



PENSION COMMITTEE

WEDNESDAY, 22 FEBRUARY 2023

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 of the meeting held on 30 November 2022 *(Pages 3 - 14)*
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 *(Pages 15 - 18)*
6. Valuation Report and Results and Funding Strategy Statement *(Pages 19 - 128)*
7. Governance Report *(Pages 129 - 202)*
8. Pensions Administration report *(Pages 203 - 216)*
9. Internal Audit reports *(Pages 217 - 234)*
10. Business Plan and 2023/24 Budget and Quarter 3 Budget Report *(Pages 235 - 250)*
11. Risk Register *(Pages 251 - 258)*
12. Investment Report *(Pages 259 - 318)*
13. Work programme *(Pages 319 - 332)*
14. Any other non-exempt items previously notified under agenda item 4
15. Exclusion of the public and press
To consider excluding the public and press from the meeting for the remaining agenda item on the grounds that if the public and press were present there would be disclosure to them of exempt information as specified in paragraph 3 of Part 1 of the Local Government Act 1972 (as amended), namely information relating to the financial or business affairs of any particular person (including the authority holding that information).

16. Investment Report (*Pages 333 - 338*)
17. Governance Report (*Pages 339 - 344*)
18. East Sussex Pension Fund (ESPF) Breaches Log (*Pages 345 - 350*)
19. Employer Admissions and Cessations (*Pages 351 - 356*)
20. Any other exempt items previously notified under agenda item 4

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14 February 2023

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Agenda Item 1

PENSION COMMITTEE

MINUTES of a meeting of the Pension Committee held at Council Chamber, County Hall, Lewes on 30 November 2022.

PRESENT Councillors Ian Hollidge, Paul Redstone (Chair), David Tutt, Georgia Taylor and Penny di Cara

ALSO PRESENT

Ian Gutsell, Chief Finance Officer
Sian Kunert, Head of Pensions
Russell Wood, Pensions Manager: Investment and Accounting
William Bourne, Independent Adviser to the Pension Committee
Andrew Singh, ISIO
Barry McKay, Barnett Waddingham
Paul Punter, Head of Pensions Administration
Michael Burton, Pensions Manager: Governance and Compliance
Mya Khine, Pensions Accountant
Dillon Piggott, CIPFA Trainee
Elitsa Iskrenova, Pensions Accounts Assistant
Bekki Freeman, Solicitor
Councillor Nick Bennett
Ray Martin, Chair of the Pension Board
Georgina Seligmann, Governance and Democracy Manager

32. MINUTES

32.1 The Committee RESOLVED to agree the minutes of the meeting held on 20 July 2022 as a correct record with two points noted:

- 1) 26.6 Clarification required about the use of the word significant.
- 2) 26.7 An update is required to reflect the wording of the Independent Adviser.

33. APOLOGIES FOR ABSENCE

33.1 Cllr Gerard Fox sent his apologies and Cllr Redstone was nominated to act as meeting Chair.

33.2 Cllr Penny Di Cara substituted for Cllr Gerard Fox.

34. DISCLOSURE OF INTERESTS

34.1 The Committee noted that Cllr David Tutt and Cllr Penny Di Cara are District and Borough Councillors for Eastbourne.

35. PENSION BOARD MINUTES

35.1 The Committee considered the minutes of the Pension Board meeting held on 15 November 2022.

35.2 The Committee RESOLVED to note the minutes.

36. GOVERNANCE REPORT

36.1 The Committee noted that the Governance Committee will consider a paper about Committee membership at the meeting of 24 January 2023.

36.2 The Committee RESOLVED to note the report.

37. PENSIONS ADMINISTRATION REPORT

37.1 The Committee considered a report providing an update on matters relating to Pensions Administration activities led by Paul Punter, Head of Pensions Administration.

37.2 The Committee NOTED the following points:

- 1) The Performance of the team, which is still under-resourced, returned to 95% in October.
- 2) Recruitment has been challenging but there have been positives with 3 internal promotions, October 4 new staff, interviews pending with appointments expected. The team is carrying 2 vacancies. Remote working has posed a challenge as pay rates must be competitive and many organisations allow full remote working, but the team is making progress on recruitment.
- 3) The Helpdesk has seen good performance though it was noted that Surrey are separating their service from Orbis. This will result in a smaller support team which will benefit from focusing on specialist ESPF support. Assurance has been given that the service will not be impacted however this will be reviewed in the summer to ensure continuity.
- 4) The team are on track to resolve all outstanding matters relating to annual benefit statements by March.
- 5) The team are making progress regarding McCloud with systems starting to be adapted ready for implementation in October 20 and have collected a significant amount of data The McCloud working group will convene in the near future to start to analyse data with the support of Haywards.

37.3 The Committee RESOLVED to note the report.

38. INTERNAL AUDIT REPORT

38.1 The Committee considered the Internal Audit Report introduced by Danny Simpson, Principal Auditor and noted that the following points:

- 1) The report gave substantial assurance but that the training matter needs resolving.

- 2) The figure of 107% relates to the Funding at the end of the 2019 actuarial valuation.

38.2 The Committee RESOLVED to note the report

39. QUARTERLY BUDGET REPORT

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

39.2 The Committee RESOLVED to note the report.

40. ANNUAL REPORT AND ACCOUNTS 2021-2022

40.1 The Committee considered a report containing a draft Annual Report and Accounts 2021/22 for approval introduced by Sian Kunnert Head of Pensions, who thanked the team for the hard work on the report and drew the Committee's attention to the following points:

- 1) The annual report will be published on 1 December 2022 subject to the Committee's approval.
- 2) There are some national infrastructure issues resulting in delays to the audit opinion being provided. LGA have advised publishing as a draft by the deadline.
- 3) The valuation information has been rolled forward from the 2019 valuation so it is produced before new analysis has been done.
- 4) LGPS Monitor, an optional service that can be provided by the Fund Actuary, allows for tracking of surplus and deficit of the underlying pension fund funding positions of employers, it would give more insight ahead of cessation.
ACCESS
- 6) The independent advisor highlighted that the governance structures of the ACCESS pool restrict the Fund's ability to manage it effectively.
- 7) There is some oversight lost when working within a pool and compromise is required. Officer's have had some challenges around the speed of operation. There are mechanisms and opportunities for improvement.
- 8) There have been some improvements such as an ACCESS governance manual in the last year, but there is limited transparency on some activity and the assets are held by an external FCA regulated operator which add complexity in the pooled model chosen.
- 9) A request will be taken to the next Joint Committee meeting for an independent governance review of the pool.

40.2 The Committee RESOLVED to:

- 1) Approve the draft Pension Fund Annual Report and Accounts 2021/22;
- 2) Note the update from the External Auditor.

41. ANNUAL TRAINING PLAN REPORT

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

41.2 The Committee RESOLVED to:

- 1) Note the outcome of the self-assessment knowledge and survey skills
- 2) Note the training made available in the past year
- 3) Note the type of events planned for the year ahead

Identify areas Committee members would like training on as a priority.

42. RISK REGISTER

42.1 The Committee considered the ESPF Risk Register.

42.2 The Committee RESOLVED to note the Pension Fund Risk Register.

43. INVESTMENT REPORT

43.1 The Committee considered a report introduced by Russell Wood, Pensions Manager and Andrew Singh, ISIO.

43.2 The Committee's discussion included the following key issues:

- 1) The Committee are asked to note that the United Nations Principles for Responsible Investment (PRI) is not accepting submissions in 2022, so the Fund's first submission will be deferred until 2023.
- 2) The Quarterly Performance Report for Q2 2022 and Q3 2022 are attached as Appendix 2 and 3. Since the last reported position, the valuation of the Fund has decreased from £4.7bn as at 31 March 2022 to £4.50bn as at 30 September 2022 (a decrease of £0.2bn). This is a small partial recovery from the unreported 30 June 2022 value of £4.49bn. This performance reflects a negative absolute return of 4.0% in the quarter to June and a positive absolute return of 0.2% in the quarter to September. The Fund marginally outperformed the benchmark in both periods.
- 3) The fall in gilt values caused significant liquidity concerns for UK DB pension schemes. Most growth asset classifications have struggled with the market volatility. The Bank of England have given a strong statement and markets have been trying to find the best way to respond.
- 4) The report details the increase in gilt yields and the upwards trend following the interest rate rise. The impact of the government's October 2022 Kwasi Kwarteng mini-budget has largely passed.
- 5) The Fund's assets delivered a positive return over Q3, performance across the Fund's mandates was predominantly positive with equity and infrastructure markets in particular increasing in value. Fixed income portfolios performed the least well due to rising interest rates.
- 6) The outlook for the next 3 – 5 years is positive.
- 7) Following the Committee's agreement at the February 2022 meeting to appoint IFM to mandate, the Fund has successfully onboarded and estimated time to deployment to be in the region of 3-9 months.
- 8) Schroders have had some staff changes, the impact of which will be monitored along with the property portfolio.

- 9) It is sensible to review the overall asset allocation following the market volatility though there should be consideration given to the timing of implementing changes.
- 10) There will be a revised strategy for the Committee to consider in 2023 in response to the new valuation.
- 11) Sustainable funds have been affected by limited exposure to the energy sector.
- 12) Osmosis is not linked to a traditional market index but have a proprietary sustainable approach looking at companies who make the most efficient use of their resources. The returns will lag against the value of fossil fuel companies.
- 13) There was a discussion on what the performance of funds were being benchmarked against. The Committee would welcome any further data available in future to further illustrate the progress being made by each fund against its benchmarks.
- 14) The rebalancing policy is aimed at the liquid assets on a quarterly basis in a range set around the fund's strategic asset valuation (ISIO give steer on range) and designed to work at a time of volatility.
- 15) The revised policy includes a proposal to give the CFO discretion to invest 5% of the portfolio outside of strategy in order to take advantage of market situations as they occur, in addition to the emergency powers already in place.

43.3 The Committee RESOLVED to

- 1) Note the investment report
- 2) Approve the rebalancing policy

44. WORK PROGRAMME

44.1 The Committee considered its work programme.

44.2 The Committee RESOLVED to agree the work programme.

45. EXCLUSION OF THE PUBLIC AND PRESS

The Committee RESOLVE 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).

46. INVESTMENT REPORT

46.1 The Committee considered a report introduced by Russell Wood, Pensions Manager and Andrew Singh, ISIO.

46.2 The Committee RESOLVED to:

- 1) Note the update on the triennial valuation and initial whole Fund results.
- 2) Approve the actuarial assumptions.
- 3) Agree the draft Funding Strategy Statement for consultation with employers.
- 4) Approve the revised Exit Credit Policy.

47. 2022 TRIENNIAL VALUATION AND FUNDING STRATEGY STATEMENT

47.1 The Committee considered a valuation report which provides an update on the 31 March 2022 Triennial Valuation results and assumptions.

47.2 The Committee RESOLVED to:

- 1) Note the update on the triennial valuation and initial whole Fund results.
- 2) Approve the actuarial assumptions.
- 3) Agree the draft Funding Strategy Statement for consultation with employers.
- 4) Approve the revised Exit Credit Policy.

48. BREACHES LOG

48.1 The Committee received an update on the Breaches Log, introduced by Michael Burton, Pensions Manager, who provided an update on outstanding or new Internal Dispute Resolution Procedure (IDRP) cases.

48.2 The Committee RESOLVED to:

- 1) Note the breaches of law and steps being taken.
- 2) Note the new IDRP complaint raised and the offer to be made to resolve it.

49. EMPLOYER ADMISSIONS AND CESSATIONS

49.1 The Committee considered a report on the latest admissions and cessations of employers within the Fund.

49.2 The Committee RESOLVED to:

- 1) Note the ongoing proceedings for the admission of admitted bodies to the Fund.
- 2) Note the ongoing proceedings for the cessation of employers from the Fund.
- 3) Approve the recommendation regarding distribution of funding surplus in respect of the cessation listed in the report.

The meeting ended at 2.00 pm.

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Summary of Pension Board members' discussion

Wednesday 8 February 2023, 10.00am, County Hall, Lewes

Present:

Ray Martin, Chair of the Pension Board
Neil Simpson, Member of the Pension Board
Lynda Walker, Member of the Pension Board
Sian Kunert, Head of Pensions
Michael Burton, Pensions Manager: Governance and Compliance
Russell Wood, Pensions Manager: Investment and Accounting
Ian Gutsell, Chief Finance Officer
Danny Simpson, Principal Auditor
Tim Hillman, Pensions Manager: Employer Engagement
Paul Linfield, Pensions Communications Manager
Jennie Shuttleworth, Pensions Service Delivery Manager
Georgina Seligmann, Governance and Democracy Manager
Cllr Paul Redstone
Cllr Gerard Fox
Barry McKay, Partner and Actuary – Barnett Waddingham

1.1 The Chair of the Pension Board noted that, due to the fact that two members of the Board had given their apologies (Cllr Tom Druitt and Niki Palermo) and that Cllr Toby Illingsworth was not in attendance, the meeting of the Pension Board scheduled for 10am on 8 February was inquorate and could not go ahead.

1.2 The Chair agreed to consider the reports of the Board meeting informally with officers and those members of the Pension Board present.

1.3 A summary of the discussion between members of the Pension Board and officers is set out below.

PENSION COMMITTEE AGENDA

1.4 Sian Kunert (SK) advised the Committee pack would be the same as the Board pack other than investment papers and two additional policies under the valuation item.

VALUATION REPORT AND RESULTS AND FUNDING STRATEGY

1.5 Barry McKay (BM) gave an overview of the valuation position

1.6 Lynda Walker (LW) asked about the mechanism and impact if inflation rates do not fall as expected. BM confirmed that the key objective is to keep contribution rates stable and that there are funds set aside to keep contribution rates stable if inflation stays higher for longer than expected.

1.7 Attendees agreed that the accepted view is that inflation rates are a short-term issue and that reducing it is a key objective of the Bank of England and other central banks.

1.8 BM confirmed that it remains under review and next valuation is only two years away. The actuary produce a quarterly update on the funding level outside of the valuation years which is an appropriate mechanism by which to keep track of the funding level.

1.9 There was a discussion on the Fund where employers cease while the services and employees continuing uninterrupted and NS asked if it is an issue for cessation values. SK advised that in the case of outsourced contracts where this situation would be the case, the

default approach is for no cessation value to take place as they are on passthrough agreements instead and confirmed that the policies which will be available at the next meeting allow for employers to manage cessations to be there as deferred or for employers to pay debt off slowly which will be more manageable.

1.10 There was a discussion on the need to raise awareness with employers, particularly Town and Parish Councils, about the costs associated with cessation and acknowledged the work undertaken by officers on this to highlight the risk and that other funds suffer from this issue.

1.11 RM suggested that the valuation results and covenant review are brought together to consider risk to the fund. SK confirmed that only two employers are below the 100% funding position (excluding pooled employers) and this would be highlighted to the Committee.

GOVERNANCE REPORT

McCloud

1.12 MB confirmed that a replacement employer representative is required for the McCloud working group following Stephen Osbourne's tenure ending. MB will raise this when employers are present at next quorate meeting.

Membership

1.13 There was discussion around future meeting attendance with the changes to membership during 2023. Officers are in the process of appointing a staff representative to the existing Board vacancy.

1.14 The Chair role is due for renewal and officers are accepting applications for this.

1.15 There was discussion on approaching employers for replacement Board members to consider nominating an officer to attend to reduce the impact of elections on Board membership which can affect quoracy.

Updated Pension Administration Strategy

1.16 NS asked whether costs are recharged or if charging is a last resort. MB confirmed that charging is dependent on the issue to determine which process is followed. SK confirmed that this arrangement existed in the previous strategy and that engagement is always preferred so that charging acts as a last resort.

1.17 NS requested that the wording is reconsidered to strengthen the position of the Fund and its intention to charge employers if necessary. SK confirmed that the fund is now in a position to do this.

1.18 RM acknowledged the engagement work undertaken by officers.

KPIs

1.19 RM thanked the team for collating the targets of other funds and would welcome any further data

EMPLOYER ENGAGEMENT AND CONTRIBUTIONS REPORT

1.20 LW highlighted how much progress had been made by the Fund and the number of positives and endorsed the view that the data is much improved. RM endorsed this view.

COMMUNICATIONS REPORT

1.21 LW highlighted that Communications to member's are much improved and this has been highlighted through the reports to her board. Members have welcomed all the revised information and attention given to accessibility. RM endorsed this view.

PENSIONS ADMINISTRATION REPORT

1.22 SK provided a brief overview of the report: the majority of the team vacancies have now been recruited with just two outstanding roles to recruit for. A new Project Manager will be onboarded soon which will add significant resource. SK highlighted that the KPI results may drop as the team work address the backlog of issues relating to transitioning BHCC members onto i-Connect and that this matter would be considered further at the Pension Committee meeting of 22 February.

INTERNAL AUDIT

1.23 NS noted the positive progress made on employers transitioning onto i-Connect but that it was not included in the business continuity plan and therefore asked about the potential impact if there were an issue.

1.24 Danny Simpson (DS) and Tim Hillman (TS) confirmed that i-Connect is included within the overall continuity plan and that as it is a data portal officers would have the ability to catch up if there is an interruption or have the option of a manual return as the data could be provided in a different way.

1.25 NS asked what assurance the Board can have on contributions received from employers. DS confirmed that officers do have access to payroll systems (other than BHCC) so the Fund is dependent on accurate signoff from employers – officers do stress this to Employers.

QUARTERLY BUDGET REPORT

1.26 Russell Wood (RW) highlighted the decrease in the last reported outturn is due to investment manager fees being less than forecast though these will be removed in future budgets. Further, there is reduced staff spend due to the current vacancies.

1.27 RW confirmed that there are some one-off IT projects planned for next year to improve systems and that there are some increased contract costs as these are linked to inflation and Actuary fees are lower as it is not a valuation year.

PENSION FUND RISK REGISTER

1.28 SK highlighted that risks G4 and I4 had increased; further information will be coming to the Pension Committee as part of exempt investment paper.

WORK PROGRAMME

1.29 The Board noted the lack of training being reported; officers will give a renewed focus on training when onboarding new members of the Board.

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Report to: Pension Committee

Date of meeting: 22 February 2023

By: Chief Finance Officer

Title: Triennial Valuation 2022 and Funding Strategy Statement

Purpose: This report provides the results of the 2022 Triennial Valuation and a revised Funding Strategy Statement

RECOMMENDATION

The Committee is recommended to:

1. Approve the draft 2022 Valuation report (Appendix 1)
 2. Approve the revised Funding Strategy Statement (Appendix 2)
 3. Approve the draft Contribution review policy for consultation (Appendix 3)
 4. Approve the draft Deferred Debt and Debt Spreading Agreement policies for consultation (Appendix 4)
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1. Background

1.1 It is the responsibility of East Sussex County Council, in its capacity as Administering Authority to the East Sussex Pension Fund (the Fund), to prepare, publish and maintain the Fund's Funding Strategy Statement. This document has been reviewed alongside the 2022 Valuation process and formal consultation with employers.

1.2 The 2022 Valuation of the Fund on a triennial basis is a regulatory requirement and is used to determine contribution rates payable by participating employers for the period commencing 1 April 2023. The valuation is carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 ("the Regulations"). The Fund Actuary has now prepared the 2022 Valuation report which records the high-level outcomes of the actuarial valuation.

2. Triennial Valuation 2022 report

2.1 The Pension Board and Pension Committee received an update on the 2022 triennial valuation in November 2022 following a presentation to the Committee in July on the proposed assumptions. The November meetings set out the initial 2022 whole fund valuation results and draft whole fund primary rate along with the details assumptions, a climate scenario report and the draft Funding Strategy Statement (FSS). The initial results showed a current whole fund funding level of 123% up from 107% in 2019 and an expectation that employer contribution rates which were (on average) expected to slightly reduce overall, but the primary rate would be higher due the increased inflation assumptions for future benefit accruals. The draft strategy and assumptions for the valuation were approved by the Pension Committee on 30 November 2022 alongside the draft whole fund valuation results report.

2.2 Working alongside the Fund Actuary, Fund Officers have now completed the consultation period with employers around the draft FSS and employers have all had sight of their individual results and contribution rates. The consultation period was kick started with a well-attended Employer Forum on 24 November 2022, where a presentation was received from the Fund Actuary and those employers in attendance received their draft results and had the opportunity to speak to the Fund actuary.

