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:** 27 May 2022

**By:** Chief Finance Officer

**Title:** Communications Report

**Purpose:** To inform the Board of the 2022 Communications Strategy and activity since the previous meeting

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## **RECOMMENDATION**

The Pension Board is recommended to:

1. Review the Communications Strategy and provide any comments to the Pension Committee
  2. Note other areas of the report
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## **1. Background**

1.1 This report is brought to the Pension Board to provide an update on communication 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.

1.3 The Fund has a Communications Strategy which defines the main means of communication we provide for our key stakeholders. This includes making the best use of technology where appropriate, to provide quicker and more efficient communications for the Fund's stakeholders. The Fund will ensure that communication methods are accessible to all.

## **2. Newsletters**

### **Employer**

2.1. An employer newsletter was issued in February 2022. This was designed in a new format and covered the following:

- Transfers - new rules to help with scams
- Valuation of the scheme – information regarding the forthcoming scheme valuation. This included a link to a Barnett Waddingham presentation which covered different valuation types and explained what the Fund must provide in order to carry out a funding valuation.

- McCloud judgement update
- i-Connect – making employers aware that we created some supplementary guidance for employers on specification requirements and data items that must be submitted via i-Connect
- Employer forum 2021 - feedback and links
- A reminder to employers about their responsibilities regarding contributions
- Member self-service – promoting awareness and the importance for employers to promote this feature to their employees
- TUPE transfers - admission process
- Employee contribution levels - 2022/23

### **Active members**

2.2 A newsletter for active members was issued on 13 April 2022. This was produced in a digitally focussed format with the email issued to members directing them to a webpage where the newsletter was held online. In addition, there were designed and text-only versions for members who preferred alternative formats. This newsletter focussed on the following areas:

- Member Self-Service – a system which provides 24-hour online access to your pension.
- Pension scams - Find out how to spot, avoid and report pension scams.
- Member survey coming soon – Are we getting things right?
- Lifetime allowance - a reminder to notify HMRC if lifetime allowance protection is lost.
- Contributions levels - From April 2022 employee contribution salary bandings will change.
- Top up your retirement savings – pay extra now to boost income in later life.
- Expression of wish – Looking after loved ones.
- New LGPS member website launched - new brand, new website.
- ESPF website – a great source of information for members of the LGPS.
- Glossary – ever been confused by pensions jargon...let us help.
- Privacy notice - Find out how we use your personal data.
- McCloud judgement – An update.
- Getting in touch - a reminder of how to contact us for support.

2.3. All newsletters now sit on the respective pages of website, promoted via web call outs/banners. They are also available via the Resources menu of the website. The active newsletter page on the website was easily our most visited page with 3,839 visits.

### **Pensioners**

2.4. The Pensioner newsletter was issued in the second week of May 2022.

## **3. Website**

3.1 Over the last few months, a lot of work has been done to refine the content that sits on the website including:

- Home page – video content added, superfluous content removed, LGPS website promotion, glossary added, data protection content refined,

- LGPS Fund of the year – promotion via banner and sub-page detailing fund achievements
- Newsletter – active member newsletter now built as a web-enabled newsletter
- Resources – Documents now categorised, set out alphabetically, old information removed
- Surveys – Employer and active member survey promoted via respective webpages
- Investment – brand new content including the importance of investment, how do we invest, Access pool, responsible investment, stewardship code and asset allocation and performance. This content seeks to provide a good overview of the work the Fund had done with investment with more detail available if required.

3.2. The Fund are working with Hyman Robertson to build a website dashboard that will allow us to track website visits, most viewed pages, dwell time on pages, how visitors have ended up on the site, new visitors etc.

#### **4. Surveys**

4.1 Surveys have issued to both the employer and active member surveys for 2022. The surveys were reviewed updated and agreed by members of the Communications working group. These surveys end in May and feedback will be compiled for a future meeting of the Communications working group and help set the work plan for teams across the Fund.

##### **Employer**

4.2 The employer survey runs from 7 April 2022 to 5 May 2022. Unfortunately, the response rate had been low despite the best efforts of the fund. Only 11 employers have taken the survey to date (3 May 2022). A full analysis of the results will be published once the survey has closed.

##### **Active member**

4.3 The active member survey ran from 12 April 2022 to 10 May 2022. We have had over 1,000 members complete the survey. A full analysis of the results will be published once the analysis has been completed.

#### **5. 2022 Communications Strategy**

5.1 The 2022 Communications Strategy has now been drafted and a copy is attached in Appendix 1. This has been reviewed and amended by Fund officers and the Communications Working Group. The Board are asked to note this strategy in advance of approval at Pension Committee.

5.2 Changes made to the Communications Strategy from the prior approved version include:

- The look and feel have been refreshed through a combination of brand and imagery.
- Wording has been simplified where appropriate.

- The aims and objectives of the communication elements of the fund have been refreshed.
- The measures set out to hit those aims and objectives have been refined.
- The paper now brings out the main types of communication we provide for members, employers etc early in the strategy.
- An appendix has been added that details all of the document types, how these are provided (electronically, paper etc) and an approval schedule for all communications we issue has been added to ensure we have adequate governance for the Fund.

## **6. Conclusion and reasons for recommendation**

6.1 The Pension Board is recommended to review the Communications Strategy and provide any comments to the Pension Committee and note the work done in the period since the last meeting.

**IAN GUTSELL**  
**Chief Finance Officer**

Contact Officer:  
Email:

Tim Hillman, Pensions Manager Employer Engagement  
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## Communication Strategy 2022



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## **Introduction**

The Communication Strategy sets out how the East Sussex Pension Fund (the Fund) will engage, educate, and fulfil the needs of its stakeholders including members and employers. The Fund is committed to developing communication which is relevant and engaging and is also clear and easy to navigate.

This statement outlines the Communication strategy for the Fund as per Regulation 61 of the Local Government Pension Scheme (LGPS) Regulations 2013. In consultation with Fund employers and scheme members through their representatives on the Pension Board or other feedback mechanisms for Fund employers and scheme members this strategy will be reviewed annually and updated as necessary following each review.

East Sussex County Council (the administering authority) is responsible for the local administration of the Fund, which is part of the LGPS. The Fund liaises with circa 130 scheme employers to provide a valuable package of benefits to over 81,000 members.

The Fund has a large number of stakeholders but has identified the following distinct groups as its key stakeholders each with slightly different communication needs:

- Scheme members (active, deferred, pensioner and dependent members) and their representatives
- Prospective members
- Scheme employers and prospective Scheme employers
- Pension Committee and Pension Board members
- Pension Fund staff
- Pension Fund advisors and managers
- Other interested organisations including HM Revenue & Customs (HMRC), the Department of Leveling Up, Housing and Communities (DLUHC), other relevant Government Departments and the Scheme Advisory Board (SAB)
- Council Tax payers, members of the public and other cohorts not directly linked to the scheme

The main means of communication with our key stakeholders are outlined in this statement, which includes making the best use of technology where appropriate, to provide quicker and more efficient communications for the Fund's stakeholders. The fund will ensure that they provide communication methods that are accessible to all.

## **Communication with Scheme Members**

The Fund uses a variety of methods to communicate with active, deferred and pensioner members, and differentiates between them when delivering key messages to each specific audience group. Scheme members can nominate representatives that the Fund will communicate with on their behalf, subject to the provision of an appropriate letter of authority signed by the scheme member. The Pension Board will be asked to comment on any new communication measures being considered and their views taken into consideration before this strategy is updated.

The core communication objective is that all members understand the valuable package of benefits available through the LGPS, are kept up to date with any changes in scheme benefits, can access scheme information and have an awareness of the overall investment strategy and performance of the Fund.



## All members - communication methods

### Contacting the Fund

The Pensions Helpline is a dedicated telephone number for queries. Telephone lines are open 9am to 4pm Monday to Friday (except bank holidays). Phone number: 0300 200 1022

Email: [pensions@eastsussex.gov.uk](mailto:pensions@eastsussex.gov.uk)

Post: East Sussex Pension Fund, Administration Team, County Hall, St Anne's Crescent, Lewes, BN7 1UE

**Newsletters** – The Fund will publish newsletters via email which will direct members to the website. The newsletter will cover current pension topics linked to the LGPS and the wider pensions industry, along with important member messages. Further newsletters may be sent to members highlighting issues of importance, such as changes in scheme regulation or operation as they arise.

Active members – two newsletters a year

Deferred and Pensioner members – one newsletter a year

### Website

The Fund has its own website (<https://www.eastsussexpensionfund.org/>) which provides extensive information and guides about the LGPS, factsheets, forms and up to date news about the Fund's activities and achievements. This should be members main source of scheme information.

There are specific sections dedicated to different types of members.

<a href="#">Joining the scheme</a>	<a href="#">Paying in</a>
<a href="#">No longer paying in</a>	<a href="#">Pensioners</a>

In addition, members have access to the [LGPS website](#). This site is for members of the Local Government Pension Scheme (LGPS) in England and Wales and their families. The website has recently been transformed to improve the user experience. There is loads of great content including easy to use tools and calculators, useful links, hints and tips, videos and lots of information to support scheme members.

## Active members - communication methods

**Annual benefit statement** - Statements are provided which details members current pension accrued to date and a projection to their Normal Retirement Age. These are provided to active scheme members by 31<sup>st</sup> August each year. The statements are made available online via member self-service or posted to members who have opted out of electronic communications (where addresses are known). The administration team will provide an annual update to the Pension Board to evidence that this is happening.

### Member self-service Portal (My Pension)

Members have online access (once registered) to their current LGPS pension held by the Fund and their entitlement at retirement. There is the function to make pension projections at any time in the future, where a member is over 55 and under the age of 75, that will include any LGPS reduction or enhancement factors. Members can also update their expression of wish nomination(s), email address, home address and communication preferences.

## Prospective Members – communication methods

**Employer engagement** - The Fund works with scheme employers to assist them in the joining arrangements for the LGPS. The Fund will also ensure that the benefits available to prospective members are highlighted regularly to employers through mention in conversations, newsletters and the employer forum.

## Deferred Members – communication methods

**Annual benefit statement** – Statements are provided which details members current deferred pension and a projection to their Normal Retirement Age. These are provided to deferred scheme members by 31<sup>st</sup> August each year. The statements are made available online via member self-service or posted to members who have opted out of electronic communications (where addresses are known). The Fund's administration team will provide an annual update to the Pension Board to evidence that this is happening.

**Member self-service Portal** – Deferred members have online access (once registered) to their current LGPS pension held by the Fund and their entitlement at retirement. There are calculators available showing how much their pension would be worth if they were to take their deferred benefits into payment or if they passed away. Members can also manually update their expression of wish nomination(s), email address, home address and communication preferences.

## Pensioner Members – communication methods

**Member self-service Portal** – Pensioners have online access (once registered) to their current LGPS pension held by the Fund. They can view (not print) pay slips\* and P60s and access a calculator which show how much their pension would be worth if they were to die whilst in receipt of a pension. Members can also manually update their expression of wish nomination(s), email address, home address and communication preferences.

\*Issued in March, April and May or when net pay changes by more than £5.

**Pension Increase statements** - Annual Pension Increase statements are sent to all pensioners informing them of the percentage rate their pension will increase by and their revised pension payment for the new financial year.

**Payment Advice/P60** - Pensioners are issued with payment advice slips in March, April and May.

P60 notifications are issued annually (usually in April or May) and provide members with a breakdown of the payments they have received over the last financial year. P60s and pay slips are viewable online for those members who have registered for member self-service or issued in the post for others.

## Communication with Scheme Employers

To assist scheme employers participating in the LGPS, the Fund has a range of communication materials and methods that aims to increase their understanding of pension issues and help them fulfil their responsibilities as scheme employers.



**Administration Strategy** – The Pension Administration strategy provides an overview of how the Fund and scheme employers will work together to achieve a high-quality service. It sets out, in detail, the obligations and responsibilities of both the Fund and the scheme employer to achieve set performance standards. This is [available on the Fund's website](#).

This document includes Service Level Agreements (SLAs) which ensure best practice and compliance with audit requirements. The SLA sets out, in detail, the obligations and responsibilities of the scheme employer, the administering authority and the administrator, concerning all aspects of LGPS administration.

These Agreements are reviewed and updated annually taking into account changes made to the regulations and feedback from the Fund's scheme employers. All the Fund's scheme employers are consulted on the administrative strategy following any revision to ensure they acknowledge their responsibilities.