2.3 The Fund Actuary has now drafted the 2022 Valuation report which records the high-level outcomes of the actuarial valuation, including the value of the assets and liabilities of the Fund as at 31 March 2022 and the required rate of employers' contributions to the Fund for the period from 1 April 2023 to 31 March 2026 (set out in the Rates and Adjustments certificate). The report is provided in **Appendix 1**.

3. Funding Strategy Statement (FSS)

3.1 Under the Regulations, all Local Government Pension Scheme (LGPS) funds have a statutory obligation to produce a Funding Strategy Statement (FSS). The Fund reviews the FSS at least every three years alongside the valuation but also from time-to-time when required. The current version of the FSS was approved by the Pension Committee on 16 March 2020 following the 2019 valuation.

3.2 The revised FSS was approved in draft form by the Pension Committee in November 2022. Following this approval, the draft version was issued to all participating employers for consultation alongside their individual results and contribution rates. The consultation period with employers ran for 7 weeks from 1 December 2022 to 20 January 2023.

3.3 The Fund received communication from 38 (30%) Scheme Employers who stated they had no comments or questions, and had direct questions and more specific detailed communication from 8 scheme employers / Academy Trusts which covered the following items.

- Crowborough Town Council responded asking for assurance that the Fund will remain in surplus as current inflation is significantly higher than the long term assumptions and suggested that it would be wiser not to reduce contribution rates at this stage.
- Brighton Aldridge Community Academy and Portslade Aldridge Community Academy confirmed they support the Funding Strategy Statement as a whole. They also confirmed they supported the Academy pooling change and were happy to be within the pool, they agreed with a stabilisation approach, but questioned whether the DFE guarantee for academies should provide a significantly strong covenant to warrant a lower funding threshold for amortising the surplus. They also asked for clarity over the ill health insurance provision and impact the pool.
- Plumpton College asked a number of questions relating to the strategy and contribution results.
- NSL confirmed they had no comments on the FSS, but asked for consideration of the draft rate.
- STEP multi academy trust confirmed they wanted to remain outside the academy pool. The communication also led to further conversations with the employer, which has helped engagement with this trust.
- South Downs Learning Trust asked for confirmation on the date the new rates came into place and wanted to confirm their understand on a single point.
- Wealden District Council had no comment or question on the FSS but got in touch to ask when rates for employers and members would be finalised to help then ensure operationally they could administer the new rates in time.

- Southern Housing (formally Optivo), requested a meeting to discuss their results which was held with officers and the Fund actuary.

3.4 As there was no formal challenge to any aspect of the FSS by scheme employers and no recommendations to consider for change, officers are not recommending any further change to the draft FSS following the results of the consultation. The draft strategy has been changed post consultation from a formatting perspective, to ensure the document is accessible and branded in line with Fund communication standards. The draft FSS is provided as **Appendix 2**.

3.5 During the consultation process the Fund Actuary raised the topic of amending the methodology for calculating cessation exit payments. This was following a high level of volatility in gilt yield in late 2022. The volatility in gilt yields could have significant consequences on the calculation of cessation debts where an employer is subject to a full cessation event or minimum risk funding positions. Instead, the Fund Actuary is proposing that a more stable valuation method could be implemented while ensuring sufficient levels of prudence in the assumptions, using stochastic modelling. As a result, Fund officers will look further into the implications of the existing and proposed approach, and if an alternative approach is preferred, officers will consult with employers and make a recommendation to amend the current methodology as laid out in the FSS.

4. Contribution review, Deferred Debt and Debt Spreading agreement policies

4.1 The government amended the Local Government Pension Scheme (LGPS) Regulations 2013 in September 2020 introducing new powers for administering authorities to review employer contributions, spread exit payments and set up Deferred Debt Agreements (DDA). The government confirmed that if any dispute occurs relating to the new powers the LGPS internal dispute resolution procedures would apply.

4.2 The government have recognised that the LGPS has a large and diverse employer base and circumstances can change significantly between valuations affecting both funds and employers. The cost of existing the Scheme can be prohibitive for some employers. Prior to September 2020 the LGPS regulations required payment of exit payment when the last active member of a fund left the Scheme, or an employer ceased to be an employer where there was a deficit at the time of exit.

4.3 The introduction of deferred employer status allows an administering authority to defer the triggering of an exit payment where it deems it appropriate, has a policy and has regard to actuarial advice. While this arrangement is in place deferred employers continue to pay contributions as required by the Fund revised in the valuations. A new power allows for an exit payment to be spread over a period of time.

4.4 The September 2020 regs also broaden the circumstances in which the Fund can amend an employer's contribution rate between valuations to allow for situations where the liabilities appear to have changed significantly, where it appears there is a significant change in the employer's ability to meet statutory obligations, or where an employer requests a review and undertaken to meet the costs.

4.5 There is no requirement on the Fund to use these new powers, they can only be used where there is a policy in place in or alongside the FSS.

4.6 The Fund is recommending the introduction of two new policies to cover these new powers as suggested in the draft FSS. The draft policies are included as Contributions Review policy as **Appendix 3** and Deferred Debt Policy is **Appendix 4**. If the Committee agree to the draft policies these will be shared with scheme employers for comment and brought back to the Committee in June for final approval and implementation.

5. Conclusion and reasons for recommendation

5.1 The Pension Committee is recommended to approve the Valuation report, approve the Funding Strategy Statement, approve the draft Contribution review policy for consultation and approve the draft Deferred Debt Agreement and Debt Spreading agreement policy for consultation.

IAN GUTSELL
Chief Finance Officer

Contact Officer:	Sian Kunert, Head of Pensions
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**BARNETT
WADDINGHAM**
beyond the expected

VALUATION REPORT

East Sussex Pension Fund

Actuarial valuation as at 31 March 2022

Barry McKay FFA
Roisin McGuire FFA

Barnett Waddingham LLP
9 February 2023



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Executive summary

Some of the key results contained within this report are set out below:

1. Funding position

Using the agreed assumptions, the Fund had assets sufficient to cover 123% of the accrued liabilities as at 31 March 2022, which has increased from 107% at the 2019 valuation.

2. Contributions

Individual employer contributions are set out in Appendix 5 in the Rates and Adjustments Certificate to cover the period from 1 April 2023 to 31 March 2026. No employer is permitted to pay their deficit over a period greater than 20 years from 1 April 2023.

3. Method and assumptions

The resulting method and assumptions are set out in Appendix 2 and we believe they are appropriate for the 31 March 2022 valuation. The key assumptions used are a discount rate assumption of 4.6% p.a. and a CPI inflation assumption of 2.9% p.a.

4. Investment performance

Investment returns have been strong since the previous valuation, but gains in the funding position have been partially offset by an increase in future anticipated inflation.

5. Regulatory changes

There have been a number of important regulatory changes since the 2019 valuation including McCloud, Cost management and Climate risk. Details of how we have approached each change is detailed in this report including detail where there remains uncertainty.

Background

We have been asked by East Sussex County Council, the administering authority for the East Sussex Pension Fund (the Fund), to carry out an actuarial valuation of the Fund as at 31 March 2022. The Fund is part of the Local Government Pension Scheme (LGPS), a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 (the Regulations) as amended.

The purpose of the valuation is to review the financial position of the Fund and to set appropriate contribution rates for each employer in the Fund for the period from 1 April 2023 to 31 March 2026 as required under Regulation 62 of the Regulations.

This report summarises the results of the valuation and is addressed to the administering authority of the Fund. It is not intended to assist any user other than the administering authority in making decisions or for any other purpose and neither we nor Barnett Waddingham LLP accept liability to third parties in relation to this advice.

This report is provided further to earlier advice dated 27 September 2022 which set out the background to the valuation and explained the underlying methods and assumptions derivation.

This advice complies with Technical Actuarial Standards (TASs) issued by the Financial Reporting Council – in particular TAS 100: Principles for Technical Actuarial Work and TAS 300: Pensions.

We would be pleased to discuss any aspect of this report in more detail.

Valuation methodology

Setting contributions

The contribution rates consist of two elements, the primary rate and the secondary rate:

- The **primary rate** for each employer is the employer's future service contribution rate (i.e. the rate required to meet the cost of future accrual of benefits) expressed as a percentage of pay.
- The **secondary rate** is an adjustment to the primary rate to arrive at the total rate each employer is required to pay (for example, to allow for deficit recovery). The secondary rate may be expressed as a percentage of pay or a monetary amount.

Regulation 62 specifies four requirements that the actuary "must have regard" to:

1. The existing and prospective liabilities arising from circumstances common to all those bodies
2. The desirability of maintaining as nearly a constant a primary rate as possible
3. The current version of the administering authority's Funding Strategy Statement (FSS)
4. The requirement to secure the "solvency" of the pension fund and the "long-term cost efficiency" of the Scheme, so far as relating to the pension fund

The wording of the second objective is not ideal in that it appears to be aimed towards the primary rate rather than taking into account the surplus or deficit of the employer. We believe that if we achieve reasonably stable total individual employer rates (which seems like a preferable objective) then we will also meet the regulatory aim.

CIPFA's FSS guidance includes further details, summarised as follows:

- **"solvency"** means ensuring that employers are paying in contributions that cover the cost of benefit accrual and target a fully funded position over an appropriate time period using appropriate actuarial assumptions, and
- **"long-term cost efficiency"** means that employers have the financial capacity to increase contributions (or there is an alternative plan in place) should contributions need to be increased in future.

Assumptions used

We have considered these four requirements when providing our advice and choosing the method and assumptions used.

A number of reports and discussions have taken place with the administering authority before agreeing the assumptions to calculate the results and set contribution rates. In particular:

- The initial results report dated 27 September 2022 provides information and results on a whole fund basis as well as background to the method and derivation of the assumptions.
- The climate analysis report dated 14 November 2022 which considers climate risk in the context of the Fund's 2022 actuarial valuation. It considers whether the 2022 valuation funding strategy is sufficiently robust in the context of this climate scenario analysis and any potential contribution impacts.
- The FSS which will confirm the approach in setting employer contributions.

Note that not all these documents may be in the public domain.

The assumptions detailed in this report have been agreed with the administering authority. The Fund's FSS has been reviewed in collaboration with the administering authority to ensure that it is consistent with this approach. The FSS complies with the latest version of CIPFA's FSS guidance but we understand that this guidance is currently under review by the Scheme Advisory Board's Compliance and Reporting Committee. This updated guidance had not come into effect as at the date of this report.

We confirm that in our opinion the agreed assumptions are appropriate for the purpose of the valuation. Assumptions in full are set out in Appendix 2.

Valuation of liabilities

To calculate the value of the liabilities, we estimate the future cashflows which will be made to and from the Fund throughout the future lifetime of existing active members, deferred benefit members, pensioners and their dependants. We then discount these projected cashflows using the discount rate which is essentially a calculation of the amount of money which, if invested now, would be sufficient together with the income and growth in the accumulating assets to make these payments in future, using our assumption about investment returns.

This amount is called the present value (or, more simply, the value) of members' benefits. Separate calculations are made in respect of benefits arising in relation to membership before the valuation date (past service) and for membership after the valuation date (future service).

To produce the future cashflows or liabilities and their present value we need to formulate assumptions about the factors affecting the Fund's future finances such as inflation, salary increases, investment returns, rates of mortality and staff turnover etc.

The assumptions used in projecting the future cashflows in respect of both past service and future service are summarised in Appendix 2.

Valuation of assets

We have been provided with audited Fund accounts for the years to 31 March 2020 and 31 March 2021 and unaudited Fund accounts for the year to 31 March 2022.

The market asset valuation as at 31 March 2022 was £4.69bn. Please note that this excludes members' additional voluntary contributions (AVCs).

For the purposes of the valuation, we use a smoothed value of the assets rather than the market value. The financial assumptions that we use in valuing the liabilities are smoothed around the valuation date so that the market conditions used are the average of the daily observations over the period 1 January 2022 to 30 June 2022. Therefore, we value the assets in a consistent way and apply the same smoothing adjustment to the market value of the assets.

The smoothed asset valuation as at 31 March 2022 was £4.62bn. This was based on a smoothing adjustment of 98.5%. More detail can be found in Appendix 1.

The Fund's long-term investment strategy has been taken into consideration in the derivation of the discount rate assumption. The investment strategy is set out in the Fund's Investment Strategy Statement (ISS) that should be made publicly available on the Fund's website.

Previous valuation results

The previous valuation was carried out as at 31 March 2019 by Hymans Robertson. The results are summarised in the valuation report dated 31 March 2020 and reported a surplus of £247m.

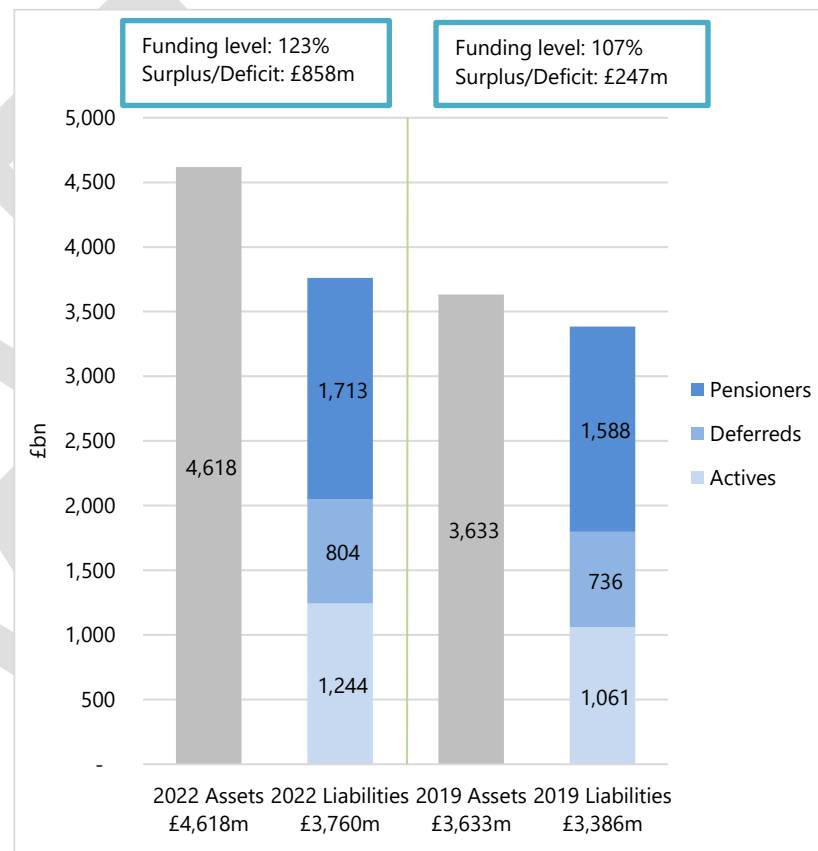
Results

Funding position

A comparison is made of the value of the existing assets with the value of the accrued liabilities. If there is an excess of assets over the liabilities then there is a surplus. If the converse applies there is a deficit.

Using the assumptions summarised in Appendix 2, the funding position is set out in the graph below. This shows the funding position of the Fund at the current and previous valuation dates.

There was a surplus of £858m in the Fund at the valuation date, corresponding to a funding level of 123%.



Contribution rates

Primary rate

Using the assumptions summarised in Appendix 2, the resulting average primary rate across the whole Fund is set out in the table below (after allowing for member contributions).

The primary rate for the whole Fund is the weighted average (by Pensionable Pay) of the individual employers' primary rates including a comparison to the primary rate at the previous valuation.

Primary rate	2022 valuation of payroll p.a.	2019 valuation of payroll p.a.
Average total future service rate	26.7%	24.4%
Less average member rate	6.5%	6.4%
Fund primary rate	20.2%	18.0%

Active members pay contributions to the Fund as a condition of membership in line with the rates required under the Regulations.

Please note that expenses are allowed for in the derivation of the discount rate and therefore we make no explicit allowance in the primary rate for expenses.

Secondary rate

The secondary rate is an adjustment to the primary rate to arrive at the total rate each employer is required to pay (for example, to allow for deficit recovery). Where there is a deficit, contributions should be set to restore the funding positions to 100% over an agreed "recovery period".

The recovery period for individual employers varies across the Fund. The administering authority's approach to setting recovery periods is set out in the FSS. Where there is a surplus, this may also be reflected in contribution rates in line with the Fund's FSS.

The primary and secondary rate of the individual employer contributions payable are set out in the Rates and Adjustments Certificate in Appendix 5. These will differ from the primary rate set out above as well as varying from each other as they are either based on the employer's own membership and experience or they are the employer's share of the contributions payable within a pool of employers.

In Appendix 5 we also disclose the sum of the secondary rates for the whole Fund for each of the three years beginning 1 April 2023.

Projected funding position

Based on the assumptions as set out in Appendix 2 and the contributions certified and set out in Appendix 5, we estimate that the funding position of the whole fund may increase to 124% by 31 March 2026, the next valuation date. This projection is based on experience up to that date being in line with the assumptions made for this valuation and contributions being paid at the agreed amounts. This projection does not allow for any other risks or uncertainties. Some of these additional risks are set out later in this report and in Appendix 3.

Standardised basis

Following the funding valuation, a "Section 13" report (prepared under Section 13 of the Public Service Pensions Act 2013) will be prepared to report on whether the following aims are achieved: compliance, consistency, solvency and long-term cost efficiency, and to identify any funds that cause concerns.

As part of our calculations we have considered the results on a standardised basis as set by the Scheme Advisory Board (SAB). We are required to provide the SAB with the results for the Fund for comparison purposes.

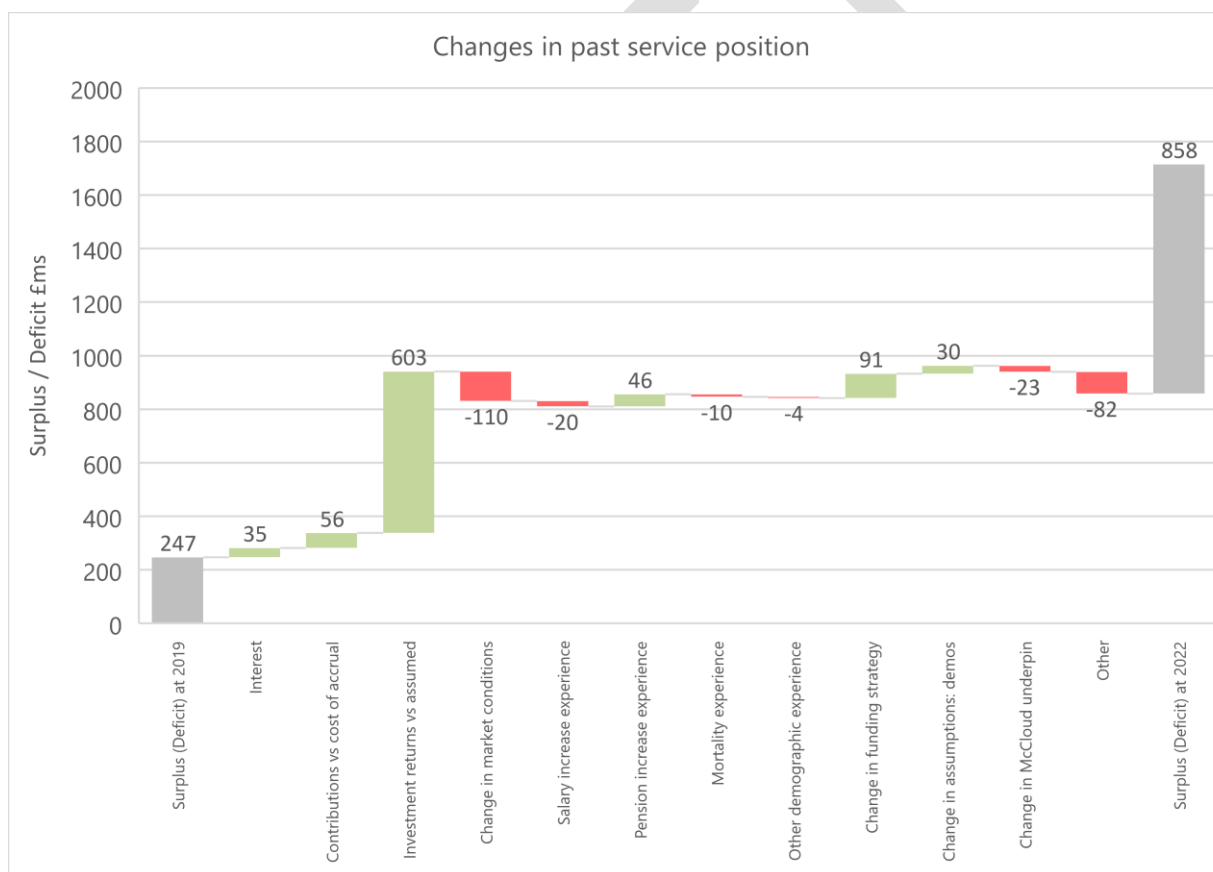
The standardised basis is set using assumptions advice from the Government Actuary's Department (GAD) with some of the assumptions used being set locally (such as mortality) and some are set at Scheme level (including all the financial assumptions). It is not used to set contributions as it does not reflect the Fund's investment strategy or the administering authority's attitude to risk; contributions are set using the funding basis.

The results on the standardised basis as at 31 March 2022 are set out in the dashboard in Appendix 1. The dashboard should assist readers in comparing LGPS valuation reports and the information will be used by GAD in their "Section 13" report (prepared under Section 13 of the Public Service Pensions Act 2013).

Reconciliation to previous valuation

Funding position

The previous valuation revealed a surplus of £247m. The key factors that have influenced the funding level of the Fund over the period are illustrated in the chart below.



Experience

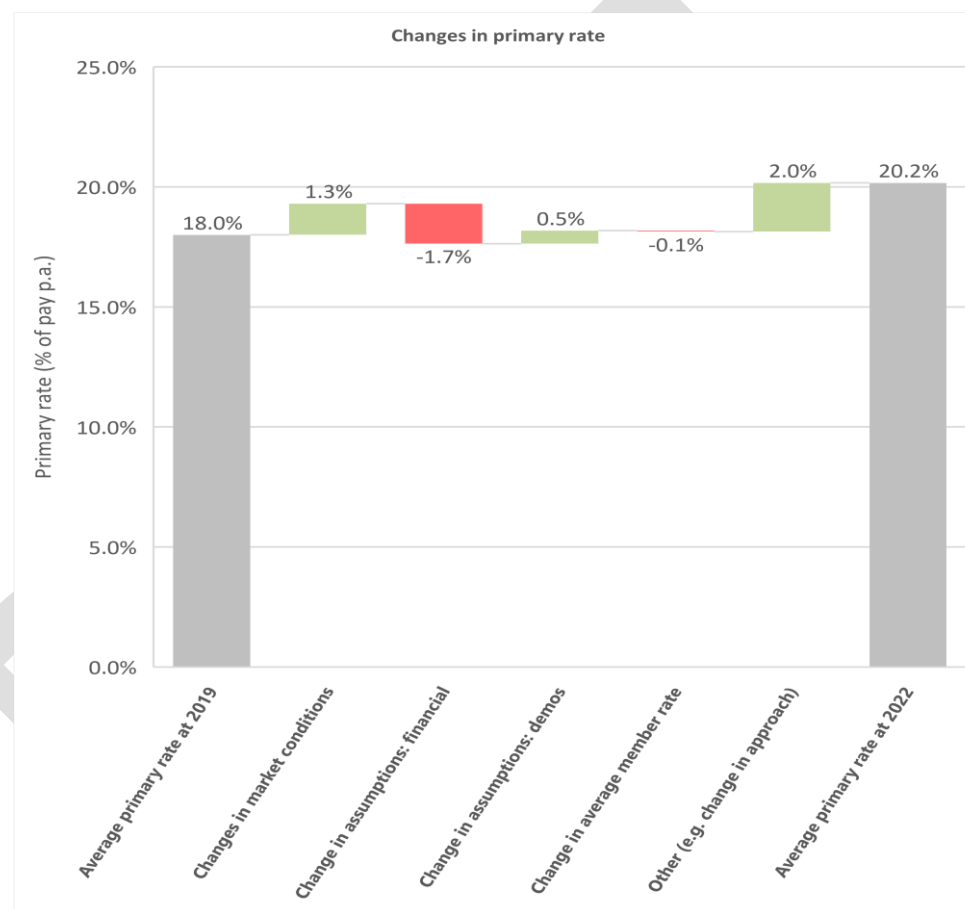
- Strong investment performance has increased the Fund surplus by approximately £603m
- Changes in market conditions has reduced the Fund surplus by approximately £110m
- Payment of secondary contributions has increased the Fund surplus by approximately £56m
- Lower inflation than assumed has increased the surplus by approximately £46m
- Higher salary increases than assumed has decreased the surplus by approximately £20m

Assumptions

- The increase in Fund liability on the ongoing basis due to allowing for the McCloud ruling is £23m
- The decrease in Fund liability on the ongoing basis due to a higher future investment return is £91m
- The decrease in Fund liability due to lower future improvements in life expectancy is approximately £30m

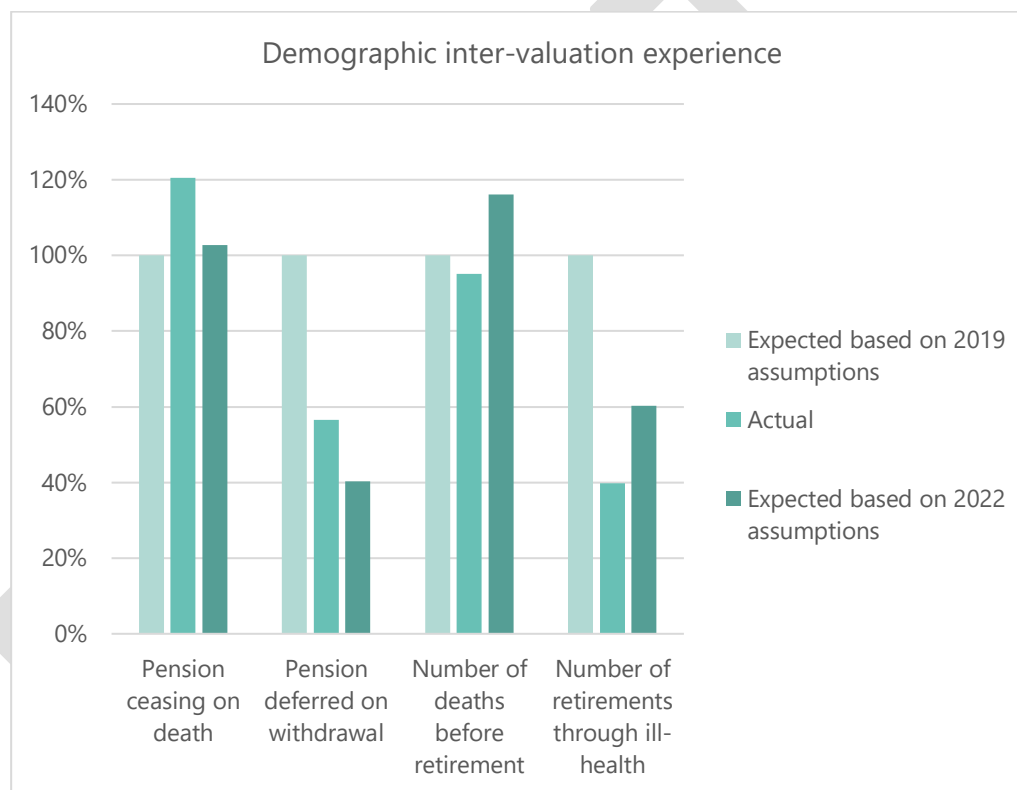
Primary contribution rate

The previous valuation resulted in an average primary rate of 18.0% of Pensionable Pay. The reasons for the change in the cost of future benefit accrual are set out in the reconciliation chart below.



Comparing experience with assumptions

A comparison of the actual demographic experience of members of the Fund over the intervalation period, with that assumed by the assumptions adopted at the last valuation in 2019 is shown in the graph below. The graph also shows how the assumptions adopted for this valuation would have compared with those adopted at 2019.



Sensitivities to the liabilities

The results set out in this report are based on a particular set of assumptions. The actual cost of providing the benefits will depend on the actual experience, which could be significantly better or worse than assumed. The sensitivity of the results to some of the key assumptions is set out in the table below.

The figures in the table are shown relative to the surplus of £858m and funding level of 123% on the agreed funding basis.

2022 sensitivity analysis of funding position	2022 Valuation basis	Decrease discount rate by 0.1% p.a.	Increase CPI inflation by 0.1% p.a.	Increase salary assumption by 0.5% p.a.	Increase long-term rate of mortality improvement by 0.25% p.a.
	£m	£m	£m	£m	£m
Smoothed asset value	4,618	4,618	4,618	4,618	4,618
Total past service liabilities	3,760	3,823	3,818	3,796	3,789
Surplus / (Deficit)	858	795	800	822	829
Funding level	123%	121%	121%	122%	122%

Sensitivities to the primary contribution rate

The calculated primary contribution rate required to fund benefits as they are earned from year to year will also be affected by the particular set of assumptions chosen. The sensitivity of the primary rate to changes in some key assumptions is shown below. Please note that the primary rate set out below does not include any adjustment via the secondary rate. The total contribution rate payable by employers will be a combination of the primary rate and a secondary rate adjustment, further details can be found in Appendix 5.

The figures in the table are shown relative to the primary rate of 20.2% of Pensionable Pay on the agreed funding basis.

2022 sensitivity analysis of primary rate	2022 Valuation basis	Decrease discount rate by 0.1% p.a.	Increase CPI inflation by 0.1% p.a.	Increase salary assumption by 0.5% p.a.	Increase long-term rate of mortality improvement by 0.25% p.a.
	of payroll p.a.	of payroll p.a.	of payroll p.a.	of payroll p.a.	of payroll p.a.
Average total future service rate	26.7%	27.4%	27.4%	26.6%	27.0%
Less average member rate	6.5%	6.5%	6.5%	6.5%	6.5%
Fund primary rate	20.2%	20.9%	20.9%	20.1%	20.5%

Further comments

Funding Strategy Statement (FSS)

The assumptions used for the valuation have been documented in a revised Funding Strategy Statement agreed between the Fund Actuary and the administering authority.

Risks

There are many factors that affect the Fund's funding position and could lead to the Fund's funding objectives not being met within the timescales expected. Some of the key risks that could have a material impact on the Fund are:

- Employer covenant risk
- Investment risk
- Inflation risk
- Mortality risk
- Member options risk
- Regulatory risk
- Climate risk

The sensitivity of the funding results to some of these risks was set out in the sensitivities section of this report. Please note that this is not an exhaustive list. Further information on these risks and more can be found in our initial results report and will be set out in greater detail in the FSS.

Post valuation events

Since the valuation date, there has been some significant market turbulence including material increases in short-term inflation and gilt yields. There is an ongoing cost of living crisis, as well as political turmoil.

However, our funding model is designed to help withstand short-term volatility in markets as it is a longer-term model. We use smoothed assumptions over a six-month period with the ultimate aim of setting stable contributions for employers. The valuation approach and assumptions are not based on gilt yields and

the discount rate is derived from the long-term future expected returns on each asset class with a deduction for uncertainty and risk (our prudence adjustment). Therefore, at this stage, the anticipated effect on the long-term funding position is not significant enough to revise our approach.

Nevertheless, due to the ongoing uncertainty around the shorter-term impact of these issues, we have considered these issues in setting the employer contribution rates to ensure that contributions paid into the Fund remain appropriate. Most notably, high inflation will have a significant impact in the short term as higher levels of pensions in payment will need to be paid out of the Fund as a result of the anticipated increase of 10.1% in April 2023. More detail is set out in the FSS.

We will continue to monitor the Fund's funding position and raise any individual employer cases with the Fund that we consider need any special attention. The impact of these events will be fully considered as part of the 2025 valuation when we revisit employer contributions.

The next formal valuation is due to be carried out as at 31 March 2025 however we would recommend that the financial position of the Fund is monitored regularly during the period leading up to the next formal valuation. We would be happy to give more detail about the ways that this can be achieved.

Rates and Adjustments Certificate

The contributions payable in respect of benefit accrual and any deficit contributions under each employer's recovery period have been set out in Appendix 5 in the Rates and Adjustments Certificate in accordance with Regulation 62 of the Regulations and cover the period from 1 April 2023 to 31 March 2026. In this certificate no allowance will be made for additional costs arising which need to be met by additional contributions by the employer such as non-ill health early retirements.

The contributions in the Rates and Adjustments Certificate are set so that each employer's assets (including future contributions) are projected to be sufficient to cover the benefit payments for their members, on the assumptions set out in this report. Where there is currently a deficit for an individual employer, recovery of this deficit is targeted in line with the Fund's FSS and all employers are projected to be fully funded after a recovery period length of no more than 20 years from 1 April 2023.

This document has been agreed between the administering authority and the Fund Actuary. Contributions have been set which in our opinion meet the regulatory requirements and the funding objectives set out in the Fund's FSS.

This report must be made available to members on request.

Barry McKay

Barry McKay FFA
Partner
Barnett Waddingham LLP

Roisin McGuire

Roisin McGuire FFA
Associate
Barnett Waddingham LLP

DRAFT

Appendix 1 Summary of data and benefits

Membership data

The membership data has been provided to us by the administrators of the Fund. We have relied on information supplied by the administrator and the administering authority being accurate. The membership data has been checked for reasonableness and we have compared the membership data with information in the Fund's accounts. The numbers in the tables below relate to the number of records and so will include members in receipt of, or potentially in receipt of, more than one benefit.

Any missing or inconsistent data has been queried with the Fund and estimated where necessary. Whilst this should not be seen as a full audit of the data, we are happy that the data is sufficiently accurate for the purposes of the valuation.

A significant level of pay information was missing for Brighton & Hove City Council which was estimated using any available iConnect information or previous salary information.

Benefits

Full details of the benefits being valued are set out in the Regulations as amended and summarised on the [LGPS website](#) and the Fund's membership booklet. We have made no allowance for discretionary benefits.

Membership summary

A summary of the membership data used in the valuation is as follows. The membership data from the previous valuation is also shown for comparison. The average ages are weighted by liability as calculated on the funding basis.

Data used	Data at 31 March 2022			Data at 31 March 2019		
Active members	Number	Pensionable pay £m	Average age (liability- weighted)	Number	Pensionable pay £m	Average age (liability- weighted)
Males	6,508	170	53	n/a	n/a	n/a
Females	18,164	330	53	n/a	n/a	n/a
Total	24,672	500	53	22,718	414	52
Deferred members (including undecided)	Number	Pension £m	Average age (liability- weighted)	Number	Pension £m	Average age (liability- weighted)
Males	10,349	17	52	n/a	n/a	n/a
Females	29,644	32	52	n/a	n/a	n/a
Total	39,993	49	52	36,094	44	51
Pensioner and dependant members	Number	Pension £m	Average age (liability- weighted)	Number	Pension £m	Average age (liability- weighted)
Males	8,095	58	70	n/a	n/a	n/a
Females	15,088	58	69	n/a	n/a	n/a
Total	23,183	116	69	20,328	103	69

Projected retirements

In the table below we have set out the number of members who are assumed to reach retirement age over the period from 1 April 2022 to 31 March 2026 as required under the Regulations.

Members may retire for a number of reasons including reaching normal retirement age, retiring through ill-health or redundancy. The amounts set out in the table below are the new retirement benefit amounts, as at the current valuation date that are assumed to come into payment in each of the intervaluation years.

Projected new benefits		
Year to	Number of members	Retirement benefits £m's
31 March 2023	718	8
31 March 2024	843	9
31 March 2025	842	10
31 March 2026	957	9

Guaranteed Minimum Pension (GMP) equalisation and indexation

On 23 March 2021, the Government published the outcome to its GMP Indexation consultation, concluding that all public service pension schemes, including the LGPS, will be directed to provide full indexation to members with a GMP reaching State Pension Age (SPA) beyond 5 April 2021. This is a permanent extension of the 'interim solution' that has applied to members with a GMP reaching SPA on or after 6 April 2016. Details of the consultation outcome can be found [here](#).

As with the previous valuation, we have assumed that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, we have assumed that the Fund will be required to pay the entire inflationary increase. We are comfortable that our approach is consistent with the consultation outcome.

Appendix 2 Summary of assumptions

A summary of the assumptions adopted for the valuation at 31 March 2022 and as at 31 March 2019 is set out below.

Assumptions		2022 valuation	2019 valuation
Financial assumptions (p.a.)			
CPI inflation		2.9%	2.3%
Salary increases		3.9%	2.3%
Discount rate		4.6%	4.0%
Pension increases on GMP		Funds will pay limited increases for members reaching SPA by 6 April 2016, and full increases for others	
Demographic assumptions			
Post-retirement mortality			
	Base table	2022 Club Vita tables	2019 Club Vita tables
	CMI Model	CMI 2021	CMI 2018
	Long-term rate of improvement	1.25%	1.25%
	Smoothing parameter	7	7
	Initial addition to improvement	0.0%	0.50% / 0.25%
	2020/21 weighting parameter	5%	n/a
Retirement assumption		Weighted average	In line with 2016 LGPS cost cap valuation
Pre-retirement decrements		GAD 2016 scheme val: no salary scale, 50% multiplier to ill-health rates	Varied
50:50 assumption		Member data	1% of members
Commutation		50% of max	50% pre-2008 service, 75% post-2008 service
Family statistics			
	% with qualifying dependant	75% (M) / 70% (F)	Varied
	Age difference	3 years	3 years

Demographic assumptions – sample rates

The following tables set out some sample rates of the demographic assumptions used in the calculations. These sample rates are based on those set by the Government Actuary's Department (GAD) based on analysis of the Local Government Pension Scheme (LGPS) in England and Wales.

Allowance for ill-health early retirements

A small proportion of members are assumed to retire early due to ill health. In the table below we set out an extract of some sample rates from the GAD tables used:

Age	Males	Females
25	0.01%	0.00%
30	0.01%	0.01%
35	0.02%	0.01%
40	0.04%	0.03%
45	0.09%	0.06%
50	0.18%	0.13%
55	0.36%	0.28%
60	0.74%	0.62%
65	1.51%	1.34%

Please note the above rates are the raw decrements as set by GAD. Our assumption is that there will be 50% of the number of ill-health retirements assumed by GAD.

The proportion of ill-health early retirements falling into each tier category has been assumed to be as follows for both males and females:

Tier 1	Tier 2	Tier 3
75%	15%	10%

Death before retirement

A small number of members are assumed to die before reaching retirement age. In the table below we set out an extract of some sample rates from the GAD tables used:

Age	Males	Females
25	0.02%	0.01%
30	0.03%	0.01%
35	0.05%	0.02%
40	0.06%	0.03%
45	0.09%	0.05%
50	0.13%	0.08%
55	0.21%	0.12%
60	0.32%	0.19%
65	0.5%	0.29%

Please note the above rates are the raw decrements as set by GAD. We have applied a 115% multiplier to the rates assumed by GAD.

Allowance for withdrawals

This assumption is regarding active members who leave service to move to deferred member status. Active members are assumed to leave service at the following sample rates:

Age	Males	Females
25	9.21%	10.17%
30	7.25%	8.07%
35	5.7%	6.4%
40	4.48%	5.07%
45	3.53%	4.03%
50	2.78%	3.19%
55	2.18%	2.53%
60	1.72%	2.01%
65	1.35%	1.59%

Appendix 3 Regulatory uncertainties

There are currently a few important regulatory uncertainties surrounding the 2022 valuation as follows:

- Effect of the McCloud and Sargeant cases;
- Cost management reviews which could affect future and historic LGPS benefits;
- Change in timing of future actuarial valuations from a triennial cycle; and
- Climate change risks and opportunities.

Although it is unclear what impact these uncertainties will have on the future benefits of individual members, we have considered these issues in the assumptions used to set the contribution rates for employers.

McCloud

When the Government reformed public service pension schemes in 2014 and 2015 they introduced protections for older members. In December 2018, the Court of Appeal ruled that younger members of the Judges' and Firefighters' Pension schemes have been discriminated against because the protections do not apply to them. The Government has confirmed that there will be changes to all main public sector schemes, including the LGPS, to remove this age discrimination. A consultation has been run in relation to the changes proposed for the LGPS and legislation is now being drafted to bring forward these changes. We understand the updated Regulations are to be consulted on over the course of 2022 with the earliest effective date expected to be October 2023.