**Annual Report and Accounts** - The audited accounts of the Fund are prepared as of 31 March each year and published on our website, usually in early December.

**Designated employer contact** -The Fund will request each scheme employer designate a named individual for Employer engagement with the appropriate delegations and provide a named payroll contact for the employer.

**Employer forum** – An annual forum for all scheme employers to provide information and training on administration activity, investment performance, actuarial insights and any scheme changes and current issues impacting the Fund and the LGPS. These offer a great opportunity for employers and Fund Officers to get together, to exchange news and views. Information such as presentations, questions and answers and handouts will be posted onto the employer section of the website after the event.

**Employer newsletter** – The Fund publishes a regular newsletter, aimed specifically at employers. It covers topical issues, technical information requiring employer attention and changes to regulations that impact on their duties and responsibilities. The newsletters are issued at least 3 times per year and are housed on our website.

**Funding and investment** – The Fund seek to provide and help employers understand the Funding Strategy Statement and Investment Strategy Statement including the performance of the Fund's Investment's (given its impact on employer contribution levels).

**General Guidance and Assistance** - The pension administration team or Employer Engagement Team can be contacted during normal office hours and are always available to answer any questions raised by Scheme employers.

**HR and payroll guides** – The Fund's website has several guides available including LGPS31 Employer contribution guide, HR guide, outsourcing and admission agreements guide and payroll guide to the LGPS. LGPS31 forms will also be issued to the employer's payroll contact annually reflecting any change in rates as set out in the actuarial rates certificate.

**Individual employer meetings** – The Employer Engagement Team can arrange face to face or virtual meetings with employers on request.

**Training** – The Fund are happy to support both group and individual training sessions for employers. For example, training on how to submit end of year returns, i-connect support, the responsibilities of a new employer to the Fund and support in preparing policies such as the Discretionary Policy.

**Valuation Reports** – a report issued every three years setting out the estimated assets and liabilities of the Fund as a whole, as well as setting out individual employer contribution rates for a three-year period commencing one year from the valuation date.

**Website** - There is an employer page on the Fund's website with lots of information including the latest employer information, forms and guides, i-Connect and employer newsletters.

## **Communication - The Pension Committee**

In accordance with the Local Government Pension Scheme Regulations, associated legislation and the Pensions Committee terms of reference, the Pension Committee is responsible for all functions and responsibilities relating to the management of the Fund, this includes making arrangements for the investment, administration and management of the Pension Fund, receiving advice as appropriate from the Pension Board. The Pension Committee also agrees Policy Statements, as required under the LGPS regulations, and decides on the admission and cessation of bodies to the Pension Fund.

The Fund works closely with the Pension Committee and the Pension Board, and the core communication objective is to ensure that all scheme members are fully informed on pensions matters including investment, funding, audit, governance, administration and risk. They have regular training to ensure they have sufficient knowledge to fulfil their duties and responsibilities.

Members and Employers can locate further information on the Pension Committee including meetings, agendas and contact details [via the ESCC website](#).

## **Communication - The Pension Board**

The Public Service Pensions Act 2013 requires the establishment of a Pension Board with the responsibility for “assisting the Scheme Manager” in securing compliance with all relevant pensions law, regulations and directions.

The Pension Board’s role is one of providing assurance in and governance of the scheme administration and helping to ensure that the Fund complies with the code of practice issued by the Pension Regulator.

Members and Employers can locate further information on the Pension Board including meetings, agendas and contact details [via the ESCC website](#). Board members are representatives for scheme members and employers and feed into reports and activities of the Fund to the Pension Committee to ensure the Committee make effective decisions. Board members can be contacted at [PensionBoard@eastsussex.gov.uk](mailto:PensionBoard@eastsussex.gov.uk).

## **Communication – Pension Fund staff**

It's critical that Fund staff are kept up to date with important information on the LGPS, changes to policy and procedure within the Fund and the wider legislative and regulatory pensions industry. The Fund ensure that all staff have access to the relevant information and technical knowledge to enable them to perform their duties. This is achieved via use of email, personal development plans, performance management meetings, internal meetings, training events, a training strategy implemented through the Fund's training coordinator and access to relevant qualifications.

### Communication with other Key Stakeholders

**ACCESS Pool** - The Fund is a member of the ACCESS pool established by a group of 11 Councils, to invest assets on a pooled basis for the LGPS Funds administered by those Councils. It is important that ACCESS understands each Fund's investment strategy so that the pooled assets are invested in accordance with the investment strategies of the underlying Funds. Communication with ACCESS will be in several ways including directly at officer level and via the Joint Committee. The Pension Committee will receive regular updates on the activities of ACCESS and will also be responsible for deciding the assets to be invested in ACCESS. The Pension Board will receive regular updates on the governance activities of the pool and feed through views of the members and employers they represent.

**Actuary\*** - The Fund communicates with the Fund Actuary to discuss funding levels, employer contributions, accounting information for scheme employers and the apportionment of the assets and calculation of the liabilities of the Fund.

**AVC Provider** - Additional Voluntary Contributions (AVC) are held and invested separately from the LGPS. The Fund's AVC current provider is Prudential Limited. Prudential provide communications directly to the AVC members. Communication with the Fund include assurance that records are complete, accounting information, range of products available and service review discussions. Fund officers provide an annual assurance report to the Pensions Committee.

**Investment Managers & advisers\*** – The Fund regularly liaise with Investment Managers who invest on our behalf and with the Funds Investment Consultant and independent investment Advisor who provide help and advice on the asset allocation and investment strategy of the Fund.

**Local Government Association (LGA)** - The LGA liaises with LGPS Funds, Scheme Advisory Board (SAB) and DLUH to ensure that all LGPS regulations are administered correctly as per the secretary of state's instructions.

**Department of Leveling Up, Communities and Housing (DLUCH)** - The Fund has regular contact with DLUCH as a responsible LGPS Fund, participating and responding to consultations, as required.

**Scheme Advisory Board (SAB)** - The national SAB was established following the Public Services Pensions Act 2013. It provides advice to the Fund and Local Pension Boards in relation to the effective and efficient administration and management of the Scheme and their funds. The Fund therefore liaises with the SAB as appropriate.

**The Pensions Regulator** - The Pensions Regulator's remit has been extended to the Public Sector because of the Public Services Pensions Act 2013. The Fund liaises with the Regulator as required to ensure that it is compliant with the Pensions Regulator's Code of Practice.

**Other** - The Fund may also communicate with other stakeholders such as HM Revenue and Customs (HMRC), Information Governor, National Insurance database, Tell us once service, Pensions Ombudsman, Moneyhelper, Ill health insurers.

\*The Fund Actuary, Independent Adviser and Investment Adviser attend Pension Committee meetings.

## **Regulatory basis for Communications Strategy**

The LGPS is a statutory scheme, established by an Act of Parliament. Regulation 61 of the Local



Government Pension Scheme Regulations 2013, reproduced below, provides the conditions and

regulatory guidance surrounding the production and implementation of Communications Strategies:

Statements of policy concerning communications with members and Scheme employers

61. (1) An administering authority must prepare, maintain, and publish a written statement setting out its policy concerning communications with:

- (a) members;
- (b) representatives of members;
- (c) prospective members; and
- (d) Scheme employers.

(2) The statement must set out its policy on:

- (a) the provision of information and publicity about the Scheme to members, representatives of members and Scheme employers;
- (b) the format, frequency and method of distributing such information or publicity; and
- (c) the promotion of the Scheme to prospective members and their employers.

(3) The statement must be revised and published by the administering authority following a material change in their policy on any of the matters referred to in paragraph (2).

This strategy has been developed to include the information required by those provisions and to describe the Fund's approach in relation to meeting these requirements in the delivery of communications. Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 and other legislation includes various requirements relating to the provision of pension information (in addition to the requirements in the LGPS Regulations). The Fund aims to adhere with all such legislation and related statutory or best practice guidance. This includes the Pension Regulator's Code of Practice.

There are other regulatory requirements that the Fund adheres to, including the [General Data Protection Regulations](#) and the [Freedom of Information Act](#).

## **Our Aims and Objectives**

To ensure that we are communicating effectively with our key stakeholders and that we continue to enhance the service we offer, we have set the following objectives:

To ensure our members understand the value of the package of benefits available through the LGPS.

To promote the benefits of the LGPS, as a valuable part of the pay and rewards package of employees who are entitled to join the Scheme.

To provide sufficient information and options so members can make informed decisions about their benefits.

To establish where gaps in member knowledge and understanding exist so we can look to develop effective training and resources to address these.

To communicate using plain English in a clear, concise, accessible manner.

To improve the access members have to their Local Government Pension Scheme by promoting online use of our self-service facility 'My Pension'.

To ensure the most appropriate means of communication is used, considering the different needs of different stakeholders, including providing more accessibility through greater use of technology where appropriate.

To regularly evaluate the effectiveness of communications with key stakeholders with a primary focus on scheme members and employers and shape future communications appropriately.

To support employers in fulfilling their responsibilities relating to the LGPS.

To help employers respond to LGPS issues/consultations that affect them or their employees.

To ensure all Fund officers understand the key messages and approach in order that they can communicate with stakeholders effectively.

To ensure that both members and employers have an awareness of the [investment strategy](#) and overall performance of the Investment Fund.



## Measurement of our Communication Objectives

The Fund will monitor success against our communication objectives as listed here.

Objectives	Measurement
<p>To ensure our members understand the value of the package of benefits available through the LGPS.</p> <p>To promote the benefits of the LGPS, as a valuable part of the pay and rewards package of employees who are entitled to join the Scheme.</p> <p>To provide sufficient information and options so members can make informed decisions about their benefits.</p> <p>To establish where gaps in member knowledge and understanding exist so we can look to develop effective training and resources to address these.</p>	<ul style="list-style-type: none"> <li>▪ Bulk email engagement ratings (% opened &amp; click through rate). Available when email marketing software in place.</li> <li>▪ Satisfaction levels achieved in annual member surveys and monthly helpdesk surveys.</li> <li>▪ Responses to any specific member Communication questions in annual survey.</li> <li>▪ Feedback from the Pension Board and Communications Working Group.</li> <li>▪ Feedback from communications issued to members and employers received through the administration team, helpdesk or employer engagement teams.</li> <li>▪ Analyse website visits and duration.</li> <li>▪ Measure success of feedback from members to questions and answers available via a chatbot (chatbots are programs built to automatically engage with received messages). The Fund is looking to implement a chatbot in 2022.</li> </ul>
<p>To improve the access members have to their Local Government Pension Scheme by promoting online use of our self-service facility 'My Pension'.</p>	<ul style="list-style-type: none"> <li>▪ Increase the total number of members registered for the self-service portal by 10% by year end 2022.</li> <li>▪ Increased use of member self-service portal features by existing users.</li> <li>▪ Reduction in queries to helpdesk.</li> </ul>

<p>To communicate using plain English in a clear, concise, accessible manner.</p>	<ul style="list-style-type: none"> <li>▪ Employer and member satisfaction levels analysed from surveys conducted with both groups.</li> <li>▪ Monitor enquiries from stakeholders following key events and communications.</li> <li>▪ Bulk email engagement ratings (% opened &amp; click through rate).</li> <li>▪ Ensure documents are verified for accessibility purposes.</li> </ul> <p>The fund will ensure that there is a clear version and dating process so that members and employers are always working from the latest iteration.</p>
<p>To ensure the most appropriate means of communication is used, considering the different needs of different stakeholders, including providing more accessibility through greater use of technology where appropriate.</p>	<ul style="list-style-type: none"> <li>▪ Increasing use of digital services for both scheme members and scheme employers.</li> <li>▪ Monitor use and effectiveness of current and new forms of communication with key stakeholder groups.</li> <li>▪ Responses to any specific questions in annual survey issued to scheme employers and scheme members in this area.</li> <li>▪ Ensure that all forms and scheme literature is accessible to all.</li> </ul>
<p>To regularly evaluate the effectiveness of communications with key stakeholders with a primary focus on scheme members and employers and shape future communications appropriately.</p>	<ul style="list-style-type: none"> <li>▪ Undertaking a satisfaction survey annually.</li> <li>▪ Detailed analysis of survey results is used to identify areas to improve communications in future, and trends monitored from previous years.</li> <li>▪ Compliments and complaints are recorded and trends analysed.</li> <li>▪ The Communications Working Group will work with the Pension Board to annually evaluate the effectiveness of communications.</li> </ul>

<p>To ensure that both members and employers have an awareness of the investment strategy and overall performance of the Investment Fund.</p>	<ul style="list-style-type: none"> <li>▪ Ensure that the investment area of the website always houses current information on investment strategy, responsible investment principles, stewardship, asset allocation and performance.</li> <li>▪ Conduct training with employers on funding and investment</li> </ul>
<p>To ensure all Fund officers understand the key messages and approach in order that they can communicate with stakeholders effectively.</p>	<ul style="list-style-type: none"> <li>▪ Communicate key scheme changes via email and ensure regular attendance of pension and project meetings where appropriate.</li> <li>▪ Ensure officers have personal development plans and regular performance management meetings.</li> <li>▪ Attendance of relevant training events.</li> <li>▪ Officers have access to relevant qualifications and display continual professional development.</li> <li>▪ Officers ensure that all corporate training modules are completed.</li> <li>▪ Conduct an annual assessment of officer's skills against CIPFA's Knowledge and Skills Framework and ensure gaps are rectified and improvement noted.</li> <li>• All training is logged by the Funds training coordinator.</li> </ul>
<p>To ensure that both members and employers have an awareness of the investment strategy and overall performance of the Investment Fund.</p>	<ul style="list-style-type: none"> <li>▪ Ensure that the investment area of the website always houses current information on investment strategy, responsible investment principles, stewardship, asset allocation and performance.</li> <li>▪ Conduct training with employers on funding and investment.</li> </ul>

## **Communications Working Group**

The Fund has a Communications Working Group made up of officers, Board members and union representatives that oversee communications from the Fund and aim to improve the user experience of key stakeholders of the Fund. This group can advise the board and committee of possible improvements in communications including policy and delivery methods.