For the 2022 valuation, as instructed by the Department of Levelling Up, Housing and Communities (DLUHC), we have assumed that the legislation will bring forward the changes as currently proposed, and we have valued the benefits in line with this. The data extracts received for valuation purposes did not include the full pay or service history we require to value the cost of the anticipated benefit changes. We therefore made estimates (for active members only) based on the information that is held in data extract provided. Our estimates involve projecting member's CARE benefits against the equivalent final salary benefit to determine, for each active member, whether the underpin may bite and the liability value if it does. There still remains uncertainty over the long-term effects of the McCloud judgment but where data has been available, we have been able to estimate the impact of McCloud on individual employers and funding positions and contributions have been set accordingly.

Change in timing of future actuarial valuations from a triennial cycle

In 2019, the Ministry of Housing, Communities & Local Government (as it was then known) issued a consultation which included moving from a triennial to quadrennial valuation cycle from 2024. There has been no further detail on this change so although it will not happen in 2024, the issue remains outstanding. We have produced this report on the basis of a triennial valuation cycle.

Cost management reviews

There remain uncertainties around the 2016 and 2020 cost management exercises. Although we understand that the Scheme Advisory Board (SAB) will not be recommending any Scheme changes, this is still to be announced. However, we anticipate the impact of any changes to be small and therefore we have not made an explicit allowance for these.

Further cost management reviews will be carried out and may lead to future benefit changes. However, as the aim of this monitoring is to keep the cost of benefits within an affordable range, we can be relatively comfortable that future reviews will not have a significant impact on the value we currently place on the liabilities, therefore we have not made an explicit allowance for these.

Climate change risks and opportunities

Climate risk is an important consideration for the 2022 valuation. As part of the 2022 valuation process, we have used scenario analysis to identify the impact of shorter term climate risk (transition risk) and longer term climate risk (physical risk) on your potential funding outcomes. This analysis was developed for LGPS funds based on the DWP regulations, as we await final regulations which apply directly to the LGPS. The analysis was discussed with GAD, who agreed a set of four key principles for how LGPS funds would undertake climate change scenario analysis as part of the 2022 valuation.

Our analysis considered the potential impact on the future investment return outlook (and therefore discount rate) and inflation (and therefore inflation-linked assumptions), for the purpose of projecting asset and liability values and primary rates. We have also considered additional elements such as the potential impact on life expectancy changes and employer covenant. The analysis supports the level of prudence in the funding strategy. More detail will be included in the FSS.

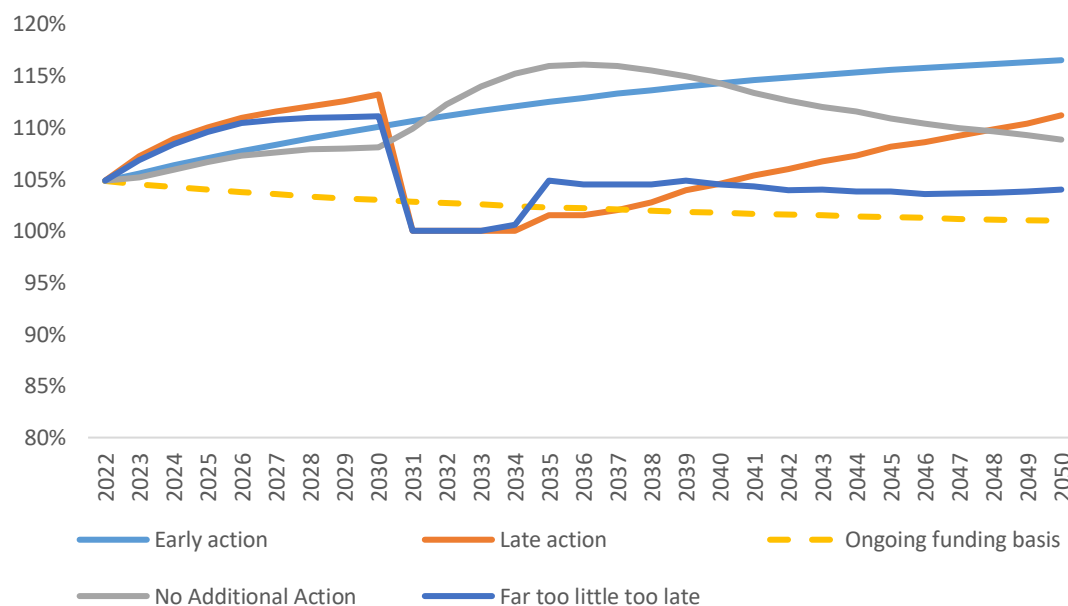
Under the Key principles, it was agreed that each fund should select two scenarios to consider as a minimum including: "Paris-aligned" and higher temperature outcome, and compare these to the funding basis.

- "Paris-aligned" is an optimistic basis which assumes that good progress is made towards the ambitions made in the 2015 Paris Agreement.

- A higher temperature outcome assumes that no new climate policies are introduced beyond those already agreed, resulting in a growing concentration of greenhouse gas emissions and a larger increase in global temperatures.

Our analysis considers four scenarios which are detailed in our climate scenario analysis report. The impact of the on the funding position of each scenario is considered in Projected funding level graph below.

Funding level projections



Our “early action” scenario aims to represent a “Paris-aligned” scenario, and our “no additional action” scenario represents a higher temperature outcome.

One of the other key principles agreed with GAD was for results to be considered over a period of at least 20 years. The funding level is projected over a period of 30 years as can be seen in the graph above.

COVID-19 crisis

The 2019 valuation report and Rates and Adjustments Certificate were finalised during the early stages of the COVID-19 crisis. Due to the timing of events, no adjustment was made to the 2019 results. There still remains uncertainty over the long-term effects of COVID-19 but where data has been available, we have been able to consider the impact of COVID-19 on individual funds through the longevity analysis and in setting the mortality assumptions for the Fund. On balance, we would expect the pandemic to lead to a modest reduction in future improvements in life expectancy.

Therefore, we are comfortable that contributions have been set appropriately to allow for Covid-19, based on the data available. More data will be available at the next formal valuation in 2025 where we will update our analysis. We will also continue to monitor the situation during the intervalation period.

Appendix 4 Dashboard

GAD Dashboard

Past service funding position - local funding basis

Funding level (assets/liabilities)	%	122.8%
Funding level (change since previous valuation)	%	15.5%
Asset value used at the valuation	£m	4,618
Value of liabilities	£m	3,760
Surplus (deficit)	£m	858
Discount rate – past service	% pa	4.6%
Discount rate – future service	% pa	4.6%
Assumed pension increases (CPI)	% pa	2.9%

In line with the
Funding Strategy
Statement

Method of derivation of discount rate, plus any changes since previous valuation	Freeform text	
Life expectancy for current pensioners – men age 65	years	21.08
Life expectancy for current pensioners – women age 65	years	23.97
Life expectancy for future pensioners – men age 45	years	22.38
Life expectancy for future pensioners – women age 45	years	25.47

Past service funding position - SAB basis (for comparison purposes only)

Market value of assets	£m	4,688
Value of liabilities	£m	3,394
Funding level on SAB basis (assets/liabilities)	%	138.1%
Funding level on SAB basis (change since last valuation)	%	19.1%

Contribution rates payable

		2019 Valuation	2022 Valuation
Primary contribution rate	% of pay	18.0%	20.2%
Secondary contribution rate (cash amounts in each year in line with CIPFA guidance)	£m		
Secondary contribution rate - 1st year of rates and adjustment certificate	£m	14.13	-2.51
Secondary contribution rate - 2nd year of rates and adjustment certificate	£m	12.32	-2.69
Secondary contribution rate - 3rd year of rates and adjustment certificate	£m	10.45	-2.84
Giving total expected contributions			
Total expected contributions - 1st year of rates and adjustment certificate (£ figure based on assumed payroll)	£m	92.03	101.21
Total expected contributions - 2nd year of rates and adjustment certificate (£ figure based on assumed payroll)	£m	92.02	105.05
Total expected contributions - 3rd year of rates and adjustment certificate (£ figure based on assumed payroll)	£m	91.99	109.08
Assumed payroll (cash amounts in each year)			
Total assumed payroll - 1st year of rates and adjustment certificate (£m)	£m	433.40	514.20
Total assumed payroll - 2nd year of rates and adjustment certificate (£m)	£m	443.50	534.15
Total assumed payroll - 3rd year of rates and adjustment certificate (£m)	£m	453.70	554.86
3-year average total employer contribution rate	% of pay	20.7%	19.7%
Average employee contribution rate (% of pay)	% of pay	6.4%	6.5%
Employee contribution rate (£ figure based on assumed payroll of £m)	£m pa	27.89	33.17

Deficit recovery plan

		2019 Valuation	2022 Valuation
Latest deficit recovery period end date for any employer in deficit in fund	Year	20	20
Earliest surplus spreading period end date for any employer in surplus in fund	Year	3	3
Where a deficit recovery period or surplus spreading period end date is not provided, the latest time horizon end point for valuation funding plan for any employer in deficit	Year	n/a	n/a
Where a deficit recovery period or surplus spreading period end date is not provided, the earliest time horizon end point for valuation funding plan for any employer in surplus	Year	n/a	n/a
Where a deficit recovery or surplus spreading period end date is not provided, please provide, the likelihood of success of valuation funding plan on the 2019 valuation time horizon	%	n/a	n/a

Additional information

Percentage of liabilities relating to employers with deficit recovery periods of longer than 20 years	%	0.0%	0.0%
Percentage of total liabilities that are in respect of Tier 3 employers	%	5%	12.2%
Included climate change analysis/comments in the 2022 valuation report	Yes/No	Yes	Yes

DRAFT

Appendix 5 Rates and Adjustments Certificate

Regulatory background

In accordance with Regulation 62 of the Local Government Pension Scheme Regulations we have made an assessment of the contributions that should be paid into the Fund by participating employers for the period 1 April 2023 to 31 March 2026.

The method and assumptions used to calculate the contributions set out in the Rates and Adjustments Certificate are detailed in the Funding Strategy Statement and our report on the actuarial valuation dated 9 February 2023.

The primary rate of contribution as defined by Regulation 62(5) for each employer for the period 1 April 2023 to 31 March 2026 is set out in the table overleaf. The primary rate is the employer's contribution towards the cost of benefits accruing in each of the three years beginning 1 April 2023. In addition, each employer pays a secondary contribution as required under Regulation 62(7) that when combined with the primary rate results in the minimum total contributions as set out below. This secondary rate is based on their particular circumstances and so individual adjustments are made for each employer.

Primary and secondary rate summary

The primary rate for the Fund is the weighted average (by payroll) of the individual employers' primary rates and is 20.2% p.a. of payroll.

The secondary rates across the entire Fund (as a percentage of projected Pensionable Pay and as a monetary amount) in each of the three years in the period 1 April 2023 to 31 March 2026 is set out in the table below.

Secondary contributions	2023/24	2024/25	2025/26
Total as a % of payroll	-0.5%	-0.5%	-0.5%
Equivalent to total monetary amounts of	-£2,506,230	-£2,692,173	-£2,842,833

These amounts reflect the individual employers' deficit recovery plans.

General notes

Employers may pay further amounts at any time and future periodic contributions, or the timing of contributions, may be adjusted on a basis approved by us as the Fund Actuary. The administering authority, with the advice from us as the Fund Actuary may allow some or all of these contributions to be treated as a prepayment and offset against future certified contributions.

The certified contributions include an allowance for expenses and the expected cost of lump sum death benefits but exclude early retirement strain and augmentation costs which are payable by participating employers in addition.

The monetary amounts are payable in 12 monthly instalments throughout the relevant year unless agreed by the administering authority and an individual employer.

Some employers have opted to pay an additional 0.75% of pensionable pay instead of meeting the costs of non-ill health retirements as they arise. All other employers are required to pay these early retirement strain costs which are calculated using methods and factors issued to the Fund.

Some employers have opted to be included in the Fund's ill-health insurance policy. Premiums will be deducted from the employer contributions paid as certified below and these employers may be indemnified against costs arising as a result of an ill-health retirement.

Employer code	Employer name	Primary rate	Secondary rate (% pay plus monetary adjustment)			Total contributions i.e. primary (% of pay) plus secondary		
		(% pay)	2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
Government bodies								
Individual Employers								
00X02	East Sussex County Council	20.1%	-0.4%	-0.4%	-0.4%	19.7%	19.7%	19.7%
00X1P	Wealden District Council	20.3%	0.7%	0.7%	0.7%	21.0%	21.0%	21.0%
00X10	Brighton & Hove City Council	20.2%	-0.4%	-0.4%	-0.4%	19.8%	19.8%	19.8%
00X1A	Hastings Borough Council	20.8%	1.3%	1.3%	1.3%	22.1%	22.1%	22.1%
00X1K	Rother District Council	20.0%	4.1%	4.1%	4.1%	24.1%	24.1%	24.1%
00X5L	East Sussex Fire & Rescue Service	21.2%	-2.5%	-2.5%	-2.5%	18.7%	18.7%	18.7%
00X15	Eastbourne Borough Council	19.7%	-1.8%	-1.8%	-1.8%	17.9%	17.9%	17.9%
00X1F	Lewes District Council	23.3%	-1.2%	-1.2%	-1.2%	22.1%	22.1%	22.1%
Colleges and universities								
Individual Employers								
00X83	Plumpton College	18.9%	-	-	-	18.9%	18.9%	18.9%
00X8A	East Sussex College Group	20.7%	-	-	-	20.7%	20.7%	20.7%
00X1U	University of Brighton	19.7%	-2.5%	-2.5%	-2.5%	17.2%	17.2%	17.2%
00X81	Brighton, Hove & Sussex Sixth Form College	20.8%	-1.0%	-1.0%	-1.0%	19.8%	19.8%	19.8%
00X85	Varndean Sixth Form College	20.5%	-0.7%	-0.7%	-0.7%	19.8%	19.8%	19.8%

Employer code	Employer name	Primary rate	Secondary rate (% pay plus monetary adjustment)			Total contributions i.e. primary (% of pay) plus secondary		
		(% pay)	2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
00X80	Bexhill College	17.5%	3.7%	3.7%	3.7%	21.2%	21.2%	21.2%
Small scheduled bodies								
<i>Funding Pool</i>	<i>Town & Parish Councils Pool</i>							
00X3C	Heathfield & Waldron Parish Council	21.4%	-1.3%	-1.3%	-1.3%	20.1%	20.1%	20.1%
00X3F	Lewes Town Council	21.4%	-1.3%	-1.3%	-1.3%	20.1%	20.1%	20.1%
00X3S	Salehurst & Robertsbridge Parish Council	21.4%	-1.3%	-1.3%	-1.3%	20.1%	20.1%	20.1%
00X37	Fletching Parish Council	21.4%	-1.3%	-1.3%	-1.3%	20.1%	20.1%	20.1%
00X34	Crowborough Town Council	21.4%	-1.3%	-1.3%	-1.3%	20.1%	20.1%	20.1%
00X3H	Newhaven Town Council	21.4%	-1.3%	-1.3%	-1.3%	20.1%	20.1%	20.1%
00X3W	Telscombe Town Council	21.4%	-1.3%	-1.3%	-1.3%	20.1%	20.1%	20.1%
00X35	Ditchling Parish Council	21.4%	-1.3%	-1.3%	-1.3%	20.1%	20.1%	20.1%
00X38	Forest Row Parish Council	21.4%	-1.3%	-1.3%	-1.3%	20.1%	20.1%	20.1%
00X31	Chailey Parish Council	21.4%	-1.3%	-1.3%	-1.3%	20.1%	20.1%	20.1%
00X3G	Maresfield Parish Council	21.4%	-1.3%	-1.3%	-1.3%	20.1%	20.1%	20.1%
00X3T	Seaford Town Council	21.4%	-1.3%	-1.3%	-1.3%	20.1%	20.1%	20.1%
00X33	Conservators of Ashdown Forest	21.4%	-1.3%	-1.3%	-1.3%	20.1%	20.1%	20.1%

Employer code	Employer name	Primary rate	Secondary rate (% pay plus monetary adjustment)			Total contributions i.e. primary (% of pay) plus secondary		
		(% pay)	2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
00X3X	Uckfield Town Council	21.4%	-1.3%	-1.3%	-1.3%	20.1%	20.1%	20.1%
00X30	Battle Town Council	21.4%	-1.3%	-1.3%	-1.3%	20.1%	20.1%	20.1%
00X4B	Bexhill on Sea Town Council	21.4%	-1.3%	-1.3%	-1.3%	20.1%	20.1%	20.1%
00X3U	Sussex Inshore Fisheries	21.4%	-1.3%	-1.3%	-1.3%	20.1%	20.1%	20.1%
00X3E	Icklesham Parish Council	21.4%	-1.3%	-1.3%	-1.3%	20.1%	20.1%	20.1%
00X3A	Hailsham Town Council	21.4%	-1.3%	-1.3%	-1.3%	20.1%	20.1%	20.1%
00X3K	Peacehaven Town Council	21.4%	-1.3%	-1.3%	-1.3%	20.1%	20.1%	20.1%
00X3R	Rye Town Council	21.4%	-1.3%	-1.3%	-1.3%	20.1%	20.1%	20.1%
00X3D	Hurst Green Parish Council	21.4%	-1.3%	-1.3%	-1.3%	20.1%	20.1%	20.1%
00X40	Wivelsfield Parish Council	21.4%	-1.3%	-1.3%	-1.3%	20.1%	20.1%	20.1%
00X3B	Hartfield Parish Council	21.4%	-1.3%	-1.3%	-1.3%	20.1%	20.1%	20.1%
00X46	Danehill Parish Council	21.4%	-1.3%	-1.3%	-1.3%	20.1%	20.1%	20.1%
00X3Z	Willingdon & Jevington Parish Council	21.4%	-1.3%	-1.3%	-1.3%	20.1%	20.1%	20.1%
00X45	Herstmonceux Parish Council	21.4%	-1.3%	-1.3%	-1.3%	20.1%	20.1%	20.1%
00X43	Berwick Parish Council	21.4%	-1.3%	-1.3%	-1.3%	20.1%	20.1%	20.1%
00X42	Arlington Parish Council	21.4%	-1.3%	-1.3%	-1.3%	20.1%	20.1%	20.1%

Employer code	Employer name	Primary rate	Secondary rate (% pay plus monetary adjustment)			Total contributions i.e. primary (% of pay) plus secondary		
		(% pay)	2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
00X44	Wartling Parish Council	21.4%	-1.3%	-1.3%	-1.3%	20.1%	20.1%	20.1%
00X49	Isfield Parish Council	21.4%	-1.3%	-1.3%	-1.3%	20.1%	20.1%	20.1%
00X3N	Plumpton Parish Council	21.4%	-1.3%	-1.3%	-1.3%	20.1%	20.1%	20.1%
00X41	Camber Parish Council	21.4%	-1.3%	-1.3%	-1.3%	20.1%	20.1%	20.1%
00X3M	Pett Parish Council	21.4%	-1.3%	-1.3%	-1.3%	20.1%	20.1%	20.1%
00X4A	Frant Parish Council	21.4%	-1.3%	-1.3%	-1.3%	20.1%	20.1%	20.1%
00X39	Hadlow Down Parish Council	21.4%	-1.3%	-1.3%	-1.3%	20.1%	20.1%	20.1%
00X32	Chiddingly Parish Council	21.4%	-1.3%	-1.3%	-1.3%	20.1%	20.1%	20.1%
Academies								
<i>Funding Pool</i>	<i>Academy</i>							
00XAN	Seaford Academy	20.4%	-1.3%	-1.5%	-1.5%	19.1%	18.9%	18.9%
00XAG	Portslade Aldridge Community Academy	20.4%	-0.5%	-1.5%	-1.5%	19.9%	18.9%	18.9%
00XBR	Roselands Infants' School	20.4%	3.5%	2.5%	1.5%	23.9%	22.9%	21.9%
00XA1	Aurora Academies Trust	20.4%	-1.5%	-1.5%	-1.5%	18.9%	18.9%	18.9%
00XAB	University of Brighton Academies Trust	20.4%	-1.5%	-1.5%	-1.5%	18.9%	18.9%	18.9%
00XAP	Seahaven Academy	20.4%	-0.9%	-1.5%	-1.5%	19.5%	18.9%	18.9%