## **Measuring performance against objectives**

An overview of our performance against these objectives will be officially reported within the Fund's annual report and accounts. If performance is substantially below standard (whether by a large margin for a short period of time or a small margin for a longer period) the Fund will formulate an improvement plan. This will be reported to the Pension Committee and Pension Board together with an ongoing update on achievement against the improvement plan.

## **Delivery of Communications**

Responsibility for Fund management is delegated to the Pension Committee, taking into consideration advice from the Pension Board. The Committee will seek to monitor the implementation of this Strategy on a regular basis.

The day-to-day delivery of member communication and associated administration related communications and information governance is undertaken by the Fund's administration team, supported by other pension officers. The delivery of scheme employer support (including payroll and data) and other stakeholder related communications is jointly provided by the Administration Team and Employer Engagement Team.

The Fund has at its disposal a wide range of options for communicating with the diverse groups that it needs to serve. The method of communication will vary depending on what needs to be communicated and to whom but electronic will be the preferred option. The methods used by the Fund to communicate with all interested parties are detailed in this strategy paper.

## **General Communication**

When considering how to communicate with our stakeholders the intended audience is considered to ensure that messages are delivered in a useful and easy to follow manner. Communication is tailored to the recipient's needs, making sure that messages are clear, consistent and use plain English. Communications are delivered using the most appropriate method and there will be continued development of digital platforms to encourage greater online accessibility to the Fund's services for all stakeholders.

Every communication should have a clear purpose and fit into the overall communications plan, to ensure that they are cost effective. The Fund actively seeks feedback from each of its key stakeholders to continually review, enhance and improve communication methods. The Fund also adheres to other legislative requirements, including the General Data Protection Regulations, Freedom of Information Act, and pension disclosure legislation. The Fund also aims to adhere to good practice standards such as the National Website Standards.

## Branding

The Fund acknowledges that our visual identification is one of our most powerful assets. It tells people who we are and influences how they remember and relate to us. The Fund will look to improve the use of their current brand (logo, font, colour palette, dos and don'ts, use of different file types) during 2022. This will help distinguish the Fund from East Sussex County Council whilst still appearing as part of the same organisation.

Ongoing work will also take place to ensure the Fund has a distinctive identity which captures what people think about the scheme - achieved by tone, language, visuals, and style of communication. This could potentially draw on the theme of security (defined benefit) and lifestyle (how regular engagement with your pension plan shapes your quality of life in retirement).

## Accessibility

The Fund is committed to ensuring that all stakeholders can access services equally and knows that some individuals may require information to be provided in specific formats. While demand for alternative formats remains low, the Fund can issue documents in braille, large print, or audio format on request.

## General Data Protection Regulations (GDPR)

GDPR came into force on 25 May 2018 and requires Privacy Notices to be published by the Fund, so we are transparent on how personal data is used.

The Fund has produced and published both full and summarised Privacy Notices on their website explaining how the Pension Fund collects personal data, what that data is used for, with whom that data is shared and the rights of individuals regarding their data.



### Key Risks

The key (potential) risks to the delivery of this Strategy are outlined below. The Head of Pensions along with other officers will work with the Pension Committee and Pension Board in monitoring these and other key risks and considering how to respond to them.

- Lack or reduction of skilled resources due to difficulty retaining and recruiting staff
- Risk of loss key / senior staff resulting in lost knowledge and skills in the Pensions Team
- Staff absence due to sickness
- Failure to communicate with staff members in relation to scheme changes
- Lack of decision making due to loss of Pension Committee/Pension Board member
- Lack of adequate software or IT solutions – particularly in the digital communications area
- Significant increase in the number of employing bodies causing strain on day-to-day delivery
- Significant external factors, such as national change, impacting on workload
- Issuing incorrect or inaccurate communications
- Failure to maintain scheme employer database leading to information not being sent to the correct person
- Lack of clear communication to scheme employers, scheme members and pensioners
- A major change to the LGPS legislative environment.

### Costs

All costs relating to this Strategy are met directly by the Fund (unless indicated).

### Approval, Review and Consultation

This Communications Strategy was approved on **xx xxx xxxx** by the East Sussex Pension Committee. It will be formally reviewed annually and updated by the Committee at least every three years or sooner if the communications arrangements or other matters included within it merit reconsideration (including if there are any changes to the LGPS or other relevant Regulations or Guidance need to be considered).

### Further Information

If you require further information about this Communications Strategy, please contact:

Sian Kunert, Head of Pensions  
East Sussex Pension Fund

or Paul Linfield, Pension Communication Manager  
East Sussex Pension Fund

Email: [sian.kunert@eastsussex.gov.uk](mailto:sian.kunert@eastsussex.gov.uk)

Email: [Paul.Linfield@eastsussex.gov.uk](mailto:Paul.Linfield@eastsussex.gov.uk)

## Appendix I – documentation type, usage and review

Document	Web	Print	Available to				Published	Reviewed
			Active	Deferred	Pensioner	Employer		
Administration strategy incl SLAs	✓	x	✓	✓	✓	✓	3-yearly	Annually
Annual Report and Accounts	✓	x	✓	✓	✓	✓	Annually	Annually
AVC guides	✓	x	✓	x	x	✓	Always available	Ongoing
Benefit statements	✓	✓*	✓	✓	x	x	Annually	Annually
Board and Pension Committee papers	✓	x	✓	✓	✓	✓	Quarterly	Quarterly
Communication Strategy	✓	x	✓	✓	✓	✓	Every 3 years*	Annually
Employer Forum	✓	x	x	x	x	✓	Annually	Annually
Funding strategy	✓	✓	x	x	x	✓	Every 3 years	Every 3 years
Investment Strategy	✓	x	✓	✓	✓	✓	Annually	Ongoing
Literature	✓	x	✓	✓	✓	✓	Always available	Ongoing (by LGPS)
Member self-service	✓	x	✓	✓	✓	x	Always available	Ongoing
Newsletters	✓	✓*	✓	✓	x	✓	ER – 3 times per year / MBR – twice per year	Ongoing
Pay slips	✓	✓	x	x	✓	x	March, April, May	Ongoing
P60s	✓	✓	x	x	✓	x	Annually	Annually
Pension increase letter	✓	✓	x	x	✓	x	Annually	Annually
Statement of Responsible Investment principles	✓	x	✓	✓	✓	✓	Annually	Ongoing
Scheme guide	✓	x	✓	✓	✓	✓	Always available	Ongoing (by LGPS)
Surveys	✓	x	✓	x	✓	✓	Annually	Annually
Training	✓	✓	x	x	x	✓	Always available	Ongoing
Website	✓	x	✓	✓	✓	✓	Always available	Ongoing

\*For members who have asked to be removed from electronic communications or on request only.

The Fund are happy to provide information above in a different format such as large print, coloured background, Braille or in a different language if required.

## East Sussex Pension Fund Communication Strategy - 2022

Appendix 2 - Communications review and approval schedule											
Document	Head of Admin	Investment Manager	Employer Engagement Manager	Governance Manager	Comm's Manager	Head of Pensions	Comm's Working Group	Pension Committee	Pension Board	Chair of Pension Committee	Section 151 Officer
Abatement Policy	✓	x	x	✓	✓	✓	X	Approver	✓	x	x
Admin strategy*	✓	x	✓	✓	✓	✓	✓	Approver	✓	x	x
Annual Report and Accts	x	✓	x	✓	✓	✓	x	Approver	✓	x	✓
Benefit Statements	✓	x	✓	✓	✓	x	x	x	x	x	x
Breaches/ /privacy	x	x	x	✓	✓	✓	x	Approver	✓	x	x
Comm's Strategy	✓	✓	✓	✓	✓	✓	✓	Approver	✓	x	x
Employer Forum	✓	✓	✓	✓	✓	✓	✓	x	✓	✓	x
Funding strategy*	x	✓	x	✓	✓	✓	x	Approver	✓	x	✓
Inv related comm's	x	✓	x	✓	✓	✓	✓	x	x	x	x
Investment Strategy	x	✓	x	✓	✓	✓	✓	Approver	x	x	✓
Literature / guides	✓ - based on content incl	✓ - based on content incl	✓ - based on content incl	✓ - based on content incl	✓ - based on content incl	✓ - based on content incl	x	x	x	x	x
Media enquiries	x	x	x	x	✓	✓	x	x	x	✓	Approver
Member self-service	✓	x	✓	x	✓	x	x	x	x	x	x
Newsletter	✓	X except if inv info incl	✓	✓	✓	x	✓	x	x	x	x
P60 mailing	✓	x	x	x	✓	x	x	x	x	x	x
Pension increase letter	✓	x	x	x	✓	x	x	x	x	x	x
Responsible Inv reports	x	✓	x	x	✓	✓	x	x	x	x	x
Survey	✓	X except if inv info incl	✓	✓	✓	✓	✓	x	x	x	x
Website	✓ - based on content incl	✓ - based on content incl	✓ - based on content incl	✓ - based on content incl	✓ - based on content incl	✓ - based on content incl	✓ - based on content incl	x	x	x	x

\*Must go through employer consultation

**Report to:** Pension Board

**Date of meeting:** 27 May 2022

**By:** Chief Finance Officer

**Title:** Mid-year Training Report

**Purpose:** To provide an update on the delivery of the annual training plan and changes to the training strategy

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## RECOMMENDATIONS

The Pension Board is recommended to:

- 1) Note the progress being made against the training plan; and
  - 2) Note the changes to the training strategy (appendix 1).
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### 1. Background

1.1 In June 2020, the Pension Committee resolved to put in place a comprehensive training strategy and programme to support its efforts in embedding good governance and continuous improvement.

1.2 In November 2021 Officers introduced a training plan for the forthcoming 12 months. This highlighted areas in which Pension Board and Pension Committee members stated they would benefit from additional training and outlined the events to be provided in response to this.

1.3 Officers are now providing an update on the steps taken to deliver on the training plan and detailing events to be provided in the second part of the year.

1.4 It is a requirement of Administering Authorities to publish a Training Strategy and maintain an approach to the delivery, assessment and recording of training plans to meet the requirements of the Scheme Advisory Board. The training strategy is required to be updated every two years; the revised strategy is included in **appendix 1**

### 2. Training expectations

2.1 On 5 November 2021, Officers outlined that Pension Board and Pension Committee members had indicated a need for training in the following areas:-

- Pensions Administration and best practice
- Investment pooling
- Procurement process
- Covenant reviews
- The Fund's Additional Voluntary Contribution (AVC) offering
- The Communication Policy
- Cessations and Admissions to the Fund
- Cyber security
- The wider pensions landscape and regulators
- Budget setting

2.2 Officers have previously undertaken to provide information regularly about training events being provided by external organisations. Where other training was requested, opportunities to fulfil these requests would be looked into.