Employer code	Employer name	Primary rate	Secondary rate (% pay plus monetary adjustment)			Total contributions i.e. primary (% of pay) plus secondary		
		(% pay)	2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
00XAH	The South Downs Learning Trust	20.4%	-8.2%	-7.2%	-6.2%	12.2%	13.2%	14.2%
00XA0	ARK Schools Hastings	20.4%	-1.5%	-1.5%	-1.5%	18.9%	18.9%	18.9%
00XA6	Cavendish Academy	20.4%	-1.5%	-1.5%	-1.5%	18.9%	18.9%	18.9%
00XA7	Diocese of Chichester Academy Trust	20.4%	2.0%	1.0%	-	22.4%	21.4%	20.4%
00XAE	Ore Village Primary Academy	20.4%	-1.9%	-1.5%	-1.5%	18.5%	18.9%	18.9%
00XB6	Langney Primary Academy	20.4%	-7.0%	-6.0%	-5.0%	13.4%	14.4%	15.4%
00XUK	The Flagship School	20.4%	0.9%	-0.1%	-1.1%	21.3%	20.3%	19.3%
00XAF	Pebsham Academy	20.4%	-1.5%	-1.5%	-1.5%	18.9%	18.9%	18.9%
00XA9	Glyne Academy	20.4%	-1.0%	-1.5%	-1.5%	19.4%	18.9%	18.9%
00XB5	Shinewater Primary Academy	20.4%	-5.9%	-4.9%	-3.9%	14.5%	15.5%	16.5%
00XB7	Annecy Catholic Primary Academy	20.4%	-7.0%	-6.0%	-5.0%	13.4%	14.4%	15.4%
00XB9	The Causeway School	20.4%	1.3%	0.3%	-0.7%	21.7%	20.7%	19.7%
00XB4	Parkland Junior Academy	20.4%	-6.0%	-5.0%	-4.0%	14.4%	15.4%	16.4%
00XAY	The Southfield Trust	20.4%	-6.0%	-5.0%	-4.0%	14.4%	15.4%	16.4%
00XUR	The Ropemakers' Academy	20.4%	-3.1%	-2.1%	-1.5%	17.3%	18.3%	18.9%
00XA4	BHCC - Bilingual Primary School	20.4%	-4.8%	-3.8%	-2.8%	15.6%	16.6%	17.6%

Employer code	Employer name	Primary rate	Secondary rate (% pay plus monetary adjustment)			Total contributions i.e. primary (% of pay) plus secondary		
		(% pay)	2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
00XA5	Brighton Aldridge Community Academy	20.4%	-1.5%	-1.5%	-1.5%	18.9%	18.9%	18.9%
00XAW	King Church of England Free School	20.4%	-4.2%	-3.2%	-2.2%	16.2%	17.2%	18.2%
00XA8	Eastbourne Academy	20.4%	-1.2%	-1.5%	-1.5%	19.2%	18.9%	18.9%
00XAQ	Torfield and Saxon Mount Academy Trust	20.4%	0.2%	-0.8%	-1.5%	20.6%	19.6%	18.9%
00XBM	Moulsecoomb Primary School	20.4%	5.8%	4.8%	3.8%	26.2%	25.2%	24.2%
00XAX	Sir Henry Fermor Academy	20.4%	-5.6%	-4.6%	-3.6%	14.8%	15.8%	16.8%
00XA2	Beacon Academy	20.4%	0.6%	-0.4%	-1.4%	21.0%	20.0%	19.0%
00XB8	Peacehaven Community School	20.4%	-6.9%	-5.9%	-4.9%	13.5%	14.5%	15.5%
00XBS	Stafford Junior School	20.4%	4.3%	3.3%	2.3%	24.7%	23.7%	22.7%
00XAA	Hailsham Academy	20.4%	-1.5%	-1.5%	-1.5%	18.9%	18.9%	18.9%
00XB2	Jarvis Brook Academy	20.4%	-5.9%	-4.9%	-3.9%	14.5%	15.5%	16.5%
00XA3	Bexhill Academy	20.4%	0.5%	-0.5%	-1.5%	20.9%	19.9%	18.9%
00XB3	Parkland Infant Academy	20.4%	-5.6%	-4.6%	-3.6%	14.8%	15.8%	16.8%
00XAK	Aquinas Trust	20.4%	-1.4%	-1.5%	-1.5%	19.0%	18.9%	18.9%
00XAJ	King's Academy Ringmer	20.4%	-1.5%	-1.5%	-1.5%	18.9%	18.9%	18.9%
00XAM	SABDEN Multi Academy Trust	20.4%	-0.8%	-1.5%	-1.5%	19.6%	18.9%	18.9%

Employer code	Employer name	Primary rate	Secondary rate (% pay plus monetary adjustment)			Total contributions i.e. primary (% of pay) plus secondary		
		(% pay)	2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
00XAV	Gildredge House Free School	20.4%	-1.5%	-1.5%	-1.5%	18.9%	18.9%	18.9%
<i>Funding Pool</i>	<i>STEP Academy Trust</i>							
00XB1	Hawkes Farm Academy	19.8%	-	-	-	19.8%	19.8%	19.8%
00XAS	White House Academy	19.8%	-	-	-	19.8%	19.8%	19.8%
00XAC	Phoenix Academy	19.8%	-	-	-	19.8%	19.8%	19.8%
00XBT	Telscombe Cliffs School	19.8%	-	-	-	19.8%	19.8%	19.8%
00XAD	High Cliff Academy	19.8%	-	-	-	19.8%	19.8%	19.8%
00XAZ	Burfield Academy	19.8%	-	-	-	19.8%	19.8%	19.8%
Other								
<i>Individual Employers</i>								
00XU7	Care Outlook	33.2%	-33.2%	-33.2%	-33.2%	0.0%	0.0%	0.0%
00XQ0	Southern Housing	45.9%	£111k	£115k	£120k	45.9% + £111k	45.9% + £115k	45.9% + £120k
00XUH	Biffa Municipal Ltd	23.2%	4.6%	3.6%	2.6%	27.8%	26.8%	25.8%
00XTH	White Rock	27.7%	-27.7%	-27.7%	-27.7%	0.0%	0.0%	0.0%
00XU4	Wave Leisure Trust Ltd	28.6%	-21.5%	-21.5%	-21.5%	7.1%	7.1%	7.1%
00XRC	The Grace Eyre Foundation	26.5%	-26.5%	-26.5%	-26.5%	0.0%	0.0%	0.0%
00XQ3	Care Quality Commission	44.8%	-	-	-	44.8%	44.8%	44.8%

Employer code	Employer name	Primary rate	Secondary rate (% pay plus monetary adjustment)			Total contributions i.e. primary (% of pay) plus secondary		
		(% pay)	2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
00XT0	EBC - Towner	22.1%	-	-	-	22.1%	22.1%	22.1%
00XUP	Churchill Contract Services - St Paul's CoE Academy	21.1%	12.0%	11.0%	10.0%	33.1%	32.1%	31.1%
00XTV	ESCC - NSL Limited	30.9%	-30.9%	-30.9%	-30.9%	0.0%	0.0%	0.0%
00XU8	Telent Technology Services Ltd	23.9%	-3.1%	-3.1%	-3.1%	20.8%	20.8%	20.8%
00XQ4	De La Warr Pavilion Charitable Trust	45.6%	-42.7%	-42.7%	-42.7%	2.9%	2.9%	2.9%
00XQ9	Sussex County Sports Partnership	46.4%	-29.2%	-29.2%	-29.2%	17.2%	17.2%	17.2%
00XQA	Sussex Housing & Care	54.9%	-54.9%	-54.9%	-54.9%	0.0%	0.0%	0.0%
00XU9	Brighton Dome & Festival (Music & Arts Service)	25.1%	-20.8%	-20.8%	-20.8%	4.3%	4.3%	4.3%
00XT3	Wave Leisure - Newhaven Fort	24.3%	-17.3%	-17.3%	-17.3%	7.0%	7.0%	7.0%
00XQ5	East Sussex Energy, Infrastructure & Development	19.7%	8.5%	7.5%	6.5%	28.2%	27.2%	26.2%
00XUG	Glendale Services	21.2%	7.2%	6.2%	5.2%	28.4%	27.4%	26.4%
00XU3	Wealden Leisure - Portslade Sports Centre	33.0%	-33.0%	-33.0%	-33.0%	0.0%	0.0%	0.0%
00XUA	Compass (The Causeway)	32.0%	0.0%	-1.0%	-2.0%	32.0%	31.0%	30.0%

Post valuation employers

Employer code	Employer name	Primary rate	Secondary rate (% pay plus monetary adjustment)			Total contributions i.e. primary (% of pay) plus secondary		
		(% pay)	2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
Small scheduled bodies								
Funding Pool	Town & Parish Councils Pool							
	East Dean and Friston Parish Council	21.4%	-1.3%	-1.3%	-1.3%	20.1%	20.1%	20.1%
	Kingston Parish Council	21.4%	-1.3%	-1.3%	-1.3%	20.1%	20.1%	20.1%
Academies								
Funding Pool	Academy							
Page 66	Ditchling St Margaret's CofE Primary	20.4%	0.0%	-1.0%	-1.5%	20.4%	19.4%	18.9%
	Uplands Community College	20.4%	0.0%	-1.0%	-1.5%	20.4%	19.4%	18.9%
	Chyngton School	20.4%	-0.4%	-1.4%	-1.5%	20.0%	19.0%	18.9%
Other								
	Premier Education (Sussex Solutions Ltd)	20.4%	-8.2%	-7.2%	-6.2%	12.2%	13.2%	14.2%

ES East Sussex PF Pension Fund

Funding Strategy Statement 2023



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Introduction

This is the Funding Strategy Statement for the East Sussex Pension Fund (the Fund). It has been prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 as amended (the Regulations) and describes East Sussex County Council's strategy, in its capacity as administering authority, for the funding of the East Sussex Pension Fund.

The Fund's employers and the Fund Actuary, Barnett Waddingham LLP, have been consulted on the contents of this statement.

This statement should be read in conjunction with the Fund's Investment Strategy Statement (ISS) and has been prepared with regard to the guidance (*Preparing and Maintaining a funding strategy statement in the LGPS 2016 edition*) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Purpose of the Funding Strategy Statement

The purpose of this Funding Strategy Statement (FSS) is to:

- Establish a clear and transparent fund-specific strategy that will identify how employers' pension liabilities are best met going forward;
- Support the desirability of maintaining as nearly constant a primary contribution rate as possible, as defined in Regulation 62(6) of the Regulations;
- Ensure that the regulatory requirements to set contributions to meet the future liability to provide Scheme member benefits in a way that ensures the solvency and long-term cost efficiency of the Fund are met; and
- Take a prudent longer-term view of funding those liabilities.



Aims and purpose of the Fund

The aims of the Fund are to:

- Manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due;
- Enable primary contribution rates to be kept as nearly constant as possible and (subject to the administering authority not taking undue risks) at reasonable cost to all relevant parties (such as the taxpayers, scheduled, resolution and admitted bodies), while achieving and maintaining Fund solvency and long-term cost efficiency, which should be assessed in light of the risk profile of the Fund and employers, and the risk appetite of the administering authority and employers alike; and
- Seek returns on investment within reasonable risk parameters.

The purpose of the Fund is to:

- Pay pensions, lump sums and other benefits to Scheme members as provided for under the Regulations;
- Meet the costs associated in administering the Fund; and
- Receive and invest contributions, transfer values and investment income.

Funding objectives

Contributions are paid to the Fund by Scheme members and the employing bodies to provide for the benefits which will become payable to Scheme members when they fall due.

The funding objectives are to:

- Ensure that pension benefits can be met as and when they fall due over the lifetime of the Fund;
- Ensure the solvency of the Fund;
- Set levels of employer contribution rates to target a 100% funding level over an appropriate time period and using appropriate actuarial assumptions, while taking into account the different characteristics of participating employers;
- Build up the required assets in such a way that employer contribution rates are kept as stable as possible, with consideration of the long-term cost efficiency objective; and
- Adopt appropriate measures and approaches to reduce the risk, as far as possible, to the Fund, other employers and ultimately the taxpayer from an employer defaulting on its pension obligations.
- In developing the funding strategy, the administering authority should also have regard to the likely outcomes of the review carried out under Section 13(4)(c) of the Public Service Pensions Act 2013. Section 13(4)(c) requires an independent review of the actuarial valuations of the LGPS funds; this involves reporting on whether the rate of employer contributions set as part of the actuarial valuations are set at an appropriate level to ensure the solvency of the Fund and the long-term cost efficiency of the Scheme so far as relating to the pension Fund. The review also looks at compliance and consistency of the actuarial valuations.



Key parties

The key parties involved in the funding process and their responsibilities are set out below.

The administering authority

The administering authority for the Fund is East Sussex County Council. The main responsibilities of the administering authority are to:

- Operate the Fund in accordance with the LGPS Regulations;
- Collect employee and employer contributions, investment income and other amounts due to the Fund as stipulated in the Regulations;
- Invest the Fund's assets in accordance with the Fund's Investment Strategy Statement;
- Pay the benefits due to Scheme members as stipulated in the Regulations;
- Ensure that cash is available to meet liabilities as and when they fall due;
- Take measures as set out in the Regulations to safeguard the Fund against the consequences of employer default;
- Manage the actuarial valuation process in conjunction with the Fund Actuary;
- Prepare and maintain this FSS and also the ISS after consultation with other interested parties;
- Monitor all aspects of the Fund's performance;
- Effectively manage any potential conflicts of interest arising from its dual role as both Fund administrator and Scheme employer; and
- Enable the Local Pension Board to review the valuation process as they see fit.

Scheme employers

In addition to the administering authority, a number of other Scheme employers participate in the Fund.

The responsibilities of each employer that participates in the Fund, including the administering authority, are to:

- Collect employee contributions and pay these together with their own employer contributions, as certified by the Fund Actuary, to the administering authority within the statutory timescales;
- Notify the administering authority of any new Scheme members and any other membership changes promptly;
- Develop a policy on certain discretions and exercise those discretions as permitted under the Regulations;
- Meet the costs of any augmentations or other additional costs in accordance with agreed policies and procedures; and
- Pay any exit payments due on ceasing participation in the Fund.

Scheme members

Active Scheme members are required to make contributions into the Fund as set by the Department for Levelling Up, Housing and Communities (DLUHC).

Fund Actuary

The Fund Actuary for the Fund is Barnett Waddingham LLP.

The main responsibilities of the Fund Actuary are to:

- Prepare valuations including the setting of employers' contribution rates at a level to ensure Fund solvency and long-term cost efficiency after agreeing assumptions with the administering authority and having regard to the FSS and the Regulations;
- Prepare advice and calculations in connection with bulk transfers and the funding aspects of individual benefit-related matters such as pension strain costs, ill-health retirement costs, compensatory added years costs, etc;
- Provide advice and valuations on the exiting of employers from the Fund;
- Provide advice and valuations relating to new employers, including recommending the level of bonds or other forms of security required to protect the Fund against the financial effect of employer default;
- Assist the administering authority in assessing whether employer contributions need to be revised between valuations as permitted or required by the Regulations;
- Ensure that the administering authority is aware of any professional guidance or other professional requirements which may be of relevance to their role in advising the Fund; and
- Advise on other actuarial matters affecting the financial position of the Fund.

Funding strategy

The factors affecting the Fund's finances are constantly changing, so it is necessary for its financial position and the contributions payable to be reviewed from time to time by means of an actuarial valuation to check that the funding objectives are being met.

The most recent actuarial valuation of the Fund was carried out as at 31 March 2022. The results of the 2022 valuation are set out in the table below:

2022 valuation results	Amounts (£)
Surplus (Deficit)	£858m
Funding level	123%

On a whole Fund level, the primary rate required to cover the employer cost of future benefit accrual is 20.2% of payroll p.a.

The individual employer contribution rates are set out in the Rates and Adjustments Certificate which forms part of the Fund's 2022 valuation report.

The actuarial valuation involves a projection of future cashflows to and from the Fund. The main purpose of the valuation is to determine the level of employers' contributions that should be paid to ensure that the existing assets and future contributions will be sufficient to meet all future benefit payments from the Fund. A summary of the methods and assumptions adopted is set out in the sections below.

Funding method

The key objective in determining employers' contribution rates is to establish a funding target and then set levels of employer contribution rates to meet that target over an agreed period.

The funding target is to have sufficient assets in the Fund to meet the accrued liabilities for each employer in the Fund.

For all employers, the method adopted is to consider separately the benefits accrued before the valuation date (past service) and benefits expected to be accrued after the valuation date (future service). These are evaluated as follows:

- The past service funding level of the Fund. This is the ratio of accumulated assets to liabilities in respect of past service. It makes allowance for future increases to members' pay and pensions. A funding level in excess of 100% indicates a surplus of assets over liabilities; while a funding level of less than 100% indicates a deficit; and
- The future service funding rate (also referred to as the primary rate as defined in Regulation 62(5) of the Regulations) is the level of contributions required from the individual employers which, in combination with employee contributions is expected to cover the cost of benefits accruing in future.
- The adjustment required to the primary rate to calculate an employer's total contribution rate is referred to as the secondary rate, as defined in Regulation 62(7). Further details of how the secondary rate is calculated for employers is given below in the Deficit recovery/surplus amortisation periods section.

The approach to the primary rate will depend on specific employer circumstances and in particular may depend on whether an employer is an “open” employer – one which allows new staff access to the Fund, or a “closed” employer – one which no longer permits new staff access to the Fund. The expected period of participation by an employer in the Fund may also affect the total contribution rate.

For open employers, the actuarial funding method that is adopted is known as the Projected Unit Method. The key feature of this method is that, in assessing the future service cost, the primary rate represents the cost of one year’s benefit accrual only.

For closed employers, the actuarial funding method adopted is known as the Attained Age Method. The key difference between this method and the Projected Unit Method is that the Attained Age Method assesses the average cost of the benefits that will accrue over an appropriate specific period, such as the length of a contract or the remaining expected working lifetime of active members.

The approach by employer may vary to reflect an employer’s specific circumstance, however, in general the closed employers in the Fund are admission bodies who have joined the Fund as part of an outsourcing contract and therefore the Attained Age Method is used in setting their contributions. All other employers (for example councils, higher education bodies and academies) are generally open employers and therefore the Projected Unit Method is used. The administering authority holds details of the open or closed status of each employer.

Valuation assumptions and funding model

In completing the actuarial valuation, it is necessary to formulate assumptions about the factors affecting the Fund's future finances such as price inflation, pay increases, investment returns, rates of mortality, early retirement and staff turnover etc.

The assumptions adopted at the valuation can therefore be considered as:

- The demographic (or statistical) assumptions which are essentially estimates of the likelihood or timing of benefits and contributions being paid, and
- The financial assumptions which will determine the estimates of the amount of benefits and contributions payable and their current (or present) value.

Future price inflation

The base assumption in any valuation is the future level of price inflation over a period commensurate with the duration of the liabilities, as measured by the Retail Price Index inflation (RPI). This is derived using the 20 year point on the Bank of England implied Retail Price Index (RPI) inflation curve, with consideration of the market conditions over the six months straddling the valuation date. The 20 year point on the curve is taken as 20 years is consistent with the average duration of an LGPS Fund. A deduction of 0.3% p.a. is applied to the yield at the 20 year point to reflect the shape of the yield curve. A further deduction of 0.4% p.a. is applied to reflect the view that investors are willing to pay a premium for inflation-linked products in return for protection against unexpected inflation.

Future pension increases

Pension increases are linked to changes in the level of the Consumer Price Index inflation (CPI). Inflation as measured by the CPI has historically been less than RPI principally due to different calculation methods. However, RPI is due to be aligned with CPIH (CPI but with allowance for housing costs) from 2030.

Therefore, reflecting the anticipated amendment to RPI from 2030 and therefore the relative difference between RPI and CPI, a deduction of 0.35% p.a. is made to the RPI assumption to derive the CPI assumption.

Future pay increases

As some of the benefits are linked to pay levels at retirement, it is necessary to make an assumption as to future levels of pay increases. Historically, there has been a close link between price inflation and pay increases with pay increases exceeding price inflation in the longer term. The long-term pay increase assumption adopted as at 31 March 2022 was CPI plus 1.0% p.a. which includes allowance for promotional increases.

Future investment returns/discount rate

To determine the value of accrued liabilities and derive future contribution requirements it is necessary to discount future payments to and from the Fund to present day values.

The discount rate that is applied to all projected liabilities reflects a prudent estimate of the rate of investment return that is expected to be earned from the Fund's long-term investment strategy by considering average market yields in the six months straddling the valuation date. The discount rate so determined may be referred to as the "ongoing" discount rate.

It may be appropriate for an alternative discount rate approach to be taken to reflect an individual employer's situation. This may be, for example, to reflect an employer targeting a cessation event or to reflect the administering authority's views on the level of risk that an employer poses to the Fund. The Fund Actuary will incorporate any such adjustments after consultation with the administering authority.

A summary of the financial assumptions adopted for the 2022 valuation is set out in the table below:

Financial assumptions as at 31 March 2022	Amounts
RPI inflation	3.2% p.a.
CPI inflation	2.9% p.a.
Pension/deferred pension increases and CARE revaluation	In line with CPI inflation
Pay increases	CPI inflation + 1.0% p.a.
Discount rate	4.6% p.a.

Asset valuation

For the purpose of the valuation, the asset value used is the market value of the accumulated fund at the valuation date, adjusted to reflect average market conditions during the six months straddling the valuation date. This is referred to as the smoothed asset value and is calculated as a consistent approach to the valuation of the liabilities.

The Fund's assets are notionally allocated to employers at an individual level by allowing for actual Fund returns achieved on the assets and cashflows paid into and out of the Fund in respect of each employer (e.g. contributions received and benefits paid).

Demographic assumptions

The demographic assumptions incorporated into the valuation are based on Fund-specific experience and national statistics, adjusted as appropriate to reflect the individual circumstances of the Fund and/or individual employers.

Further details of the assumptions adopted are included in the Fund's 2022 valuation report.

McCloud/Sargeant judgements

When the Government reformed public service pension schemes in 2014 and 2015 they introduced protections for older members. In December 2018, the Court of Appeal ruled that younger members of the Judges' and Firefighters' Pension schemes have been discriminated against because the protections do not apply to them. The Government has confirmed that there will be changes to all main public sector schemes, including the LGPS, to remove this age discrimination. A consultation has been run in relation to the changes proposed for the LGPS and legislation is now being drafted to bring forward these changes. We understand the updated Regulations are to be consulted on over the course of 2022 with revised Regulations effective from October 2023.

For the 2022 valuation, as required by the Department for Levelling Up, Housing & Communities, in calculating the value of members' liabilities it was assumed that:

- The current underpin (which only applies to those members within 10 years of their NPA at 31 March 2012) will be revised and will apply to all members who were active in the Scheme on or before 31 March 2012 and who join the post 1 April 2014 scheme without a disqualifying service gap;
- The period of protection will apply from 1 April 2014 to 31 March 2022 but will cease when a member leaves active service or reaches their final salary scheme normal retirement age (whichever is sooner);
- Where a member remains in active service beyond 31 March 2022 the comparison of their benefits will be based on their final salary when they leave the LGPS or when they reach their final salary scheme normal retirement age (again whichever is sooner);
- Underpin protection will apply to qualifying members who leave active membership of the LGPS with an immediate or deferred entitlement to a pension; and
- The underpin will consider when members take their benefit.

Further details of the McCloud/Sergeant judgement can be found below in the Regulatory risks section.

Based on the member data provided, and the above understanding of the proposed Regulations, the Fund Actuary has assessed the impact of the underpin protection for each active member in the Fund. Both benefits have been calculated for each member and the higher benefit valued to determine the appropriate liability for that member and relevant employer.

Guaranteed Minimum Pension (GMP) indexation and equalization

On 23 March 2021, the Government published the outcome to its Guaranteed Minimum Pension Indexation consultation, concluding that all public service pension schemes, including the LGPS, will be directed to provide full indexation to members with a GMP reaching State Pension Age (SPA) beyond 5 April 2021. This is a permanent extension of the existing ‘interim solution’ that has applied to members with a GMP reaching SPA on or after 6 April 2016. Details of the consultation outcome can be found [here](#).

The 2022 valuation approach for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the government providing the remainder of the inflationary increase. For members that reach SPA after this date, the Fund will be required to pay the entire inflationary increase.

Stabilisation mechanism

The LGPS Regulations (Regulation 62 (5)(b)) specify that the actuary must have regard to the desirability of maintaining as nearly constant a primary rate as possible. However it is a key objective of the fund to maintain stability of total rates as far as possible. The Fund therefore adopts a stabilisation approach to achieve this aim.

Where an employer is categorised as an employer type in the following table, the employer’s total contribution will be stabilised as shown in the table. Decreases apply if the employer has a funding level greater than 115%. Increases apply if the funding level is less than 115% and the current rate is less than the 2022 primary rate, otherwise the employer continues to pay the current rate.

Type of employer	Maximum total contribution increase over the next 3 years, effective from 1 April 2023	Maximum total contribution decrease over the next 3 years, effective from 1 April 2023
Major authorities (e.g. all councils, Police and Fire services)	1% of pay	1% of pay
Academies (including academies in the Academy Pool)	1% of pay p.a.	1% of pay p.a.

Note: the stabilisation mechanism and limits will be reviewed at the next tri-ennial valuation exercise, expected as at 31 March 2025.

Note: As the Academy Pool has been formed for the 2022 valuation and academies are currently paying different contribution rates, the academy rates will be set, using the above mechanism, and step towards the contribution rate calculated for the Pool.

Deficit recovery/surplus amortisation periods

Whilst one of the funding objectives is to build up sufficient assets to meet the cost of benefits as they accrue, it is recognised that at any particular point in time, the value of the accumulated assets will be different to the value of accrued liabilities, depending on how the actual experience of the Fund differs to the actuarial assumptions. This theory applies at an individual employer level; each employer in the Fund has their own share of deficit or surplus attributable to their section of the Fund.

Where the valuation for an employer discloses a deficit then the level of required employer contributions includes an adjustment to fund the deficit. The deficit recovery period will depend on employer type, employer covenant and other relevant factors, but in any case, will not exceed a period of 20 years. The adjustment may be set either as a percentage of payroll or as a fixed monetary amount.

Where the valuation for an employer discloses a surplus then the level of required employer contribution may include an adjustment to amortise the surplus.

The deficit recovery period or amortisation period that is adopted for any particular employer will depend on:

- The significance of the surplus or deficit relative to that employer's liabilities;
- The covenant of the individual employer (including any security in place) and any limited period of participation in the Fund;
- The remaining contract length of an employer in the Fund (if applicable); and
- The implications in terms of stability of future levels of employers' contribution.
- In 2021, the Fund commissioned an employer covenant analysis from PwC.

For employers not covered by the Stabilisation Mechanism above, the following approach will be applied. The Administering Authority have discretion to adopt a different approach where this is more appropriate to reflect the situation specific to the employer.

Type of employer	Approach to amortise surplus/deficit	Maximum recovery period
Colleges	Where the funding level is greater than 115% on the employer's funding assumptions, the surplus in excess of 115% is amortised over the maximum recovery period. Deficit is amortised over an appropriate period up to the maximum recovery period	15 years
Community Admission Bodies	Where the funding level is greater than 115% on the employer's funding assumptions, the surplus in excess of 115% is amortised over the maximum recovery period. Deficit is amortised over an appropriate period up to the maximum recovery period	Average future working lifetime of active members
Transferee Admission Bodies	Surplus/deficit is amortised over an appropriate period up to the maximum recovery period	Remaining contract term

Pooling of individual employers

The policy of the Fund is that each individual employer should be responsible for the costs of providing pensions for its own employees who participate in the Fund. Accordingly, contribution rates are set for individual employers to reflect their own particular circumstances.

However, certain groups of individual employers are pooled for the purposes of determining contribution rates to recognise common characteristics or where the number of Scheme members is small.

Forming/disbanding a funding pool

Where the Fund identifies a group of employers with similar characteristics and potential merits for pooling, it is possible to form a pool for these employers. Advice should be sought from the Fund Actuary to consider the appropriateness and practicalities of forming the funding pool.

Conversely, the Fund may consider it no longer appropriate to pool a group of employers. This could be due to divergence of previously similar characteristics or an employer becoming a dominant party in the pool (such that the results of the pool are largely driven by that dominant employer). Where this scenario arises, advice should be sought from the Fund Actuary.

Funding pools should be monitored on a regular basis, at least at each actuarial valuation, in order to ensure the pooling arrangement remains appropriate.

The funding pools adopted for the Fund at the 2022 valuation are summarised in the table below:

Pool	Type of pooling	Notes
Town and Parish Councils	For contribution rate purposes only	Individual funding level is tracked separately at each tri-ennial valuation and a contribution rate determined at pool level
Academies including Free Schools	For funding level and contribution rate purposes	Funding level is determined for the pool at each tri-ennial valuation

The main purpose of pooling is to produce more stable employer contribution levels, although recognising that ultimately there will be some level of cross-subsidy of pension cost amongst pooled employers.

Town and Parish Councils Pool

All Town and Parish Councils (T&PCs) will pay the same contribution rate, although their individual funding position will be tracked at employer level individually.

A T&PC may defer a cessation valuation if the last member leaves the scheme, but the T&PC is intending to offer the scheme to a new employee. This will be agreed with the Fund and any deficit payments, as calculated by the Actuary, due by the T&PC must continue to be paid during the suspension period. Any suspension period will be time-limited to a maximum of three years and at the discretion of the Fund. Once the T&PC has an active member, the pooled contribution rate will be paid.

If there are no active members at the end of the suspension period or a T&PC Pool Member chooses to close scheme participation to new employees, then a cessation valuation will be carried out to determine an exit payment/credit and that employer would no longer be a Member of the T&PC Pool. This will protect the remaining Pool Members from the change of employer characteristics which apply after closure. If a T&PC becomes insolvent and is unable to meet their pension liabilities, then the Fund will, in the first instance, secure any payments required to meet these liabilities from any guarantor. If there is no guarantor, then these liabilities will fall to the T&PC pool.

The cessation valuation will be carried out in line with the Fund's policy as set out in the "Cessation valuations" section below.

The Academy Pool

Eligibility

Academies, multi-academy trusts (MAT) and free schools are all eligible to join the Academy Pool and participate in the pooling arrangement.

Joining and leaving the Academy Pool

New academies

When a school converts to academy status, the new academy (or the sponsoring multi-academy trust) becomes a Scheme employer in its own right.

Funding at start

On conversion to academy status, the new academy will be allocated assets based on the active cover of the relevant local authority at the conversion date. The assets allocated to the academy will be capped at 100% of the value of the liabilities. The active cover approach is based on the funding level of the local authority's active liabilities, after fully funding the local authority's deferred and pensioner liabilities. On conversion to academy status, the new academy will become part of the Academy Pool, unless they opt-out, and will be allocated assets based on the funding level of the Pool at the conversion date.

An existing academy or MAT can only join or leave the Pool at each tri-ennial valuation. If an academy or MAT decline to join the Pool or leave the Pool for any reason then they will not be allowed to join or re-join the Pool at future dates, unless there are exceptional circumstances and at the sole discretion of the Administering Authority. If an academy or MAT want to leave the Academy Pool they may only do so at the next tri-ennial valuation.

Contribution rate

The pooled contribution rate for the Academy Pool Members will be calculated allowing for the stabilisation mechanism set out above. The contribution rates for the period 1 April 2023 to 31 March 2026, for each Pool Member will be stepped towards the calculated pooled rate.

The contribution rate payable when a new academy or free school joins the Academy Pool will be in line with the contribution rate certified for the Academy Pool at the 2022 valuation.

If the new academy or free school elects not to join the Academy Pool, the contribution rate will be calculated based on the funding position at the start as calculated above and membership data at the date prior to conversion.

In addition, Academy Pool Members are required to make additional contributions of 0.75% p.a. of pay to meet the costs of non-ill health (redundancy, efficiency, flexible retirement etc) early retirements.

Funding

The assets and liabilities will be reassessed and updated at each tri-ennial valuation. Each Academy Pool Member will have the same funding level based on the total assets and liabilities of the Academy Pool. Assets allocated to each Academy Pool Member is therefore the product of their individual liabilities and the funding level of the Academy Pool.

Cessation of an academy

If an academy participating in the Academy Pool ceases participation in the Fund, a cessation valuation is carried out by the Fund's actuary. The valuation approach is as follows:

- The funding level of the Academy Pool is calculated at the cessation date using the Fund's ongoing assumptions updated to reflect market conditions at the cessation date.
- The value of the liabilities attributable to the ceasing academy are calculated at the cessation date using the Fund's ongoing assumptions updated to reflect market conditions at the cessation date. The assets allocated to the academy is the product of the funding level of the Academy Pool and the value of the academy's ongoing liabilities calculated at the cessation date
- The academy's liabilities are recalculated using a minimum risk basis (minimum risk liabilities) and the debt, if any, is the difference between the minimum risk liabilities and the allocated assets

Risk-sharing

There are employers that participate in the Fund with a risk-sharing arrangement in place with another employer in the Fund.

For example, there are employers participating in the Fund with pass-through provisions: under this arrangement the pass-through employer does not take on the risk of underfunding as this risk remains with the letting authority or relevant guaranteeing employer. When the pass-through employer ceases participation in the Fund, it is not responsible for making any exit payment, nor receiving any exit credit, as any deficit or surplus ultimately falls to the letting authority or relevant guaranteeing employer.

At the 2022 valuation, risk-sharing arrangements were allowed for by allocating any deficit/liabilities covered by the risk-sharing arrangement to the relevant responsible employer.

Contribution payments

Employers pay contributions on a monthly basis. Primary contributions are certified as a percentage of payroll and therefore amounts paid by employers each month will fluctuate in line with payroll each month. Secondary contributions can be certified as a percentage of payroll or as a monetary amount. Monetary amounts are typically payable in 12 equal monthly instalments throughout the relevant year.

Employers must pay contributions in line with the Rates and Adjustments Certificate, but they may be able to alter the timing of contributions payable and/or pay in additional contributions with agreement from the administering authority.

No discount will be offered in exchange for early payment of either primary or secondary contributions.

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New employers joining the Fund

When a new employer joins the Fund, the Fund Actuary is required to set the contribution rates payable by the new employer and allocate a share of Fund assets to the new employer as appropriate. The most common types of new employers joining the Fund are admission bodies and new academies. These are considered in more detail below for admission bodies, with academies covered above.

Admission bodies

New admission bodies in the Fund are commonly a result of a transfer of staff from an existing employer in the Fund to another body (for example as part of a transfer of services from a council or academy to an external provider under Schedule 2 Part 3 of the Regulations). Typically these transfers will be for a limited period (the contract length), over which the new admission body employer is required to pay contributions into the Fund in respect of the transferred members.

From 1 April 2019, the default approach has been for admission bodies to join the Fund under a pass-through arrangement (although exceptions will be considered on a case-by-case basis at the Fund's discretion). Pass through arrangements allow for the pension risks to be shared between the letting employer and new contractor. Typically the majority of the pension risk is borne by the letting employer and thus the liability is retained on their balance sheet – as such the contractor would not be required to pay any deficit or receive any surplus at the end of the contract (subject to any agreed exceptions).

However, there is some flexibility within a pass-through arrangement. In particular there are two different routes that the letting employer may wish to adopt as set out under the 'Contribution rate' section below.

The Administering Authority is willing to administer either of the two options as long as the approach is documented in the Admission Agreement. The Admission Agreement should ensure that some element of risk transfers to the contractor where it relates to the contractor's decisions and where it is unfair to burden the letting employer with that risk. For example, the contractor should typically be responsible for pension costs that arise from:

- above average pay increases, including the effect in respect of service prior to contract commencement even if the letting employer takes on responsibility for the latter under (ii) above; and
- redundancy and early retirement decisions

Funding at start of contract

For pass-through and full transfer of risk arrangements, it may be appropriate for the new admission body to be allocated a share of Fund assets equal to the value of the benefits transferred, i.e. the new admission body starts off on a fully funded basis. This is calculated on the relevant funding basis and the opening position may be different when calculated on an alternative basis (e.g. on an accounting basis).

There may be special arrangements made as part of the contract such that pass-through or a full risk transfer approach is not adopted. In these cases, the initial assets allocated to the new admission body will reflect the level of risk transferred and may therefore not be on a fully funded basis or may not reflect the full value of the benefits attributable to the transferring members.

Contribution rate

The Fund's default approach will be to set up pass-through arrangements using "Option 1 - Fixed primary rate at outset" for all new contractors. Clearly as the risk ultimately resides with the employer letting the contract, it is for them to agree the appropriate route with the contractor:

Option 1 - Fixed primary rate at outset (default approach)

Under this approach, the contractor pays a fixed contribution rate throughout the contract. The contribution rate is calculated by the Fund actuary at the outset based on the membership profile of the transferring staff, to ensure full funding by the end of the contract (i.e. no surplus or deficit). For the avoidance of doubt, the rate would not change at future valuations and there is no exit payment or exit credit payable on termination of the admission agreement.

Option 2 – Pooled approach

Under this approach, the contractor's contribution rate is pooled with the letting authority and therefore the contribution rate is always equal to that which the letting authority is paying. In other words, the contractor will pay the same rate as the letting authority throughout the lifetime of the contract and it will move in line with any changes to the letting authority's rate at future valuations.

The pooled rate is the **total** contribution rate (made up of both the primary and secondary rate). Many letting authorities will currently be paying their primary rate as a percentage of payroll and their secondary rate as a monetary amount. For the purposes of the pooled rate, the secondary rate will be converted to a percentage of payroll and added to the primary rate.

Accounting

Under the Option 1 pass-through arrangement, for accounting purposes, the contractor's obligation is simply to pay the agreed contribution rate. The contractor would not be expected to include any liability in respect of their LGPS pension participation on their balance sheet. Instead, the letting authority would include it in their disclosures. The contractor may report its participation in the LGPS as if it were a defined contribution scheme.

Under the Option 2 pass-through arrangement, it is less clear whether the contractor needs to include a liability on their balance sheet as they are subject to some pensions risk but they never have to meet a past service funding deficit so it could be argued that they have no accounting balance sheet obligation. In these cases, the contractor and letting authority should check with their auditors what their requirements are.

Security

To mitigate the risk to the Fund that a new admission body will not be able to meet its obligations to the Fund in the future, the new admission body may be required to put in place a bond in accordance with Schedule 2 Part 3 of the Regulations, if required by the letting authority and administering authority.

If, for any reason, it is not desirable for a new admission body to enter into a bond, the new admission body may provide an alternative form of security which is satisfactory to the administering authority.

Risk-sharing

Although pass-through is the default approach, new admission bodies and the relevant letting authority may make a commercial agreement to deal with the pensions risk differently. For example, it may be agreed that the pensions risk is shared between the letting authority and the new admission body.

The administering authority may consider risk-sharing arrangements on a case-by-case basis at the Fund's discretion. Any such arrangement should not lead to any undue risk to the other employers in the Fund.

Legal and actuarial advice in relation to risk-sharing arrangements should be sought where required.

Contribution reviews between actuarial valuations

It is anticipated for most Scheme employers that the contribution rates certified at the formal actuarial valuation will remain payable for the period of the rates and adjustments certificate. However, there may be circumstances where a review of the contribution rates payable by an employer (or a group of employers) under Regulation 64A is deemed appropriate by the administering authority.

A contribution review may be requested by an employer or be required by the administering authority. Such reviews may be triggered by significant events including but not limited to: an employer approaching exit from the Fund, significant reductions in payroll, altered employer circumstances, Government restructuring affecting the employer's business, or failure to pay contributions or arrange appropriate security as required by the Administering Authority.

The review may only take place if one of the following conditions are met:

- (i) it appears likely to the administering authority that the amount of the liabilities arising or likely to arise has changed significantly since the last valuation;
- (ii) it appears likely to the administering authority that there has been a significant change in the ability of the Scheme employer or employers to meet the obligations of employers in the Scheme; or
- (iii) a Scheme employer or employers have requested a review of Scheme employer contributions and have undertaken to meet the costs of that review. A request under this condition can only be made if there has been a significant change in the liabilities arising or likely to arise and/or there has been a significant change in the ability of the Scheme employer to meet its obligations to the Fund.

Guidance on the administering authority's approach considering the appropriateness of a review and the process in which a review will be conducted is set out in the Fund's separate Contribution review policy. This includes details of the process that should be followed where an employer would like to request a review.

Once a review of contribution rates has been agreed, unless the impact of amending the contribution rates is deemed immaterial by the Fund Actuary, then the results of the review will be applied with effect from the agreed review date, regardless of the direction of change in the contribution rates.