### **3. Training delivered**

3.1 Since November 2021 training has been arranged, and delivered, covering the following topics

- Triennial Valuation – delivered by Barnet Waddingham
- Impact Investing – delivered by Pensions for Purpose
- The Science of Climate Change – delivered by Dr Lazenby, University of Sussex
- Task Force on Climate Related Finance Disclosures – delivered by Officers

3.2 In addition to the bespoke events organised by Officers, members of the Pension Board and Pension Committee have received details of external events they may find useful. Details of such events are provided at least once a month. Additionally, this notification includes details of useful reading material and podcasts.

3.3 As part of the February 2022 meetings, both Pension Board and Pension Committee members were informed of the opportunity for East Sussex Pension Fund (ESPF or the Fund) to obtain licences to an online library of videos. Having considered the cost and the likely amount of use this library neither group agreed it was a good use of resources, however, an alternative which does not carry a cost is being made available. This alternative is focused on pension administration and will help meet the identified need to provide training in this area.

### **4. Training planned**

4.1 In the second part of the year Officers intend to arrange training on:-

- The Wider Pensions Landscape and Regulatory Bodies – to be Officer led
- Investment Pooling – to be provided by the ACCESS Pool
- Affordable Housing – to be provided by Gresham House
- The Pensions Regulator's Single Code of Practice – to be provided by Burness Paul LLP
- Accounting – to be Officer led
- Paris-aligned investing – to be provided by Storebrand
- Communication – delivered by Officers

4.2 Along with the training opportunities listed above Officers are also looking into providing training on the budget setting process towards the end of the year.

### **5. Updates covering training needs**

5.1 To date a report has been delivered providing information on the AVC options available to members. This will become an annual report and the next update will comment on the performance of Funds members can choose from. These reports will provide information which will allow Pension Board and Pension Committee members to improve their understanding of the funds available.

### **6. Training identification**

6.1 Towards the end of the year Officers intend to repeat the self-assessment exercise run in 2021. This asks members of the Pension Board and Pension Committee to assess their knowledge on a range of topics and is based on material provided by Chartered Institute of Public Finance and Accountancy (CIPFA) and the knowledge and understanding expectations laid out by The Pensions Regulator.

### **7. Training Strategy**

7.1 The training strategy has been updated to reflect the current arrangement for training within the Fund and has been refreshed in its design to better reflect the current style of policies being produced by the Fund's Communications Manager and working group.

7.2 Changes to the wording of the strategy are very minor with the main changes in section The Pensions Regulator's E-learning toolkit and Measuring the effectiveness of training.

## **8. Conclusion**

8.1 Pension Board members are asked to note the progress being made against the training plan.

8.2 Where training has not been provided, and is not indicated as being planned, Pension Board members are asked to ask Officers about training opportunities that may be available covering areas of interest.

**IAN GUTSELL**  
**Chief Finance Officer**

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## Training Strategy – June 2022



# East Sussex Pension Fund Training Strategy

## Introduction

This is the training strategy of the East Sussex Pension Fund (the Fund). It has been established to aid the Pension Committee, Pension Board and Officers understanding of their respective responsibilities. This training strategy sets out how these key roles within the Fund will obtain and maintain the necessary knowledge and understanding needed to fulfil their role.

## Objectives



The Fund's objectives relating to knowledge and understanding are to:

- Ensure the Fund is appropriately managed and those individuals responsible for its management and administration have the appropriate knowledge and expertise.
- Ensures that there is the appropriate level of internal challenge and scrutiny on decisions and performance of the Fund.
- Ensure the effective governance and administration of the Fund.
- Ensure decisions taken are robust and based on regulatory requirements or guidance of the Pensions Regulator, the Scheme Advisory Board (SAB) and the Secretary of State for Levelling Up, Housing and Communities.

## **CIPFA Knowledge and Skills Framework – Pension Fund Committees**

Although there is currently no legal requirement for knowledge and understanding for members of the Pension Committee it is the Fund's opinion that members of the Pension Committee should have no less a degree of knowledge and skills than those required in legislation by the Local Pension Board. The SAB's 'good governance' project signals a much stronger requirement on Pension Committee members knowledge and understanding.

The CIPFA framework, introduced in 2010, covers six areas of knowledge identified as the core requirements:

- Pensions legislative and governance context.
- Pension accounting and auditing standards.
- Financial services procurement and relationship development.
- Investment performance and risk management.
- Financial markets and products knowledge.
- Actuarial methods, standards and practice.

Under each of the above headings the Framework sets out the knowledge required by those individuals responsible for Fund's management and decision making.

## **CIPFA Technical Knowledge and Skills Framework – Local Pension Boards**

CIPFA extended the Knowledge and Skills Framework in 2015 to specifically include Pension Board members, albeit there is an overlap with the original Framework. The 2015 Framework identifies the following areas as being key to the understanding of local pension board members:

- Pensions Legislation.
- Public Sector Pensions Governance.
- Pensions Administration.
- Pensions Accounting and Auditing Standards.
- Pensions Services Procurement and Relationship Management.
- Investment Performance and Risk Management.
- Financial markets and product knowledge.
- Actuarial methods, standards and practices.

## Links to The Scheme Advisory Board's Good Governance project

In February 2019 the SAB commissioned Hymans Robertson to consider options for enhancing LGPS governance arrangements to ensure that the Scheme is ready for the challenges ahead and at the same time retains local democratic accountability. Following extensive consultation and engagement with the LGPS community the SAB published 2 reports. The following recommendations from the second report relate directly to the attainment of knowledge and skills:

- Key individuals within the LGPS, including LGPS officers and pensions committee members, to have the appropriate level of knowledge and understanding to carry out their duties effectively.
- A requirement for s151 officers to carry out LGPS relevant training as part of their CPD requirements to ensure good levels of knowledge and understanding.
- Administering authorities must publish a policy setting out their approach to the delivery, assessment and recording of training plans to meet these requirements.
- Relevant professional bodies to produce appropriate guidance and training modules for s151 officers and to consider including LGPS training within their training qualification syllabus.

The findings of the Good Governance Review have yet to be formally adopted in statutory form, however, this Training Strategy recognises the principles behind the recommendations and seeks to embed them into the culture of the East Sussex Pension Fund.



## The Pensions Regulator's E-learning toolkit



The Pensions Regulator has developed an online toolkit to help those running public service pension schemes understand the governance and administration requirements set out in its code of practice 14 – *Governance and administration of public service pension schemes*<sup>1</sup>.

The toolkit covers 7 short modules, which are:

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

The Regulator also publishes a toolkit designed for use by trustees. This covers both Defined Benefit (DB) and Defined Contribution (DC) Schemes. This, second, toolkit includes a module on transfers out and pension scams, taking into account the change in legislation in 2021.

The modules of the Regulator's toolkits are by their very nature generic, having to cater for all public service pension schemes, along with both DB and DC schemes in the Trustee Toolkit. While they give a minimum appreciation of the knowledge and understanding requirements set out in the Code of Practice, they do not cater for the specific requirements of the individual public service schemes.

As a result, the Regulator's Public Service Toolkit does not cover knowledge and skills requirements in areas such as Scheme regulations, the Fund's specific policies and the more general pensions legislation.

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<sup>1</sup> This Code of Practice is set to be replaced by a new, modular, Code. When this takes place, the Fund will ensure the training plan meets the expectations of the new Code.

## Pension Committee

Under the constitution of East Sussex County Council, The Pension Committee has the responsibility to make arrangements for the investment, administration and management of the Pension Fund.

Members of the Committee must, therefore, have an understanding of all aspects of running the Fund and how to exercise their delegated powers effectively.

Members of the Pension Committee require an understanding of:

Their responsibilities as delegated under the constitution of East Sussex County Council as the administering authority for the Fund.

- The requirements relating to pension fund investments.
- The management and administration of the Fund
- Controlling and monitoring the funding level.
- Effective governance and decision making in relation to the management and administration of the Fund.

There also exists a specific requirement under MiFID II<sup>2</sup>, that those making investment decisions, must be able to demonstrate that they have the capacity to be treated as professional investors.

### Expectations on Pension Committee Members

The role of Pension Committee member is an important one and there are certain expectations on those undertaking the role. These include:

- A commitment to attend and participate in training events and to adhere to the principles of this Training Strategy.
- The ability to use acquired knowledge to participate in meetings and to ask questions constructively of the information provided by officers, advisers and others.
- Judge the information provided in a fair and open-minded way that avoids pre-determining outcomes.
- Operate within the terms of reference for the Pension Committee and the elected member code of conduct.

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<sup>2</sup> Markets in Financial Instruments Directive II (2014/65/EU)

## Local Pension Board

Under the constitution the Local Pension Board is required to aid East Sussex County Council as the LGPS Scheme Manager in securing compliance with:

- LGPS Regulations and any other legislation relating to the governance and administration of the LGPS.
- Requirements imposed in relation to the LGPS by The Pensions Regulator.
- Any other matters as the LGPS regulations may specify.

The role of the Local Pension Board is to provide assistance to the administering authority to ensure that the Fund is well run and complies with its legal responsibilities and best practice. The Local Pension Board does not replace the administering authority or make decisions which are the responsibility of the administering authority.

### **Local Pension Board members must be conversant with:**

- The relevant LGPS Regulations and any other regulations governing the LGPS.
- Guidance issued by The Pensions Regulator and other competent authorities, relevant to the LGPS.
- Any policy or strategy documents as regards the management and administration of the Fund.
- The law relating to pensions and such other matters as may be prescribed.

### **Expectations on Local Pension Board members**

The training provided to members of Local Pension Boards will ensure that they are familiar with certain legal requirements with they must comply. These are listed below:

- Members must have the capacity to represent employers or scheme members, according to whether they themselves are an employer or scheme member representative.
- Members must not have conflicts of interest and must provide the administering authority with any information they require to ensure that conflicts do not exist or arise in future.
- Have the appropriate level of knowledge and skills to carry out their role.

Local Pension Board members are also expected to demonstrate other attributes, including:

- A commitment to attend and participate in training events and to adhere to the principles of this Training Strategy.
- The ability to use acquired knowledge to participate in meetings and to ask questions constructively of the information provided by officers, advisers and others.
- Judge the information provided in a fair and open-minded way that avoids pre-determining outcomes.
- Operate within the terms of reference for the Pension Board.

## Chief Finance Officer (Section 151 Officer)

The Chief Finance Officer has specific LGPS related delegated powers under the constitution of East Sussex County Council. These include:

- Responsibility for implementing the policy decisions of the Pension Committee and to act for the Pension Committee in certain emergency situations where to delay buying or selling assets might be detrimental to the Fund.
- The power to approve the terms of admission agreements on behalf of the administering authority.
- The power to approve the membership of certain categories of employees of foundation schools as being eligible for LGPS membership.
- To undertake any necessary actions in connection with the admission of any academies to the East Sussex Pension Fund as scheme employers.

In addition, The Chief Finance Officer has the responsibility under s151 of the Local Government Act 1972 for the proper administration of the Authority's financial affairs, including those relating to the LGPS Fund.

It is important therefore that the individual carrying out the role of the Chief Finance Officer has an appropriate knowledge of LGPS and pension matters.

### **The Chief Finance Officer should be familiar with:**

- The LGPS Landscape and the role of the administering authority.
- The wider legal and regulatory framework.
- Key bodies and organisations.
- External Scrutiny.
- Employer issues including outsourcing and restructuring.
- The role of the actuary.

In addition, the Chief Finance officer should be familiar with certain specific aspects of their role in respect of the LGPS, these include;

- CIPFA guidance of the role of the Chief Finance Officer in the LGPS
- Fiduciary duties
- Relevant case law
- LGPS funds in a local authority context

## **Head of Pensions**

The Head of Pensions has responsibility for the operation of all aspects of the Fund and has delegated responsibilities in connection with the Council's role as administering authority for the East Sussex Pension Fund. Furthermore, the Head of Pensions provides expert advice and guidance to the pension committee. It is, therefore, expected that the Head of Pensions retains an exceptional level of knowledge, commensurate with the role.

The Head of Pensions should have an exceptional knowledge of:

- Pensions legislations: including LGPS, wider relevant pensions and guidance.
- Pensions governance: including legal and constitutional matters, relevant legal bodies and performance monitoring.
- Pensions administration: including administration and communications strategy, best practice in administration delivery and data management and security.
- Funding and actuarial matters: including setting funding strategy, employer risk and covenant, valuations and funding reporting and scrutiny.
- Accounting and auditing: including financial strategy, accounting, financial reporting and audit standards
- Investment strategy: including asset allocation, pooling, performance and risk management
- Financial markets and products knowledge: including MiFID II, pooling and asset classes
- Procurement: Including contract management, SLA's and relationship management

## **Other officers responsible for the management and administration of the Fund**

All individuals responsible for the management and delivery of the LGPS or who have a decision-making, scrutiny or oversight role require the appropriate training to ensure they are equipped to do their job well.

The knowledge and skills required of staff are set out in their job descriptions, including any formal qualifications required.

The exact nature and level of knowledge required will vary considerably by role.

Fund officers should have a strong understanding of:

- Relevant areas of the LGPS as required for the delivery of their role.
- The processes and procedures required to successfully carry out their role.
- Any pension fund or East Sussex County Council policies which apply, for example IT security, data management, equality and diversity.

## Participating Employers

The success of the Fund depends on the strength of the relationship between the administering authority and the employers that participate in it. Employers have a range of responsibilities within the LGPS and must employ individuals who have an understanding of the of those responsibilities.

Employers must be able to identify individuals who have an understanding of:

- Employer discretion policies.
- The role of the appointed person and the Internal dispute resolution procedure.
- Their responsibilities for starters, leavers and changes to membership as set out in the Fund's administration strategy.
- Their responsibilities for collecting and remitting contributions (including additional contributions).
- The reasons for leaving under the LGPS regulations.
- Providing information requested by the Fund at year end or as required
- Their responsibilities with respect to outsourcing, staff transfers and reorganisations.

## Management and delivery

To achieve these objectives, the Fund will aim for full compliance with the CIPFA Knowledge and Skills Framework (KSF) and the Pension Regulator Code of Practice to meet the skills set within that Framework. Attention will also be given to any guidance issued by the SAB, the Pensions Regulator and the Secretary of State.

The implementation of this Strategy and the delivery of the accompanying Training Plan will be the responsibility of the Fund's Training Officer. However, each individual with a requirement to attain knowledge and skills under this Strategy has a personal responsibility to ensure they meet the required standards and must fully engage with the process.



## Training Needs Assessment

Committee and Board members, and Officers covered by this Strategy will undergo a Training Needs Assessment (TNA). The TNA is conducted each year and will be used to identify areas of potential strength and weakness and will form of part of developing the Fund's training plan.

Specific TNA's on particular subjects will also be carried out as and when required by the Training Officer and will be used to inform subsequent training requirements.

### Level of knowledge and skills required

In developing the training plan, consideration will be given as to the level of knowledge needed for each group of individuals. For example, the Committee and Board may require only an "awareness" or "general understanding" of some areas while an Officer may require "detailed" or "expert" knowledge of the same topic.

The levels of knowledge that will be considered when drawing up the training plan and scheduling training events will be, in ascending order:

For Committee and Board members:

- An awareness – i.e. recognition that the subject matter exists.
- A general understanding – i.e. understanding the basics in relation to the subject matter.
- A strong understanding – i.e. a good level of knowledge in relation to the subject matter (but not necessary at detailed level).

For the Officers:

- A strong understanding – i.e. a good level of knowledge in relation to the subject matter (but not necessary at detailed level).
- Detailed knowledge – i.e. knowledge of all aspects of the subject matter
- Expert knowledge – i.e. in depth mastery of all aspects of knowledge in relation to the subject matter

### Individual Training Plans

Training plans will contain core elements, such as the CIPFA knowledge and Skills modules and the TPA's requirements, but there will be variations within each individual's training plan to reflect their specific role and level of knowledge required.

Individual training plans, as opposed to involvement in the general training offered, will be considered as and when necessary to meet a particular purpose.

## Measuring the effectiveness of training

The TNA will be used to measure training effectiveness. Results will be compared to previous years to determine whether the levels of knowledge and understanding have increased. Additionally, input will be sought throughout the year from the Pension Board and Pension Committee members on the effectiveness of training being delivered.

## Timing

Ideally, targeted training will be provided that is timely and directly relevant to the Committee and Board's activities as set out in the Fund's business plan.

## Approach

This Strategy sets out how the Fund provide training to members of the Pension Committee and Pension Board. The Officers involved in the management and administration of the Fund will have their own team and personal training plans and career development objectives.

- **Induction training** - Pension Committee and Pension Board members will receive induction training to cover the role of the Fund, Pension Board and understand the duties and obligations East Sussex Council as the Administering Authority, including funding and investment matters. Induction training will be arranged by the Training Officer and will be provided prior to the member attending their first committee or board meeting.
- **External courses** - Additionally, a number of specialist courses are run by bodies such as the Local Government Association, actuarial, governance and investment advisers as well as fund managers. Appropriate courses will be selected by the Head of the Pension Fund and the Training Officer and information circulated to members in advance on at least a monthly basis. Courses will be selected for their relevance to the Training Plan.
- **Conferences** - There are also a number of suitable conferences run annually, which will be brought to members attention where appropriate. Of particular relevance are the LGA Annual Governance Conference, LGA Fundamentals Training, Pension and Lifetime Savings Association (PLSA) Conference, the Local Government Chronical (LGC) Local Authority Conference, and the Local Authority Pension Fund Forum (LAPFF) annual conference.

Appropriate conferences will be selected by the Head of the Pension Fund and the Training Officer and information circulated to members in advance. Conferences will be selected for their relevance to the Training Plan.

Additionally, consideration will be given to various training resources available in delivering training to Pension Committee and Pension Board members. These may include but are not restricted to:

- In-house and shared training events where it improves economy, efficiency and effectiveness.
- Self-improvement and familiarisation with regulations and documents.
- The Pension Regulator's e-learning programme.
- Attending courses, seminars and external events.
- Internally developed training days and pre/post meeting sessions.
- Regular updates from officers and/or advisers.
- Informal discussion and one-to-one sessions.
- Formal presentations.
- Circulated reading material.
- E-learning.

## Flexibility

When considering training for members of the Pension Committee and Pension Board it is recognised that individuals may have different learning styles. The Fund will seek, where possible, to ensure flexibility in the manner in which training is provided to support these different learning styles.

## Maintaining knowledge

In addition to undertaking ongoing training to achieve the requirements of the CIPFA knowledge and skills framework Pension Committee and Pension Board members are expected to maintain their knowledge and understanding of topical issues through attendance at internal/external events and seminars where appropriate.

Owing to the changing world of pensions, it will also be necessary to attend ad hoc training on emerging issues or on a specific subject on which a decision is to be made in the near future.



## **Risk Management**

The delivery of this training strategy is at risk in the event of:

- Frequent changes in membership of the Pension Committee or Pension Board
- Poor individual commitment
- Resources not being available
- Poor standards of training
- Inappropriate training plans

These risks will be monitored, recorded and cross referenced with attendance details and assessment scores by the Training Officer and reported to the Pension Committee and Pension Board if their impact is likely to prevent the East Sussex Pension Fund from achieving the objectives of this Training Strategy.

## **Reporting and Compliance**

In line with the CIPFA Code of Practice a disclosure will be made in the Fund's Annual Report and Accounts that covers:

- How the Knowledge and Skills framework has been applied.
- What assessment of training needs has been undertaken.
- What training has been delivered against the identified training needs.

## **Budget and costs**

A training budget will be agreed with the Pension Committee and costs fully scoped. All direct costs and associated reasonable expenses for attendance of external courses and conferences will be met by the Fund, provided that the Scheme Manager's prior approval is sought before incurring any such expenses (other than routine costs associated with travelling to and from Pensions Board/Committee meetings) and appropriate receipts are sent to the Scheme Manager evidencing the expenses being claimed for.

## **Effective date**

This training strategy was reviewed at Pension Board on 27 May 2022 and approved at Pension Committee 17 June 2022.

## **Review**

This strategy will be reviewed every 2 years, and if necessary, more frequently to ensure it remains accurate and relevant.

**Report to:** Pension Board

**Date of meeting:** 27 May 2022

**By:** Chief Finance Officer

**Title:** External Audit Plan for the East Sussex Pension Fund 2021/22

**Purpose:** To inform the Board of the content of the East Sussex Pension Fund external audit plan for 2021/22

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## **RECOMMENDATION:**

**The Pension Board is recommended to note the report**

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### **1. Background**

1.1 Grant Thornton (GT), as the East Sussex Pension Fund's (ESPF) external auditors, have provided the External Audit Plan for 2021/22 (Appendix 1) which provides an overview of the planned scope and timing of the statutory audit of the ESPF Annual Report and accounts and identifies any significant risks.

1.2 The External Audit Plan was considered by the Audit Committee on the 27<sup>th</sup> March 2022. It was not available for consideration and discussion at the Pension Board (10<sup>th</sup> February 2022) and Pension Committee (24<sup>th</sup> February 2022).

### **2. Supporting Information**

2.1 The External Audit Plan for 2021/22 identifies a number of risks that require audit consideration as they could potentially cause a material error in the financial statements. These are:

- ISA240: Fraudulent revenue recognition (this presumed risk has been rebutted);
- Fraudulent expenditure recognition (this presumed risk has been rebutted);
- Management override of controls (journals, estimates and transactions);
- Valuation of level 3 investments;
- IAS26: Pension Fund Disclosures;
- Altair system data transfer.

2.2 One of the measures announced to improve the timeliness of external audits is to extend the deadline for the publication of audited local government accounts for 2021/22 from 30<sup>th</sup> September 2022 to 30<sup>th</sup> November 2022. It is proposed then to move back to 30<sup>th</sup> September for 6 years from 2022/23 onwards. This announcement is on the back of the Public Sector Audit Appointments (PSAA) stating that only 9% of all audits met the 30<sup>th</sup> September 2021 deadline for the 2020/21 accounts. East Sussex County Council and Pension Fund accounts were signed off on 19<sup>th</sup> October 2021.

2.3 The Fund is working with GT to ensure that the audit is completed as close to the original 30<sup>th</sup> September 2022 deadline. The MBOS (accounting system replacement) project will require a significant amount of officer involvement as it moves into data migration, User Acceptance

Testing and parallel running phases, as a result any audit delay could impact on necessary resources being managed away from the project.

2.4 The planned audit fees for 2021/22 are £35,487.

### **3. Conclusion and Recommendation**

3.1 The External Audit Plan is presented to the Pension Board to note.

**IAN GUTSELL**  
**Chief Finance Officer**

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# East Sussex Pension Fund audit plan

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Appendix 2: Financial Reporting Council's (FRC) quality inspection	20-21

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

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# Key matters

## Factors

### Pension Fund developments

There are significant political, social and economic factors which increase the risk around investment management and valuations; the Russian invasion of the Ukraine and how this might destabilise the world economy/impact on oil prices, the movement of the economy to recovery stage of the pandemic/‘living with the virus’, ongoing development of our knowledge/attitudes on the climate emergency and how this could impact investment portfolios and particularly institutional investors. These factors all mean that the global economy and hence investment valuations appear to be particularly uncertain at this point in time.

During the 2021/22 year the Pension Fund has restructured parts of its investment portfolio to ensure ongoing returns and alignment with the Pension Fund’s risk appetite.

### Pensions Administration Team changes

The Pensions Administration Team was brought under sovereign control at the start of the 2021/22 financial year. This involved a data migration of member data (though note that this was from between Altair databases as opposed to a change of system, so this meant the process was intrinsically more straightforward with less risk of data loss/errors).

## Our response

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee is set out further on page 15.
- We will continue to provide you with sector updates via our Audit Committee updates.
- Auditing standards assume an inherent risk of management override of control in respect of financial reporting– refer to page 5
- We have identified a significant risk in regards to the valuation of Level 3 investments specifically as the valuation of these investments is very sensitive to key assumptions – refer to page 6.
- We will review the Pension Fund’s process for ensuring the Altair data migration was complete and accurate.
- We will consider the Pension Fund’s process for restructuring the investment portfolio and ensuring this was implemented effectively as per the Fund’s stated control environment.