Note that where a Scheme employer seems likely to exit the Fund before the next actuarial valuation then the administering authority can exercise its powers under Regulation 64(4) to carry out a review of contributions with a view to providing that assets attributable to the Scheme employer are equivalent to the exit payment that will be due from the Scheme employer. These cases do not fall under the separate contribution review policy.

With the exception of any cases falling under Regulation 64(4), the administering authority will not accept a request for a review of contributions where the effective date is within 12 months of the next Rates and Adjustments Certificate.

The result of a review may be to require increased or decreased contributions (by reviewing the actuarial assumptions adopted and/or moving to monetary levels of deficit recovery contributions), and/or an increased level of security or guarantee.

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Cessation valuations

When a Scheme employer exits the Fund and becomes an exiting employer, as required under the Regulations the Fund Actuary will be asked to carry out an actuarial valuation in order to determine the liabilities in respect of the benefits held by the exiting employer's current and former employees. The Fund Actuary is also required to determine the exit payment due from the exiting employer to the Fund or the exit credit payable from the Fund to the exiting employer.

Any deficit in the Fund in respect of the exiting employer will be due to the Fund as a single lump sum payment, unless it is agreed by the administering authority and the other parties involved that an alternative approach is permissible. For example:

- It may be agreed with the administering authority that the exit payment can be spread over some agreed period;
- the assets and liabilities relating to the employer may transfer within the Fund to another participating employer; or
- the employer's exit may be deferred subject to agreement with the administering authority, for example if it intends to offer Scheme membership to a new employee within the following three years or where a deferred debt arrangement is agreed.
- Similarly, any surplus in the Fund in respect of the exiting employer may be treated differently to a payment of an exit credit, subject to the agreement between the relevant parties and any legal documentation.

In assessing the value of the liabilities attributable to the exiting employer, the Fund Actuary may adopt differing approaches depending on the employer and the specific details surrounding the employer's cessation scenario. However, in general the following approaches will apply.

If there is no guarantor in the Fund willing to accept responsibility for the residual liabilities of the exiting employer, then those liabilities are likely to be assessed on a "minimum risk" basis leading to a higher exit payment being required from (or lower exit credit being paid to) the employer, in order to extinguish their liabilities to the Fund and to reduce the risk of these liabilities needing to be met by other participating employers in future. A minimum risk basis means the discount rate is linked to gilt yields.

If it is agreed that another employer in the Fund will accept responsibility for the residual liabilities, then the assumptions adopted will be consistent with the current ongoing funding position, but additional prudence may be included in order to take into account potential uncertainties and risk e.g. due to adverse market changes, additional liabilities arising from regulatory or legislative change and political/economic uncertainties.

Exit credit policy

The Local Government Pension Scheme (LGPS) (Amendment) Regulations 2018 were introduced in May 2018 which allow administering authorities to make an exit credit payment to exiting employers. A copy of the Fund's Exit Credit Policy is available on the Funds website.

Managing exit payments

Where a cessation valuation reveals a deficit and an exit payment is due, the expectation is that the employer settles this debt immediately through a single cash payment. However, should it not be possible for the employer to settle this amount immediately, or where it is beneficial for both the Administering Authority and employer, providing the employer puts forward sufficient supporting evidence to the administering authority, the administering authority may agree a deferred debt agreement (DDA) with the employer under Regulation 64(7A) or a debt spreading agreement (DSA) under Regulation 64B.

Under a DDA, the exiting employer becomes a deferred employer in the Fund (i.e. they remain as a Scheme employer but with no active members) and remains responsible for paying the secondary rate of contributions to fund their deficit. The secondary rate of contributions will be reviewed at each actuarial valuation until the termination of the agreement.

Under a DSA, the cessation debt is crystallised and spread over a period deemed reasonable by the administering authority having regard to the views of the Fund Actuary.

Whilst a DSA involves crystallising the cessation debt and the employer's only obligation is to settle this set amount, in a DDA the employer remains in the Fund as a Scheme employer and is exposed to the same risks (unless agreed otherwise with the administering authority) as active employers in the Fund (e.g. investment, interest rate, inflation, longevity and regulatory risks) meaning that the deficit will change over time.

Guidance on the administering authority's policy for entering into, monitoring and terminating a DDA or DSA is set out in the Fund's separate DSA and DDA policies. This includes details of when a DDA or a DSA may be permitted and the information required from the employer when putting forward a request for a DDA or DSA.

Regulatory factors

At the date of drafting this FSS, the government is currently consulting on potential changes to the Regulations, some which may affect the timing of future actuarial valuations. This is set out in the *Local government pension scheme: changes to the local valuation cycle and the management of employer risk* consultation document.

Further details of this can be found in the Regulatory risks section below.

Bulk transfers

Bulk transfers of staff into or out of the Fund can take place from other LGPS Funds or non-LGPS Funds. In either case, the Fund Actuary for both Funds will be required to negotiate the terms for the bulk transfer – specifically the terms by which the value of assets to be paid from one Fund to the other is calculated.

The agreement will be specific to the situation surrounding each bulk transfer but in general the Fund will look to receive the bulk transfer on no less than a fully funded transfer (i.e. the assets paid from the ceding Fund are sufficient to cover the value of the liabilities on the agreed basis).

A bulk transfer may be required by an issued Direction Order. This is generally in relation to an employer merger, where all the assets and liabilities attributable to the transferring employer in its original Fund are transferred to the receiving Fund.

Links with the Investment Strategy Statement (ISS)

The main link between the Funding Strategy Statement (FSS) and the ISS relates to the discount rate that underlies the funding strategy as set out in the FSS, and the expected rate of investment return which is expected to be achieved by the long-term investment strategy as set out in the ISS.

As explained above, the ongoing discount rate that is adopted in the actuarial valuation is derived by considering the expected return from the long-term investment strategy. This ensures consistency between the funding strategy and investment strategy.



Investment Strategy Statement

September 2021

Risks and counter measures

Whilst the funding strategy attempts to satisfy the funding objectives of ensuring sufficient assets to meet pension liabilities and stable levels of employer contributions, it is recognised that there are risks that may impact on the funding strategy and hence the ability of the strategy to meet the funding objectives.

The major risks to the funding strategy are financial, although there are other external factors including demographic risks, regulatory risks and governance risks.

Financial risks

The main financial risk is that the actual investment strategy fails to produce the expected rate of investment return (in real terms) that underlies the funding strategy. This could be due to a number of factors, including market returns being less than expected and/or the fund managers who are employed to implement the chosen investment strategy failing to achieve their performance targets.

The valuation results are most sensitive to the real discount rate (i.e. the difference between the discount rate assumption and the price inflation assumption). Broadly speaking an increase/decrease of 0.5% p.a. in the real discount rate will decrease/increase the valuation of the liabilities by 10%, and decrease/increase the required employer contribution by around 2.5% of payroll p.a.

However, the Investment and Pension Fund Committee regularly monitors the investment returns achieved by the fund managers and receives advice from the independent advisers and officers on investment strategy.

The Committee may also seek advice from the Fund Actuary on valuation related matters.

In addition, the Fund Actuary provides funding updates between valuations to check whether the funding strategy continues to meet the funding objectives.

Demographic risks

Longevity

Allowance is made in the funding strategy via the actuarial assumptions for a continuing improvement in life expectancy. However, the main demographic risk to the funding strategy is that it might underestimate the continuing improvement in longevity. For example, an increase of one year to life expectancy of all members in the Fund will increase the liabilities by approximately 3% - 4%.

The actual mortality of pensioners in the Fund is monitored by the Fund Actuary at each actuarial valuation and assumptions are kept under review. The Fund commissions bespoke longevity analysis by Club Vita in order to assess the mortality experience of the Fund and help set an appropriate mortality assumption for funding purposes.

Non ill-health retirement costs

The liabilities of the Fund can also increase by more than anticipated as a result of the additional financial costs of early retirements and ill-health retirements. It is assumed that members' benefits are payable from the earliest age that the employee could retire without incurring a reduction to their benefit (and without requiring their employer's consent to retire). (NB the relevant age may be different for different periods of service, following the benefit changes from April 2008 and April 2014).

The administering authority monitors the incidence of early retirements and procedures are in place that require individual employers to pay additional amounts into the Fund to meet any additional costs arising from early retirements.

Employers are required to pay additional contributions ('strain') wherever an employee retires before attaining this age. The actuary's funding assumptions do not allow for early retirement except on grounds of ill-health. Certain employers, all of which are subject to the stabilisation mechanism, pay an additional 0.75% of pay per annum to meet expected non-ill health early retirement strain costs. Non stabilised employers (and stabilised employers choosing not to pay the additional 0.75% p.a. of pay) are required to pay additional contributions ('strain') whenever an employee retires before attaining retirement age.

Ill health retirement costs

The administering authority monitors ill-health retirements and employers are required to meet any additional costs arising from ill-health retirements. Some employers have an external insurance policy in place to mitigate this risk and so these employers are not required to make any additional payments relating to ill-health retirements.

Climate risk

There are a large number of interlinked systemic long term financial risks related to climate change which could potentially have a material impact on the assets and/or the liabilities of the Fund. The most obvious of these climate change risks will be the financial risks to the value of the Fund's assets, the potential increased volatility of markets and potential changes in life expectancy. It is possible that some of these factors will impact the assets and liabilities of the Fund in the same direction, although not necessarily by the same amount.

The Fund therefore has a fiduciary duty to consider climate change risk when making investment decisions and to ensure any decisions support the effective management of climate change. The Fund therefore expects their appointed investment managers to be informed about climate change risks and take investment opportunities accordingly within their processes.

As part of the 2022 valuation, the Fund Actuary provided the Fund with a climate risk analysis which assessed the potential exposure of the Fund's funding position to climate risk under different climate scenarios and considered the resilience of the Fund's funding strategy. The Fund will continue to assess this risk on a regular basis.

Maturity risk

The maturity of a Fund (or of an employer in the Fund) is an assessment of how close on average the members are to retirement (or already retired). The more mature the Fund or employer, the greater proportion of its membership that is near or in retirement. For a mature Fund or employer, the time available to generate investment returns is shorter and therefore the level of maturity needs to be considered as part of setting funding and investment strategies.

The cashflow profile of the Fund needs to be considered alongside the level of maturity: as a Fund matures, the ratio of active to pensioner members falls, meaning the ratio of contributions being paid into the Fund to the benefits being paid out of the Fund also falls. This therefore increases the risk of the Fund having to sell assets in order to meet its benefit payments.

The government has published a consultation (*Local government pension scheme: changes to the local valuation cycle and management of employer risk*) which may affect the Fund's exposure to maturity risk. More information on this can be found in the Regulatory risks section below.

Regulatory risks

The benefits provided by the Scheme and employee contribution levels are set out in Regulations determined by central government. The tax status of the invested assets is also determined by the government.

The funding strategy is therefore exposed to the risks of changes in the Regulations governing the Scheme and changes to the tax regime which may affect the cost to individual employers participating in the Scheme.

However, the administering authority participates in any consultation process of any proposed changes in Regulations and seeks advice from the Fund Actuary on the financial implications of any proposed changes.

There are a number of general risks to the Fund and the LGPS, including:

- If the LGPS was to be discontinued in its current form it is not known what would happen to members' benefits.
- The potential effects of GMP equalisation between males and females, if implemented, are not yet known.
- More generally, as a statutory scheme the benefits provided by the LGPS or the structure of the scheme could be changed by the government.
- The State Pension Age is due to be reviewed by the government in the next few years.

At the time of preparing this FSS, specific regulatory risks of particular interest to the LGPS are in relation to the McCloud/Sargeant judgements and the timing of future funding valuations consultation. These are discussed in the sections below.

McCloud/Sargeant judgements

The Court of Appeal judgment on the McCloud and Sargeant cases, relate to age discrimination against the age-based transitional provisions put into place when the new judicial pension arrangements were introduced in 2015. The members argued that these transitional provisions were directly discriminatory on grounds of age and indirectly discriminatory on grounds of sex and race, based on the correlation between these two factors reflected in the judicial membership. The Tribunal ruled against the Government, deeming the transitional provisions as not a proportionate means of achieving a legitimate aim.

The Government subsequently applied to the Supreme Court to appeal the judgement but their application was denied on 27 June 2019. On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits in response to the McCloud and Sargeant cases. A ministerial statement in response to this was published on 13 May 2021 and revised Regulations are awaited to bring a remedy into play.

At the time of drafting this FSS, Regulations and therefore confirmation of the remedy are not yet finalised and are expected in 2023.

Consultation: Local government pension scheme: changes to the local valuation cycle and management of employer risk

On 8 May 2019, the government published a consultation seeking views on policy proposals to amend the rules of the LGPS in England and Wales. The consultation covered:

- amendments to the local fund valuations from the current three year (triennial) to a four year (quadrennial) cycle;
- a number of measures aimed at mitigating the risks of moving from a triennial to a quadrennial cycle;
- proposals for flexibility on exit payments;
- proposals for further policy changes to exit credits; and
- proposals for changes to the employers required to offer LGPS membership.

The proposals for flexibility on exit payments and for further policy changes to exit credits have been finalised, however, are still to be finalised for the remaining three proposals. This FSS will be revisited once the outcome is known and reviewed where appropriate.

Timing of future actuarial valuations

LGPS valuations currently take place on a triennial basis which results in employer contributions being reviewed every three years. In September 2018 it was announced by the Chief Secretary to HMT, Elizabeth Truss, that the national Scheme valuation would take place on a quadrennial basis (i.e. every four years) along with the other public sector pension schemes. These results of the national Scheme valuation are used to test the cost control cap mechanism and HMT believed that all public sector scheme should have the cost cap test happen at the same time.

Changes to employers required to offer LGPS membership

At the time of drafting this FSS, under the current Regulations further education corporations, sixth form college corporations and higher education corporations in England and Wales are required to offer membership of the LGPS to their non-teaching staff.

With consideration of the nature of the LGPS and the changes in nature of the further education and higher education sectors, the government has proposed to remove the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer new employees access to the LGPS. Given the significance of these types of employers in the Fund, this could impact on the level of maturity of the Fund and the cashflow profile. For example, increased risk of contribution income being insufficient to meet benefit outgo, if not in the short term then in the long term as the payroll in respect of these types of employers decreases with fewer and fewer active members participating in the Fund.

This also brings an increased risk to the Fund in relation to these employers becoming exiting employers in the Fund. Should they decide not to admit new members to the Fund, the active membership attributable to the employers will gradually reduce to zero, triggering an exit under the Regulations and a potential significant exit payment. This has the associated risk of the employer not being able to meet the exit payment and thus the exit payment falling to the other employers in the Fund.

Employer risks

Many different employers participate in the Fund. Accordingly, it is recognised that a number of employer-specific events could impact on the funding strategy including:

- Structural changes in an individual employer's membership;
- An individual employer deciding to close the Scheme to new employees; and
- An employer ceasing to exist without having fully funded their pension liabilities.

However, the administering authority monitors the position of employers participating in the Fund, particularly those which may be susceptible to the events outlined and takes advice from the Fund Actuary when required. In particular, the Fund will commission an employer risk review from an external adviser or the Fund Actuary on a regular basis, every three years as a minimum, to help identify the employers in the Fund that might be considered as high risk. In the case of admitted bodies, the Fund has a policy of requiring some form of security from the employer, in the form of a guarantee or a bond, in case of employer default where the risk falls to the Fund. Where the risk of default falls on the liabilities of an original letting authority, the Fund provides advice to the letting authority to enable them to make a decision on whether a guarantee, some other form of security or a bond should be required.

In addition, the administering authority keeps in close touch with all individual employers participating in the Fund to ensure that, as administering authority, it has the most up to date information available on individual employer situations. It also keeps individual employers briefed on funding and related issues.

Governance risks

Accurate data is necessary to ensure that members ultimately receive their correct benefits. The administering authority is responsible for keeping data up to date and results of the actuarial valuation depend on accurate data. If incorrect data is valued then there is a risk that the contributions paid are not adequate to cover the cost of the benefits accrued.



Monitoring and review

This FSS is reviewed formally, in consultation with the key parties, at least every three years to tie in with the triennial actuarial valuation process.

The most recent valuation was carried out as at 31 March 2022, certifying the contribution rates payable by each employer in the Fund for the period from 1 April 2023 to 31 March 2026.

The timing of the next funding valuation is due to be confirmed as part of the government's *Local government pension scheme: changes to the local valuation cycle and management of employer risk* consultation which closed on 31 July 2019. At the time of drafting this FSS, it is anticipated that the next funding valuation will be due as at 31 March 2025.

The administering authority also monitors the financial position of the Fund between actuarial valuations and may review the FSS more frequently if necessary.

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Contribution Review Policy 2023



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Introduction

This document sets out the East Sussex Pension Fund's (the Fund's) policy on amending the contribution rates payable by an employer (or group of employers) between formal funding valuations.

The Fund is part of the Local Government Pension Scheme (LGPS), a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 (the Regulations) as amended.

Under Regulation 62, East Sussex County Council, as the administering authority for the Fund, is required to obtain a formal actuarial valuation of the Fund and a rate and adjustments certificate setting out the contribution rates payable by each Scheme employer for three year period beginning 1 April following that in which the valuation date falls.

It is anticipated for most Scheme employers that the contribution rates certified at the formal actuarial valuation will remain payable for the period of the rates and adjustments certificate. However, there may be circumstances where a review of the contribution rates payable by an employer (or a group of employers) under Regulation 64A is deemed appropriate by the administering authority. This policy document sets out the administering authority's approach to considering the appropriateness of a review and the process in which a review will be conducted.

This policy has been prepared by the administering authority following advice from the Fund Actuary, and following consultation with the Fund's Scheme employers. In drafting this policy document, the administering authority has taken into consideration the statutory guidance on drafting a contribution review policy which was issued by the Ministry of Housing, Communities and Local Government, and the Scheme Advisory Board's guide to employer flexibilities.

Throughout this document, any reference to the review of a Scheme employer's contribution rates will also mean the single review of the contribution rates for a group of Scheme employers (for example if the employers are pooled for funding purposes).

Note that where a Scheme employer seems likely to exit the Fund before the next actuarial valuation then the administering authority can exercise its powers under Regulation 64(4) to carry out a review of contributions with a view to providing that assets attributable to the Scheme employer are equivalent to the exit payment that will be due from the Scheme employer. These cases do not fall under this contribution review policy.

The review process

The events that may trigger a review are set out in the Triggering a contribution review section. The general process for assessing and conducting a review is set out below. Timescales may vary in practice depending on each individual circumstance but the timeline below provides a rough guide of the administering authority's general expectation.

Following completion of the review process, the administering authority may continue to monitor the Scheme employer's position in order to ensure the revised contribution rate remains appropriate (where a review was completed) or to ensure the Scheme employer's situation does not change such that a review previously deemed not appropriate becomes appropriate. As part of its participation in the Fund, any Scheme employer is expected to support any reasonable information requests made by the administering authority in order to allow effective monitoring.

Timeline where initiation is made by the administering authority

Where the review is initiated by the administering authority (i.e. under conditions (i) and (ii) in the Triggering a contribution review section), the first stage after the administering authority has conducted its analysis is to engage with the Scheme employer and provide written evidence for requiring the review.

The Scheme employer will be given 45 days from the later of the date of receipt of the evidence provided by the administering authority and the date of receipt of the results of the formal contribution review to respond to the administering authority on the proposal. Should no challenge be accepted within this period then the administering authority will treat the proposal as accepted and the revised contribution rates will come into effect from the proposed review date.

Should the Scheme employer challenge the administering authority's proposal, then the administering authority will continue to engage with the Scheme employer in order to reach an agreeable decision. If no decision has been agreed within 3 months of the initial proposal, then the administering authority may proceed with the revised contribution rates. Further details of the appeals process for the Scheme employer is set out in the Appeals process section.

Although the ultimate decision for review belongs to the administering authority, the administering authority is committed to engaging with any Scheme employer following the initial proposal to ensure that any change is agreeable to all relevant parties.

Timeline where initiation is made by the Scheme employer

Where the review is initiated by the Scheme employer, the process begins once the Scheme employer has provided all the relevant documents required as set out in the Triggering a contribution review section.

The administering authority will aim to provide a response to the Scheme employer within 45 days from the date of receipt. This will depend on the quality of the documents provided and any need from the administering authority to request further information from the Scheme employer. The administering authority will provide a written response setting out the issues considered in reviewing the request from the Scheme employer, together with the outcome and confirming the next steps in the process.