# Introduction and headlines

## Purpose

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

## Respective responsibilities

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

## Scope of our audit

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

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

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

## Significant risks

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

- Management override of controls
- Valuation of Level 3 Investments

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

## Materiality

We have determined planning materiality to be £42.4m (PY £34.7m) for the Pension Fund, which equates to 1% of your prior year net assets as at 31/03/2021. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. As part of our risk assessment we have considered the impact of unadjusted prior period errors (where applicable). Clearly trivial has been set at £2.1m (PY £1.7m).

## Audit logistics

Our audit planning visit has taken place during March 2022 and our final visit will take place between July and September 2022. The national timetable for audit completion has been set as 30 November 2022. Our key deliverables are this Audit Plan and our Audit Findings Report. Our audit logistics and planned timings are on page 19. Noting that this plan was produced very early in the audit planning visit, we highlight that the audit risk assessment is always a live and continuous process during the audit; if our risk assessment changes we will communicate those changes immediately to those charged with governance.

Our fee for the audit is still being assessed. Since appointment as your auditor, there have been a number of developments, particularly in relation to the revised Code and updated ISAs which are relevant for the 2020/21 and subsequent audits. Discussions with PSAA are currently ongoing, and we will discuss variances to the fee with your Chief Finance Officer. Our fee is subject to the Pension Fund delivering a good set of financial statements and working papers.

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

# Significant risks identified

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

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
ISA240 fraudulent revenue recognition	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>there is little incentive to manipulate revenue recognition</li> <li>opportunities to manipulate revenue recognition are very limited</li> <li>the culture and ethical frameworks of local authorities, including East Sussex Pension Fund, mean that all forms of fraud are seen as unacceptable</li> </ul> <p>Therefore we do not consider this to be a significant risk for East Sussex Pension Fund.</p>	Significant risk rebutted.
Fraudulent expenditure recognition	<p>We have also considered the risk of material misstatement due to the fraudulent recognition of expenditure. We have considered each material expenditure area, and the control environment for accounting recognition.</p> <p>We were satisfied that this did not present a significant risk of material misstatement in the 2021/22 accounts as:</p> <ul style="list-style-type: none"> <li>- The control environment around expenditure recognition (understood through our documented risk assessment understanding of your business processes) is considered to be strong;</li> <li>- We have not found significant issues, errors or fraud in expenditure recognition in the prior 3 years audits;</li> <li>- Our view is that, similarly to revenues, there is little incentive to manipulate expenditure recognition.</li> </ul> <p>Therefore we do not consider this to be a significant risk for East Sussex Pension Fund.</p>	Significant risk rebutted.

# Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Fund faces external scrutiny of its spending and stewardship of funds and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>Evaluate the design effectiveness of management controls over journals;</li> <li>Analyse the journals listing and determine the criteria for selecting unusual journals;</li> <li>Test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;</li> <li>Gain an understanding of the accounting estimates and critical judgements applied by management and consider their reasonableness with regard to corroborative evidence; and</li> <li>Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>
Valuation of Level 3 Investments	<p>You revalue your investments on an annual basis with the aim of ensuring that the carrying value of these investments is not materially different from their fair value at the balance sheet date.</p> <p>By their nature level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (£735 million) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p> <p>Management utilise the services of investment managers as valuation experts to estimate the fair value as at 31 March 2022. During this financial year, the Pension Fund have reviewed the equity portfolio and have engaged a number of new investment managers. This increases the risk of misstatement, as the new managers apply potentially different methods and assumptions.</p> <p>We therefore identified valuation of Level 3 investments as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>Evaluate management's processes for valuing Level 3 investments;</li> <li>Review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; against the requirements of the Code;</li> <li>Independently request year-end confirmations from investment managers and custodian;</li> <li>For a sample of investments, test the valuation by obtaining and reviewing the audited accounts at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconcile those values to the values at 31 March 2022 with reference to known movements in the intervening period;</li> <li>In the absence of available audited accounts, we will evaluate the competence, capabilities and objectivity of the valuation expert;</li> <li>Test revaluations made during the year to see if they had been input correctly into the Pension Fund's asset register; and</li> <li>Where available review investment manager service auditor report on design effectiveness of internal controls.</li> </ul>

# Other audit risks

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
IAS26 Pension Fund Disclosures	The methods/assumptions and judgements made in calculating these disclosures are complex and subjective, and as such there is a risk of error.	<p>We will;</p> <p>Update our understanding of the processes and controls put in place by management to ensure that the IAS26 disclosures are accurate;</p> <p>Evaluate the instructions issued by management to their management expert (an actuary) for producing the disclosures of the net liability estimate and the scope of the actuary's work;</p> <p>Assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation and produce the IAS26 disclosures; and</p> <p>Undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report.</p>
Altair system data transfer	The Pensions Administration Team was brought under sovereign control at the start of the 2021/22 financial year. This involved a data migration of member data (though note that this was from between Altair databases as opposed to a change of system. Although, this meant the process was intrinsically more straightforward, there is still some risk of data loss/errors	We will review and test the Pension Fund's process for ensuring the Altair data migration was complete and accurate.

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

# Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates. We identified 1 recommendation in our 2020/21 audit in relation to the Pension Fund's estimation process for valuation of level 3 investments.

## Introduction

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

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

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

Specifically do Audit Committee members:

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



# Accounting estimates and related disclosures

## Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2022.

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

- Valuation of level 2 and level 3 investments

## The Pension Fund's Information systems

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

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

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

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

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



### Estimation uncertainty

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

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

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

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

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

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

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

### Planning enquiries

As part of our planning risk assessment procedures we have addressed additional written enquiries to management and to those charged with governance in order to obtain the expanded understanding of the entity's internal controls required under ISA (UK) 540. The responses to these enquiries are included as part of this paper reported to the 29 March 2022 Audit Committee meeting.

### Further information

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

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

# Other matters

## Other work

The Pension Fund is administered by East Sussex County Council (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements.

Therefore, as well as our general responsibilities under the Code of Practice a number of other audit responsibilities also follow in respect of the Pension Fund, such as:

- We read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.
- We consider our other duties under legislation and the Code, as and when required, including:
  - Giving electors the opportunity to raise questions about your 2021/22 financial statements, consider and decide upon any objections received in relation to the 2021/22 financial statements;
  - Issue of a report in the public interest or written recommendations to the Fund under section 24 of the Act, copied to the Secretary of State.
  - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
  - Issuing an advisory notice under Section 29 of the Act.
- We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.

## Other material balances and transactions

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

# Materiality

## The concept of materiality

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

## Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the net assets of the Pension Fund. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £42.4m (PY: £34.7m), which equates to 1% of your prior year net assets as at 31/03/2022.

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

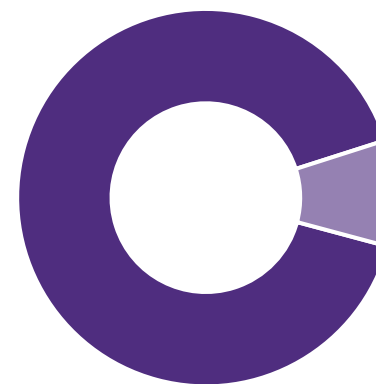
## Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £2.1m (PY: £1.7m).

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

## Prior year net assets at 31/03/2021

£4,244m Pension Fund  
(PY: £3,479m)



■ Net assets ■ Materiality

## Materiality

£42.4m  
Pension Fund  
financial  
statements  
materiality  
(PY: £34.7m)

£2.1m  
Misstatements  
reported to the  
Audit Committee  
(PY: £1.7m)

# IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the information systems relevant to financial reporting to identify and assess the risks of material misstatement. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure. Based on the level of assurance required for each IT system the assessment may focus on evaluating key risk areas ('streamlined assessment') or be more in depth ('detailed assessment').

[We plan to rely on the operation of application controls whether automated / IT dependent and will therefore carry out an extended ITGC assessment on the IT systems that support the operation of those controls. This is to gain assurance that the relevant controls have been operating effectively throughout the period.]

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
SAP	Financial reporting, General Ledger	<ul style="list-style-type: none"> <li>Streamlined ITGC design assessment</li> </ul>
Altair	Pensions Administration	<ul style="list-style-type: none"> <li>TBC after consideration during our audit planning visit</li> </ul>

# Audit logistics and team



## Darren Wells, Key Audit Partner

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

## Andy Conlan, Audit Manager

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

## Tom Pattison, Assistant Manager

Tom will support Andy in coordinating the audit, and will oversee particular technical areas of the audit deliver and significant risks. Tom will also attend Audit Committee.

## Audited body responsibilities

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

## Our requirements

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

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

# Audit fees

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as detailed on pages 10-12 in relation to the updated ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. We have engaged an audit expert to improve the level of assurance we require for property valuations estimates, which has been included in our proposed audit fee. Our proposed fee for 2021/22, as a result of the additional work above, and the impact of the Redmond Review, has been assessed below (changes to the fee from the 2020/21 fee are shown in Note 2 below the table). We are discussing the fee with your Chief Finance Officer and subsequently with the Audit Committee when this fee has been assessed. The fee is subject to approval by PSAA.

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	Proposed Fee 2020/21	Actual Fee 2020/21 Note 1	Proposed fee 2021/22 Note 2
Pension Fund Audit	£35,487	£43,487	£35,487
Total audit fees (excluding VAT)	£35,487	£43,487	£35,487

**Note 1** – 2020/21 fee variances have been discussed with your Chief Finance Officer, and are subject to review and approval by PSAA.

**Note 2** – the 2021/22 audit fee excludes £8,000 of proposed additional fees in the 2020/21 fee above relating to issues with working papers/delays in audit evidence being provided. However, if there are issues with working papers/evidence provision during the 2021/22 audit we will discuss any additional fees for this with your Chief Finance Officer.

Also note that this 2021/22 fee assumes that any hybrid working/remote working element to the audit works smoothly and does not cause any delays in audit procedures. We are currently working through the hybrid/on-site working arrangements for the audit with your finance team. Should there be any delay/fee impact from remote working/hybrid working arrangements that are not anticipated we will discuss these with management and those charged with governance at a future date.

## Assumptions

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

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

## Relevant professional standards

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

# Independence and non-audit services

## Auditor independence

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

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

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

## Other services

The following other services provided by Grant Thornton were identified/ No other services provided by Grant Thornton were identified.

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

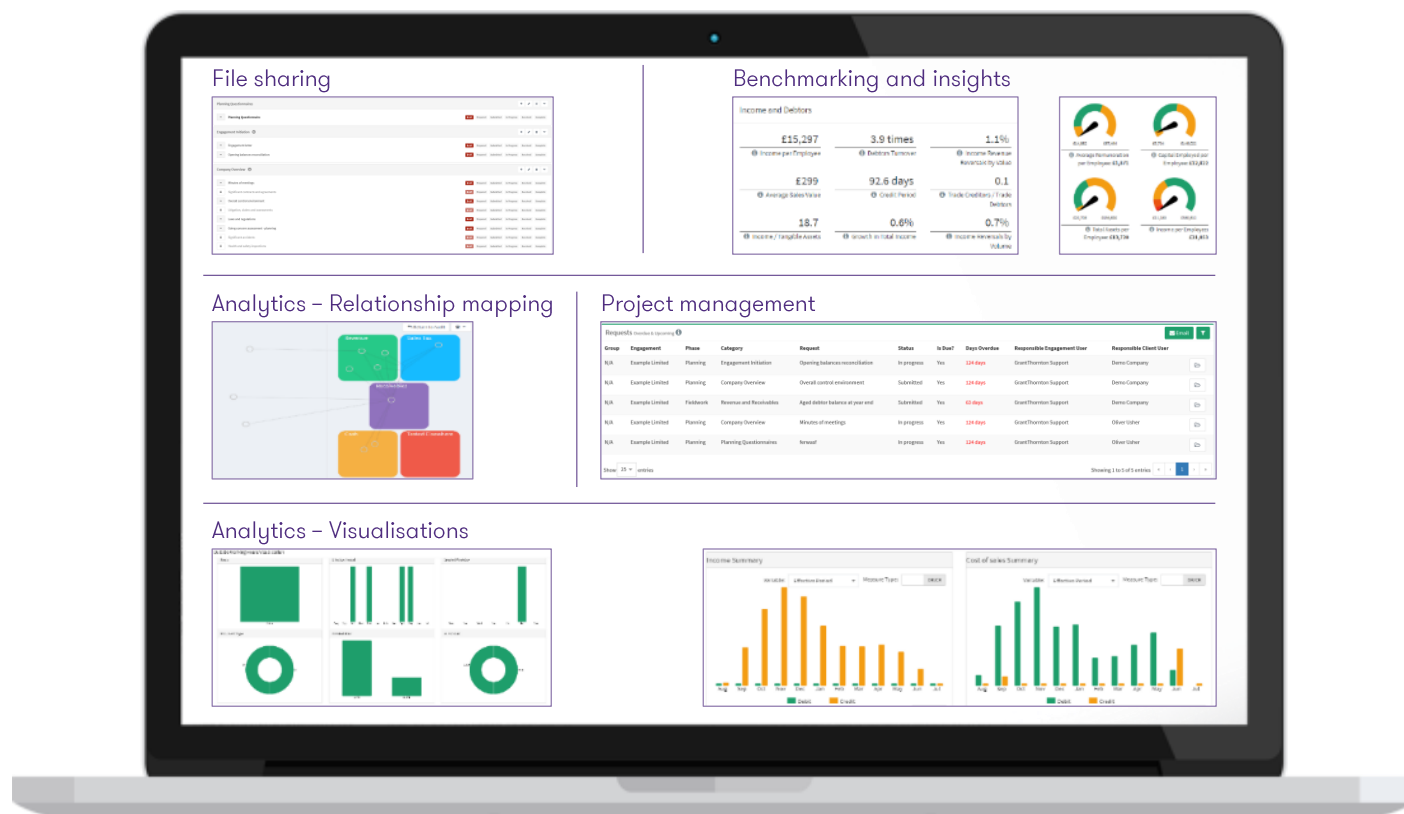
None of the services provided are subject to contingent fees.

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

# Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:

Function	Benefits for you
Data extraction	Providing us with your financial information is made easier
File sharing	An easy-to-use, ISO 27001 certified, purpose-built file sharing tool
Project management	Effective management and oversight of requests and responsibilities
Data analytics	Enhanced assurance from access to complete data populations



Grant Thornton's Analytics solution is supported by Inflo Software technology

# Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:



### Data extraction

- Real-time access to data
- Easy step-by-step guides to support you upload your data



### File sharing

- Task-based ISO 27001 certified file sharing space, ensuring requests for each task are easy to follow
- Ability to communicate in the tool, ensuring all team members have visibility on discussions about your audit, reducing duplication of work



### Project management

- Facilitates oversight of requests
- Access to a live request list at all times



### Data analytics

- Relationship mapping, allowing understanding of whole cycles to be obtained quickly
- Visualisation of transactions, allowing easy identification of trends and anomalies

## How will analytics add value to your audit?

Analytics will add value to your audit in a number of ways. We see the key benefits of extensive use of data analytics within the audit process to be the following:

### Improved fraud procedures using powerful anomaly detection

Being able to analyse every accounting transaction across your business enhances our fraud procedures. We can immediately identify high risk transactions, focusing our work on these to provide greater assurance to you, and other stakeholders.

Examples of anomaly detection include analysis of user activity, which may highlight inappropriate access permissions, and reviewing seldom used accounts, which could identify efficiencies through reducing unnecessary codes and therefore unnecessary internal maintenance.

Another product of this is identification of issues that are not specific to individual postings, such as training requirements being identified for members of staff with high error rates, or who are relying on use of suspense accounts.

### More time for you to perform the day job

Providing all this additional value does not require additional input from you or your team. In fact, less of your time is required to prepare information for the audit and to provide supporting information to us.

Complete extracts from your general ledger will be obtained from the data provided to us and requests will therefore be reduced.

We provide transparent project management, allowing us to seamlessly collaborate with each other to complete the audit on time and around other commitments.

We will both have access to a dashboard which provides a real-time overview of audit progress, down to individual information items we need from each other. Tasks can easily be allocated across your team to ensure roles and responsibilities are well defined.

Using filters, you and your team will quickly be able to identify actions required, meaning any delays can be flagged earlier in the process. Accessible through any browser, the audit status is always available on any device providing you with the information to work flexibly around your other commitments.

# Appendix 1: Progress against prior year audit recommendations

We identified the following issues in our 2020/21 audit of the Pension Fund's financial statements, which resulted in 3 recommendations being reported in our 2020/21 Audit Findings Report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
TBC	<p><b>Internal Controls around investment valuations at year end not operating</b></p> <p>We reviewed and tested the valuation of Level 3 investments via a full triangulation between the custodian confirmation, the fund manager confirmations and the general ledger balances as recognised at the year end. This highlighted that the accounts and general ledger figure for Investments was understated by £25.2m. The reason for this is that the custodian valuation used to produce the accounts was from September 2021, adjusted for cash activities to the year end date for each fund manager. In most cases this results in a materially accurate value for investments, but where there is another market value movement in the interim this can lead to this method leading to an inaccurate valuation, as it has here. The Fund Managers provide valuations as at 31 March 2021, and our understanding of the Pension Fund internal controls is that an internal triangulation check should have been undertaken to pick up any such market value movements and ensure where this has happened an updated custodian valuation to the year end is requested.</p> <p>In this case the variance was not material. However, this could easily have resulted in a material error where the control has not operated effectively.</p> <p>We recommended that management ensure that checks and controls around investment valuations (particularly Level 3 Investments where the valuation is more uncertain) to ensure the correct valuation is recognised in the financial statements.</p>	<p>This audit plan was drafted at the beginning of the audit planning period and therefore the audit team have not yet revisited the prior year audit recommendations in detail with your finance team. We will report on these in either our progress report or Audit Findings Report.</p>
TBC	<p><b>Internal Controls around contributions received during the year not operating</b></p> <p>In our testing of contributions we set out to review quarterly LGPS31 reconciliations which the Pension Fund should produce at each quarter to compare contributions expected from members to the actual amounts received. Where the amount received varies significantly from the expectation of the Fund this would be investigated/reconciled. In our testing we review these LGPS31 reconciliations, reconcile them to the general ledger and then review/reperform the analytics to gain assurance over the contributions received.</p> <p>However for the first 3 quarters of the year this reconciliation was not prepared. This was prepared during the audit fieldwork. Our view is that this is an important process for the fund to assure itself over the completeness of contributions received during the year and at the year end. This is part of the Fund's own documented internal control environment.</p> <p>We recommended that management ensure that checks and controls around investment valuations (particularly Level 3 Investments where the valuation is more uncertain) to ensure the correct valuation is recognised in the financial statements.</p>	<p>This audit plan was drafted at the beginning of the audit planning period and therefore the audit team have not yet revisited the prior year audit recommendations in detail with your finance team. We will report on these in either our progress report or Audit Findings Report.</p>
TBC	<p><b>Journal controls exception</b></p> <p>In our testing of manual journal we identified one journal where the internal process for journals of value over £1m was not observed. Journals over £1m should be sent to a more senior officer in the team for review and authorization prior to posting to the general ledger. Manual journals are known to be a method by which override of controls and/or fraud can be perpetrated.</p> <p>We recommended that management recommunicate this control to all new starters and existing staff to ensure that it is observed for all manual journals posted.</p>	<p>This audit plan was drafted at the beginning of the audit planning period and therefore the audit team have not yet revisited the prior year audit recommendations in detail with your finance team. We will report on these in either our progress report or Audit Findings Report.</p>

# Appendix 2 - Significant improvements from the Financial Reporting Council's (FRC) quality inspection

On 29 October, the FRC published its annual report setting out the findings of its review of the work of local auditors. The report summarises the results of the FRC's inspections of twenty audit files for the last financial year. A link to the report is here: [FRC AQR Major Local Audits October 2021](#)

Grant Thornton are one of seven firms which currently delivers local audit work. Of our 330 local government and NHS audits, 87 are currently defined as 'major audits' which fall within the scope of the AQR. This year, the FRC looked at nine of our audits.

## Our file review results

The FRC reviewed nine of our audits this year. It graded six files (67%) as 'Good' and requiring no more than limited improvements. No files were graded as requiring significant improvement, representing an impressive year-on-year improvement. The FRC described the improvement in our audit quality as an 'encouraging response by the firm to the quality findings reported in the prior year.' Our Value for Money work continues to be delivered to a high standard, with all of the files reviewed requiring no more than limited improvement. We welcome the FRC findings and conclusions which demonstrate the impressive improvement we have made in audit quality over the past year.

The FRC also identified a number of good practices including effective challenge of management's valuer, use of an auditor's expert to assist with the audit of a highly specialised property valuation, and the extent and timing of involvement by the audit partner on the VFM conclusion.

Our results over the past three years are shown in the table below:

Grade	Number 2018/19	Number 2019/20	Number 2020/21
Good with limited improvements (Grade 1 or 2)	1	1	6
Improvements required (Grade 3)	2	5	3
Significant improvements required (Grade 4)	1	0	0
Total	4	6	9

## Our continued commitment to Audit quality and continuous improvement

Our work over the past year has been undertaken during the backdrop of COVID, when the public sector has faced the huge challenge of providing essential services and helping safeguard the public during the pandemic. Our NHS bodies in particular have been at the forefront of the public health crisis. As auditors we have had to show compassion to NHS staff deeply affected by the crisis, whilst staying focused on the principles of good governance and financial management, things which are more important than ever. We are very proud of the way we have worked effectively with audited bodies, demonstrating empathy in our work whilst still upholding the highest audit quality.

# Significant improvements from the Financial Reporting Council's (FRC) quality inspection (cont.)

Over the coming year we will make further investments in audit quality including strengthening our quality and technical support functions, and increasing the level of training, support and guidance for our audit teams. We will address the specific improvement recommendations raised by the FRC, including:

- Enhanced training for local auditors on key assumptions within property valuations, and how to demonstrate an increased level of challenge
- Formalising our arrangements for the consideration of complex technical issues by Partner Panels.

As part of our enhanced Value for Money programme, we will focus on identifying the scope for better use of public money, as well as highlighting weaknesses in governance or financial stewardship where we see them.

## Conclusion

Local audit plays a critical role in the way public sector audits an society interact, and it depends on the trust and confidence of all those who rely on it. As a firm we're proud to be doing our part to promote good governance, effective stewardship and appropriate use of public funds.



**Report to:** Pension Board

**Date of meeting:** 27 May 2022

**By:** Local Pension Board

**Title:** Report of Pension Board to Pension Committee

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

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**RECOMMENDATIONS: The Pension Board is recommended to:**

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

## **1. Background**

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

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

## **2. Membership and attendance**

2.1 The membership of the Local Pension Board over the past year has been

### **Employer Representatives**

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

### **Member Representatives**

- Lynda Walker – UNISON
- Niki Palermo – GMB
- Diana Pogson – Pensioners' representative (until December 2021)
- Neil Simpson – Pensioners' representative (from March 2022)

### **Independent Chair**

- Ray Martin

2.2 Following the Local Elections of 5 May 2021, the employer representative nominated by the Borough and District Councils, Councillor Collier, was elected to East Sussex County Council and stood down from the Pension Board. Borough and District Councils were invited to nominate candidates to fill the vacancy. Cllr. Toby Illingworth was appointed by the Governance Committee in July 2021.

2.3 Diana Pogson stepped down at the end of her term on the Pension Board and decided she did not wish to be considered for a new term. All Pensioner members were asked if they wished to be considered for the vacant position and after an extensive process, detailed in Board and Committee papers for the

February 2022 meetings, Neil Simpson was appointed by the Governance Committee. His first Pension Board meeting was on 27 May 2022.

2.4 Attendance at meetings has generally been good since the last report to the Committee and all meetings have been quorate. Attendance at meetings is detailed on the table below. Neil Simpson was appointed after the last meeting of 2021/22, so attendance is not included in the table.

	1 June 2021	14 September 2021	5 November 2021	10 February 2022
Stephen Osborn	Y	Y	Y	Y
Cllr. Tom Druitt	Y	N	Y	Y
Cllr. Chris Collier	N			
Cllr. Toby Illingworth		Y	Y	Y
Lynda Walker	Y	Y	N	Y
Niki Palermo	Y	Y	N	Y
Diana Pogson	Y	Y	Y	
Ray Martin	Y	Y	Y	Y

### 3. Work of the Pensions Board

3.1 Meetings are held shortly (no less than 2 weeks) before each Pension Committee meeting, where all papers relating to administration, governance, policy, audit and communications are first considered by the Board prior to final versions being presented at Committee for approval. This allows the Board to feed in on matters of governance and represent the views of members and employers in the documents that are then taken for approval.

3.2 Members of the Pension Board sit upon, and have attended meetings of, the Communications Working Group, the Administration Working Group and the McCloud Working Group. By sitting on the working groups members of the Pension Board are able to use their knowledge and experience to support officers of ESPF during the development of new policies and procedures. This year the Pension Board members have, amongst other things, driven forward the work and thought into Communications of the Pension Fund to all stakeholders; provided input to the ACCESS Investment Pool about how it could improve its governance standards with member representation and driven consideration as to whether the Pension Board is an appropriate size.

3.3 The Pension Board considers its work programme at each meeting taking into account the regular items it sees and what is planned for upcoming committee meetings and are able to request areas of focus to be added to the Board work plan. An example of this is a request from the Pension Board for Officers to research approaches taken in relation to the size of Pension Boards at other funds in the LGPS, along with the potential advantages and disadvantages of increasing the number of Pension Board members. Such actions demonstrate a commitment to improving governance standards.

### 4. Actions

4.1 Since the last Pension Board report in September 2021, members of the Pension Board have supported Officers and the Pension Committee by collaborating in the production of a letter to an Employer that has consistently fallen short of expected standards. This letter was sent to the Employer's most senior officer to reinforce the message provided by Officers that improvements must be made to the provision of data to the Fund or consequences will be applied in line with the Pension Administration Strategy.

4.2 The Board has reviewed and approved new Terms of Reference for the Administration Working Group and the Communications Working Group. This took into account the setting up of the Communications Working Group and that the Working Group that pre-existed the Administration Working Group (the Data Improvement Working Group) had fulfilled its purpose and was in need of a change of emphasis to stay relevant to the operation of the Fund.

4.3 Members of the Pension Board have consistently provided input into the approach taken in relation to breaches of law. This has led to Officers being supported reporting an Employer to The Pensions Regulator for providing incorrect data. The support extended to providing input on how matters could be put right.

4.4 Due to the focus on communications and employer engagement by the Board the work on contributions monitoring and collection of funds has continued to improve over the year and the Boards focus has been a key driver in getting more than half of the Fund employers onto i-connect to enable monthly data provision, meaning members data is much more robust and year end processes will be simplified for those employers and the pensions team.

## **5. Training**

5.1 In the past year the Pension Board, along with members of the Pension Committee, have been offered a range of training opportunities. Additionally details of reading material and relevant podcasts have been provided.

5.2 Since the last report, Pension Board members have attended the Employers' forum; the PLSA Annual Conference and training on the forthcoming Valuation. Additionally, Pension Board members attended training on climate change and the Task Force on Climate Related Financial Disclosures.

5.3 In the February 2022 meeting, the Pension Board discussed obtaining licenses for an online training service provided by Hymans Robertson. The Board decided that it did not want to take up this opportunity and instead asked of a cheaper alternative to be explored.

## **6. Structure of the Pension Board**

6.1 The Pension Board is currently considering whether its structure could be improved. It has asked Officers to provide a paper, which will be presented to the Pension Committee in the June 2022 meeting, looking at the approaches being taken across the market.

6.2 The consideration of the Pension Board's structure is part of an ongoing commitment to ensure the Pension Board is operating as effectively as possible and in the best position it can be to fulfil its role of supporting the Pension Committee.

**Ray Martin**

**Chair of ESPF Local Pension Board**

Contact Officer: Sian Kunert, Head of Pensions

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**Report to:** Pension Board

**Date of meeting:** 27 May 2022

**By:** Chief Finance Officer

**Title:** Work Programme

**Purpose:** To note the Board and Committee work programme

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## **RECOMMENDATION**

**The Pension Board is recommended to note the work programme.**

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### **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
<b>Standing items (items that appear on each agenda)</b>		
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
<b>9 September 2022</b>		
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
Covenant Review Report	Report from PWC on the covenant review project	Head of Pensions
Good Governance Decision making matrix	Report to outline the revise the decision-making matrix for the Pension Fund, delegations and representations in line with SAB Good Governance project	Head of Pensions

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
<b>15 November 2022</b>		
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
<b>8 February 2023</b>		
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
Additional Voluntary Contributions (AVC) Report	AVC update report on AVC offerings to members	Head of Pensions
<b>2 June 2023 (TBC)</b>		

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

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.	In progress, to be provided September 2022

Future Pension Committee Agenda		
Item	Description	Author
<b>Standing items (items that appear on each agenda)</b>		
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
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
Investment Report	A Quarterly performance report of the investment managers	Head of Pensions and Investment Consultant

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
<b>17 June 2022</b>		
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
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
Communications Policy	Revision to the Communications Policy	Head of Pensions
Training Policy	Biannual review of the training Strategy	Governance and Compliance Pensions Manager
<b>20 July 2022 (no standing items)</b>		
Investment Report including Investment Strategy Review	A Quarterly performance report of the investment managers. Annual consideration on the effectiveness of the Investment strategy and suggested changes to the Investment Strategy Statement.	Head of Pensions and Investment Consultant

Training Item – Growth Equities	Training and discussion item – do growth equities still have a place in a portfolio in economic crisis	External Investment Manager
Training Item – Inflation impact on liabilities	Training and discussion item – how will increasing inflation impact on the Fund liabilities and Funding position.	External – Fund Actuary
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
2020 Stewardship Code Submission	Report outlining the Funds compliance with the 2020 Stewardship Code	Head of Pensions
<b>27 September 2022</b>		
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
Covenant Review Report	Report from PWC on the covenant review project	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
<b>30 November 2022</b>		

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
<b>22 February 2023</b>		
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
Additional Voluntary Contributions (AVC) Report	AVC update report on AVC offerings to members	Head of Pensions
<b>15 June 2023 (TBC)</b>		
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

Actions requested by the Committee		
Subject Area	Detail	Status
Beyond Oil and Gas Alliance	Paper discussed 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 – Committee asked for officers to see if IIGCC have any recommendations in relation to this reliance	Request with IIGCC and PRI, feedback will be provided to committee when received

Current working groups		
Title of working group	Detail and meetings since last Pensions Board and Committee meetings	Membership
Investment Implementation Working Group (IIWG)	<p>The Investment Working Group and ESG working group have been amalgamated, as agreed at Pensions Committee 21 September 2020.</p> <p>The IIWG has an advisory role to over oversee the implementation of decisions by the Pension Committee in relation to investment decisions and carry out detailed research and analysis for Pensions Committee.</p> <p>Recent meetings</p> <ul style="list-style-type: none"> <li>• 28 January 2022</li> <li>• 15 March 2022 (catch up call on actions)</li> <li>• 29 April 2022 (workplan discussion)</li> </ul>	<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"> <li>• 28 March 2022</li> </ul> <p>Scheduled</p> <ul style="list-style-type: none"> <li>• 5 July 2022</li> <li>• 16 August 2022</li> <li>• 18 October 2022</li> <li>• 15 December 2022</li> </ul>	<p>Cllr Fox, Ray Martin, Stephen Osborne, Paul Punter, Sian Kunert, Ian Gutsell</p> <p>Vacancy for Scheme Member Rep</p>

McCloud Working Group	<p>The McCloud Working Group has been established to oversee the implementation of the McCloud ruling within a prescribed timeframe and addressing any gaps and barriers preventing progress and ultimately delivery of the project.</p> <p>A high-level impact assessment has been completed to identify those members of the scheme that will be affected by this ruling.</p> <p>The Group have acknowledged there are many data requests of employers and this project needs to be managed carefully with other demands on employers time.</p> <p>Recent meetings</p> <ul style="list-style-type: none"> <li>• 12 January 2022 – supported by Hymans</li> </ul>	<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"> <li>• 28 February 2022</li> <li>• 28 April 2022</li> </ul> <p>Scheduled meetings</p> <ul style="list-style-type: none"> <li>• 9 June 2022</li> <li>• 14 September 2022</li> <li>• 9 November 2022</li> </ul>	<p>Lynda Walker, Ray Martin, Cllr Druitt, Sian Kunert, Tim Hillman, Paul Linfield</p> <p>Note - All Board members invited to attend</p>

## Training and Development - recent and future events

Invited:	Date	Topic	Committee	Board
O + C	20-21 Jan 22	<b>LGPS Governance Conference 2022</b> - Bournemouth Scheme Advisory Board update • Divest now? • The scheme member's view • Valuation 2022 - a panel of experts • Cyber security and pension scams • McCloud judgment • Legal update • The Regulators • Investment outlook	Cllr Fox	
B + C + O	27-Jan-22	<b>Valuation</b> - Barnett Waddingham <ul style="list-style-type: none"> <li>• Purpose and objectives of the valuation</li> <li>• Valuing the assets and liabilities - methodology and approach</li> <li>• Data - requirements and the importance of data quality</li> <li>• Assumptions - how these are determined and their impact on results</li> <li>• A look back at the 2019 funding position and what we might expect at 2022</li> <li>• Hot topics impacting the valuation</li> </ul>	Cllrs Fox, Hollidge, Hilton, Redstone	Ray Martin, Linda Walker, Niki Polermo, S. Osborn, Cllrs Illingworth, Druitt
B + C + O	28-Mar-22	<b>Impact Investment - Pensions for Purpose</b> <ul style="list-style-type: none"> <li>• Introduction to Pensions for Purpose;</li> <li>• What is impact investing? Introducing the spectrum of capital;</li> <li>• Overview of the Impact Investing Principles for Pensions - Impact-Investing-Principles-for-Pensions.pdf (impactinvest.org.uk) - and why pension funds should consider impact when they invest, including setting net zero targets;</li> <li>• What impact investments look like across public and private markets;</li> <li>• Tools to help support impact investment implementation.</li> </ul>	Cllrs Hilton, Fox	
B + C + O	28-Apr-22	<b>Overview of the Local Government Pension Scheme.</b> Designed especially for new members of LGPS Boards or Committees, and LGPS officers too. Also useful for anyone who wants to touch up their knowledge. They will also provide online networking opportunities. Topics: <ul style="list-style-type: none"> <li>• The LGPS</li> <li>• Benefit Summary &amp; Employee Costs</li> <li>• Employer Costs &amp; Cost Caps</li> <li>• Governance</li> </ul>		Neil Simpson

B + C + O	11-May-22	<b>Climate Change and TCFD - Uni of Sussex &amp; Izzy</b> <ul style="list-style-type: none"> <li>• Fundamental science of the earth's climate system</li> <li>• Observe the changing patterns in earth's climate (e.g. temperature, rainfall)</li> <li>• Why the earth's climate is changing and the evidence</li> <li>• How future climate is projected using global models under different scenarios</li> <li>• Predicted changes and impacts globally and for the UK under different scenarios</li> </ul> <b>TCFD</b> <ul style="list-style-type: none"> <li>• Introduction, objectives and Agenda</li> <li>• Climate change and financial stability</li> <li>• An introduction to the TCFD</li> <li>• Key Themes and topics</li> <li>• The TCFD Recommendations and examples of application</li> <li>• TNFD reporting</li> <li>• Practical next steps</li> <li>• Reflection and Summary</li> </ul>	Cllrs Taylor, Hollidge, Redstone	Ray Martin
B	18-May-22	<b>CIPFA's Annual Conference for Pension Board Members</b>		
C + O	25-26 May	<b><u>Investment conference</u></b> After the government's rallying cry to ignite an investment 'big bang', coupled with rising inflation and the continuing economic reverberations of the pandemic, how can pension investors adjust to the new environment, meet their responsibilities, and rise to the challenge? Join us to discuss climate-aware investing, value for money and the productive finance agenda. It's a changed world. What does it all add up to? Where is the next big risk?		
O + C + B	13-15 June	<b><u>PLSA Local Authority Conference</u></b> <ul style="list-style-type: none"> <li>• Responsible Investment, including DLUHC's consultation on new reporting regulations.</li> <li>• Asset pooling in the LGPS – what should the pools be doing for the funds?</li> <li>• Results of the PLSA's own Local Authority research project.</li> <li>• How pensions dashboards will work in the LGPS, and how funds can get ready for them.</li> </ul>		
B	22-Jun	<b><u>Local Pension Board Members.</u></b> latest updates on governance and the LGPS from key industry players.: Scheme Advisory Board update; DLUHC update; tPR update; Triennial Valuations; Legal update		Neil Simpson



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