Responsibility of costs

Where the review of contributions has been initiated by the administering authority, any costs incurred as part of the review in relation to the gathering of evidence to present to the Scheme employer and the actuarial costs to commission the contribution review will be met by the Fund. This is with the exception of any costs incurred as a result of extra information requested by the Scheme employer which is not ordinarily anticipated to be incurred by the administering authority as part of the review. These exception costs would be recharged to the Scheme employer.

Any costs incurred as a result of a review initiated by the Scheme employer will be the responsibility of the Scheme employer, regardless of the outcome of the review proceeding or not. This may include specialist adviser costs involved in assessing whether or not the request for review should be accepted and the costs in relation to carrying out the review.

Triggering a contribution review

As set out in Regulation 64(A)(1)(b), a review of an employer's contribution rate between formal actuarial valuations may only take place if one of the following conditions are met:

- (i) it appears likely to the administering authority that the amount of the liabilities arising or likely to arise has changed significantly since the last valuation;
- (ii) it appears likely to the administering authority that there has been a significant change in the ability of the Scheme employer or employers to meet the obligations of employers in the Scheme; or
- (iii) a Scheme employer or employers have requested a review of Scheme employer contributions and have undertaken to meet the costs of that review.

Conditions (i) and (ii) are triggered by the administering authority and (iii) by the Scheme employer. The key considerations under each of the conditions are detailed below.

It should be noted that the conditions are as set out in the Regulations therefore do not allow for a review of contributions where the trigger is due to a change in actuarial assumptions or asset values.

(i) change in the amount of the liabilities arising or likely to arise

Examples of changes which may trigger a review under this condition include, but are not limited to:

- Restructuring of a council due to a move to unitary status
- Restructuring of a Multi Academy Trust
- A significant outsourcing or transfer of staff
- Any other restructuring or event which could materially affect the Scheme employer's membership
- Changes to whether a Scheme employer is open or closed to new members, or a decision which will restrict the Scheme employer's active membership in the fund in future
- Significant changes to the membership of an employer, for example due to redundancies, significant salary awards, ill health retirements or a large number of withdrawals
- Establishment of a wholly owned company by a scheduled body which does not participate in the LGPS.

As part of its participation in the Fund, Scheme employers are required to inform the administering authority of any notifiable events as set out in the Fund's Pension Administration Strategy, service agreements and/or admission agreements. Through this notification process, the administering authority may identify events that merit a review of contributions.

In addition, the administering authority may initiate a review of contributions if they become aware of any events that they deem could potentially change the liabilities of the Scheme employer; this could arise from a covenant assessment. This also applies to any employers for whom a review of contributions has already taken place as a further change in liabilities may merit another review.

(ii) change in the ability of the Scheme employer to meet its obligations

Examples of changes which may trigger a review under this condition include, but are not limited to:

- Change in employer legal status or constitution
- Provision of, or removal of, security, bond, guarantee or some other form of indemnity by a Scheme employer
- A change in a Scheme employer's immediate financial strength
- A change in a Scheme employer's longer-term financial outlook
- Confirmation of wrongful trading
- Conviction of senior personnel
- Decision to cease business
- Breach of banking covenant
- Concerns felt by the administering authority due to behaviour by a Scheme employer's, for example, a persistent failure to pay contributions (at all, or on time), or to reasonably engage with the administering authority over a significant period of time.

The administering authority monitors the level of covenant of its Scheme employers on an ongoing basis. In particular, the administering authority will commission an employer risk review report from the Fund Actuary or a covenant consultant on a regular basis, and usually at least every three years. Through this analysis, the administering authority can identify any Scheme employers that might be considered as high risk and whether any Scheme employers have had a significant change in riskiness. This in turn may affect the administering authority's views on whether the ability of a Scheme employer to meet its obligations to the Fund has changed significantly and therefore whether this change may merit a contribution review. This also applies to any employers for whom a review of contributions has already taken place as a further change in an employer's ability to meet its obligations may merit another review.

(iii) request from the Scheme employer for a contribution review

A request can be made by a Scheme employer for a review of contribution rates outside of the formal actuarial process. This must be triggered by one of the following two conditions:

- There has been a significant change in the liabilities arising or likely to arise; and/or
- There has been a significant change in the ability of the Scheme employer to meet its obligations to the Fund.

Any requests not arising from either of these conditions will not be considered by the administering authority.

Requests by a Scheme employer are limited to one review per calendar year.

With the exception of any cases where the Scheme employer is expected to cease before the next rates and adjustments certificate comes into effect, the administering authority will not accept a request for a review of contributions with an effective date within the 12 months preceding the next Rates and Adjustments certificate. It is expected in these cases that any requests can be factored into the formal review and any benefits of carrying out a review just prior to the commencement of a new Rates and Adjustments certificate are outweighed by the costs and resource required. If a

request is made with an effective date within the 12 months preceding the next Rates and Adjustments certificate, the administering authority will instead reflect these changes in the actuarial valuation and the rates being certified and taking effect the year following the valuation date.

Information required from the Scheme employer

In order to submit a request for a review of contribution rates outside of the formal actuarial valuation process, a Scheme employer must provide the following to the Fund:

- Where a review is sought due to a potential change in the Scheme employer's liabilities:
 - Membership data or details of membership changes to evidence that the liabilities have materially changed, or are likely to change
- Where a review is sought due to a potential change in the ability of the Scheme employer to meet its obligations:
 - The most recent annual report and accounts for the Scheme employer
 - The most recent management accounts
 - Financial forecasts for a minimum of three years
 - The change in security or guarantee to be provided in respect of the Scheme employer's liabilities

The administering authority may require further evidence to support the request and this will be requested from the Scheme employer on a case by case basis.

Assessing the appropriateness of a review

The following general considerations will be taken into account by the administering authority, regardless of the condition under which a review is requested:

- the expected term for which the Scheme employer will continue to participate in the Fund;
- the time remaining to the next formal funding valuation;
- the cost of the review relative to the anticipated change in contribution rates and the benefit to the Scheme employer, the Fund and/or the other Scheme employers; and
- the anticipated impact on the Fund and the other Fund employers, including the relative size of the change in liabilities and contributions and any change in the risk borne by other Fund employers.

Where the review has been requested by the Scheme employer, the administering authority will also consider the information and evidence put forward by the Scheme employer. This may be with advice from the Fund Actuary where required, and will include an assessment of whether there is a reasonable likelihood that a review would result in a change in the Scheme employer's contribution rates. The administering authority will also consider whether it is necessary to consult with any other Scheme employer e.g. where a guarantee may have been provided by another Scheme employer.

Whether any changes require the administering authority to exercise its powers to carry out a contribution review will be assessed on a case by case basis and with advice from the Fund Actuary and may involve other considerations as deemed appropriate for the situation. The final decision of whether a review of contribution rates will be carried out rests with the administering authority after, if necessary, taking advice from the Fund Actuary. Should a Scheme employer disagree with the administering authority, then details of the Appeals process is set out later in this document.

Appropriateness of a review due to change in liabilities

This will be subject to the following considerations in addition to the general considerations set out above:

- the size of the Scheme employer's liabilities relative to the Fund and the extent to which they have changed;
- the size of the event in terms of membership and liabilities relative to the Scheme employer and/or the Fund; and
- the administering authority's assessment of the ability of the Scheme employer to meet its obligations.

Appropriateness of a review due to change in ability to meet its obligations to the Fund

In assessing whether or not an administering authority will exercise its powers to review a Scheme employer's contribution rates under this condition, the administering authority will take into account the general considerations set out earlier in this section and:

- The results of any employer risk analysis provided by the Fund Actuary or a covenant specialist
- The perceived change in the value of the indemnity to the administering authority, relative to the size of the Scheme employer's liabilities

It is acknowledged that each Scheme employer's situation may differ and therefore each decision will be made on a case by case basis. Further considerations to that set out above may be relevant and will be taken into account by the administering authority as required.

Decision Making

Final decision making as to a change in revised contribution rates will be made by the S151 officer in liaison with the Fund Actuary and Head of Pensions.

Method used for reviewing contribution rates

If a review of contribution rates is agreed, or if an indicative review is required to help inform the review process, the administering authority will take advice from the Fund Actuary on the calculation of the Scheme employer's revised contribution rates. This will take into account the events leading to the anticipated liability change and any impact of the changes in the Scheme employer's ability to meet its obligations to the Fund.

The starting point for reviewing a Scheme employer's contribution rates will in some cases be the most recent actuarial valuation. The table below sets out the general approach that will be used when carrying out this review.

Once a review of contribution rates has been agreed, unless the impact of amending the contribution rates is deemed immaterial by the Fund Actuary, then the results of the review will be applied with effect from the agreed review date.

	General approach
Member data	In some cases, where the review is happening during or shortly after the valuation, the most recent actuarial valuation data will be used as a starting point. In most cases, given the review is due to an anticipated change in membership, the administering authority and Scheme employer should work together to provide updated membership data for use in calculations. There may be instances where updated membership data is not required if it is deemed proportionate to use the most recent actuarial valuation data without adjustment. Where the cause for a review is due to a change in a Scheme employer's ability to meet its obligations to the Fund, updated membership data may not need to be used unless any significant membership movements since the previous Fund valuation are known.
Approach to setting assumptions	This will be in line with that adopted for the most recent actuarial valuation, and in line with that set out in the Fund's Funding Strategy Statement.
Market conditions underlying financial assumptions	Unless an update is deemed more appropriate by the Fund Actuary, the market conditions will be in line with those at the most recent actuarial valuation.
Conditions underlying demographic assumptions	Unless an update is deemed more appropriate by the Fund Actuary, the conditions will be in line with those at the most recent actuarial valuation.
Funding target	The funding target adopted for a Scheme employer will be set in line with the Fund's Funding Strategy Statement, which may be different from the approach adopted at the

	most recent actuarial valuation due to a change in the Scheme employer's circumstances.
Surplus/deficit recovery period	The surplus/deficit recovery period adopted for a Scheme employer will be set in line with the Fund's Funding Strategy Statement, which may be different from the approach adopted at the most recent actuarial valuation due to a change in the Scheme employer's circumstances.

The Fund Actuary will be consulted throughout the review process and will be responsible for providing revised rates and adjustments certificate. Any deviations from the general approaches set out above will be agreed by the administering authority and the Fund Actuary.

Appeals process

If a scheme employer does not believe that the Employer Contribution Rate set under this contribution review policy is appropriate the scheme employer has the right to ask for a review of the decision.

Any employer appealing against the rate should be made within 2 calendar months of being sent your final Employer Contribution Rate and include all the evidence you wish to submit to support the request. The appeal should explain the reason the Contribution Rate is not considered appropriate. This should demonstrate at least one of the following:

- 1) Why you believe the decision is so unreasonable that a reasonable person would not have made the decision
- 2) That the Administering Authority has deviated from its published policy
- 3) New information is now available that would alter the original decision

If such a request is received it will be considered by the Chief Finance Officer and the Pension Committee, which acts as the delegated Scheme Manager on behalf of East Sussex County Council. The Fund will provide a response within 4 months to allow for the Pension Committee meeting cycle .

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Deferred Debt and Debt spreading agreement Policies 2023



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Introduction

This document sets out the East Sussex Pension Fund's (the Fund's) policy on deferred debt agreements (DDAs) and debt spreading agreements (DSAs) for exiting employers.

The Fund is part of the Local Government Pension Scheme (LGPS), a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 (the Regulations) as amended.

When a Scheme employer becomes an exiting employer under Regulation 64, the Fund Actuary is required to carry out a valuation to determine the exit payment due from the exiting employer to the Fund, or the excess of assets in the Fund relating to that employer. Where an exit payment is due, the expectation is that the employer settles this debt immediately through a single cash payment. However, if the employer provides evidence that this is not possible, there are two alternatives available: Regulation 64(7A) enables the administering authority to enter into a deferred debt agreement with the employer while Regulation 64B enables the administering authority to enter into a debt spreading agreement.

Under a DDA, the exiting employer becomes a deferred employer in the Fund (i.e. they remain as a Scheme employer but with no active members) and remains responsible for paying the secondary rate of contributions to fund their deficit. The secondary rate of contributions will be reviewed at each actuarial valuation until the termination of the agreement.

Under a DSA, the cessation debt is crystallised and spread, with interest, over a period deemed reasonable by the administering authority having regard to the views of the Fund Actuary.

Whilst a DSA involves crystallising the cessation debt and the employer's only obligation is to settle this set amount, in a DDA the employer remains in the Fund as a Scheme employer and is exposed to the same risks (unless agreed otherwise with the administering authority) as active employers in the Fund (e.g. investment, interest rate, inflation, longevity and regulatory risks) meaning that the deficit will change over time.

This policy document sets out the administering authority's policy for entering into, monitoring and terminating a DDA or DSA.

These policies have been prepared by the administering authority following advice from the Fund Actuary, and following consultation with the Fund's Scheme employers. In drafting this policy document, the administering authority has taken into consideration the statutory guidance on preparing and maintaining policies on employer exit payments and deferred debt agreements which was issued by the Ministry of Housing, Communities and Local Government, and the Scheme Advisory Board's guide to employer flexibilities.

Approach for exiting employers

In the event that an employer becomes an exiting employer and an exit payment is identified, the Fund should seek to receive a payment from the exiting employer equal to the exit payment in full.

The administering authority makes the exiting employer aware an exit payment is due by providing a revised rates and adjustments certificate in the form of a cessation valuation report produced by the Fund Actuary. Details of the Fund's cessation policy can be found in the Fund's Funding Strategy Statement (FSS).

The default position is that the employer is required to make an exit payment in full immediately. However, if required, the exiting employer can inform the administering authority, along with evidence, that they are unable to do so and may request to enter either a DDA or DSA. If the administering authority is satisfied with the evidence provided, the DDA or DSA process may proceed.

Requests should be submitted within 30 days of receiving confirmation of the exit payment required, or otherwise the exit payment should be paid to the Fund in full within 60 days.

Where possible, the administering authority encourages employers who are approaching exit and suspect they will have a deficit to engage with the administering authority in advance in order to understand the options that may be available. An indicative cessation report can be produced to form the basis of discussions.

Choosing a DDA or DSA

Consideration needs to be given as to which approach is the most appropriate in each case. A DDA may be appropriate if:

- the employer temporarily has no active members but expects it may return to active employer status in future. However, please note that if the plan is for active members to join within three years then perhaps a suspension notice may be more appropriate;
- the employer wants to minimise costs by potentially benefitting from the upside of the pensions risks it would remain exposed to and therefore does not want to crystallise its debt by becoming an exiting employer. In this case the administering authority may be willing to defer crystallisation of the cessation debt for an appropriately significant period of time, subject to the strength of the employer's covenant or security provided;
- initial affordability of the full exit payment is low but there is a prospect of increased affordability in the future, or the payment can only be afforded over a long period and therefore a DDA enables the position to be updated over time in light of changing funding positions; and/or
- the employer has a weak covenant but is not faced with imminent insolvency and must rely on future investment returns to fully or partially fund the exit payment. The administering authority may agree that doing so over an appropriate long period is better for the Fund than risking immediate insolvency of the employer.

On the other hand, it may be more appropriate to enter a DSA if:

- the employer does not intend to employ any more active members and therefore is not expected to resume active employer status;

- the employer wishes to crystallise its debt to the Fund and therefore not be subject to any of the pensions risks that could cause the amounts payable to the Fund increasing (or decreasing) in future;
- the employer has ample resources to make the payment within the near future but not immediately; and/or
- the employer is deemed to have a very weak covenant and so the administering authority will want to try to recoup as much of the exit payment as possible before the employer becomes insolvent.

The administering authority has the right to refuse a DSA or DDA request if they believe it is not in the best interests of the Fund or the other participating employers, for example if entering a DSA or DDA increases the risk of a deficit falling to the other employers.

In considering each request for a DDA or DSA arrangement from an exiting employer the administering authority will take actuarial, covenant, legal and other advice as necessary. Proposed DDAs/DSAs will always be discussed with the employer, whether the arrangement was at the exiting employer's request or not.

Employers who may be party to either a DSA or a DDA are encouraged to discuss any potential impact on their accounting treatment with their auditors.

Managing of costs

On receiving a request the administering authority will make the employer aware that any costs associated with setting up the DDA or DSA will be the responsibility of the Scheme employer, regardless of whether the administering authority agrees to enter into the agreement or not. This may include the cost of actuarial advice, legal advice, administrative costs and any additional advice required in relation to a covenant assessment or any other specialist adviser costs. If costs deviate from those initially anticipated the administering authority will keep the exiting employer up-to-date with any increases. The administering authority will provide information on how and when payments should be made.

Internal dispute resolutions

Whether a DDA or DSA arrangement is agreed or not is ultimately the decision of the administering authority. In the event of any dispute from the employer, please refer to the Fund's internal dispute resolution procedures document.

Deferred Debt Agreements (DDAs)

Entering into a DDA

Under a DDA, the exiting employer becomes a deferred employer in the Fund (i.e. they remain as a Scheme employer but with no active members) and remains responsible for paying the secondary rate of contributions to fund their deficit.

Information required from the employer

When making a request to enter a DDA, the employer should demonstrate that they are unable to settle their exit payment immediately and provide any relevant information to support their request e.g. in relation to their covenant/ability to continue to make payments to the Fund on a continuing basis. Examples of information the employer may provide as evidence include the exiting employer's:

- most recent annual report and accounts
- latest management accounts
- financial forecasts
- details of position of other creditors

This is not an exhaustive list and the administering authority may request further evidence. In particular, the administering authority may commission a covenant assessment if insufficient evidence is provided.

Assessing the proposal

The administering authority will make a decision on whether to enter into a DDA within 60 days of receiving a request but this may vary to reflect specific circumstances, for example if the administering authority chooses to request a covenant assessment then the process may take longer.

To reach a decision the administering authority will consider:

- the size of the exiting employer's residual liabilities relative to the size of the Fund;
- the size of the exit payment relative to the costs associated with entering into a DDA;
- whether a debt spreading agreement or suspension notice would be more appropriate (see specific circumstances below);
- any information provided by the exiting employer to support their covenant strength, including any information on a guarantor or other form of security that the employer may be able to put forward to support their covenant;
- the results of any covenant review carried out by the Fund Actuary or a covenant specialist;
- the exiting employer's accounts;
- the potential impact on the other employers in the Fund; and
- the opinion of the Fund Actuary.

The administering authority is not obliged to accept an exiting employer's request for a DDA. For example, in the following circumstances the administering authority may consider a DDA not to be appropriate:

- the exiting employer could reasonably be expected to settle their exit payment in a single amount;
- it is known or likely that another active member will come into employment in the three years following the cessation date (in these cases a suspension notice would be considered more appropriate than a DDA); or
- the administering authority is concerned that where a DDA is entered, that the employer could not afford the impact of any negative experience which would result in an increase in the required secondary rate of contributions and an increase in the employer's overall deficit (in these cases a debt spreading agreement would be considered more appropriate as the payments are fixed throughout the term of the agreement).

Once all information has been considered the administering authority will consult with the exiting employer as required under the Regulations. If the administering authority does not wish to enter into a DDA they will explain to the exiting employer their reasoning and any alternatives (e.g. a debt spreading agreement, suspension notice or indeed require the exit payment in full). If the administering authority accepts the request to enter into a DDA, they will notify their legal advisers and Fund Actuary. If the administering authority has concerns about the level of risk arising due to the DDA, the administering authority may only accept the request subject to a one-off cash injection being made by the exiting employer or security being provided as an additional guarantee.

The decision on whether to enter into a DDA will be made by the S151 officer in liaison with the Head of Pensions.

Setting up a DDA

Once agreed that a DDA is permitted, the terms of the DDA will be agreed between the administering authority and the exiting employer and will be set out in a formal legal agreement.

The administering authority and the exiting employer (with the assistance of the Fund Actuary) will negotiate an appropriate duration of the agreement which will consider the exiting employer's affordability and anticipated strength of covenant over the agreement period. If the exiting employer has sufficient reserves, the administering authority may require an immediate cash payment so that the DDA can start from an acceptably stronger funding position.

The Fund Actuary will calculate secondary contributions on an appropriate basis as agreed with the administering authority and following consultation with the exiting employer, taking into account any cash payments made in advance. The secondary contributions will be reviewed at each actuarial valuation and certified as part of the Fund's Rates and Adjustments Certificate until the termination of the agreement. Therefore payments throughout the agreement are not known in advance and may increase or decrease at each valuation to reflect changes in the employer's funding position.

The timeline from consultation with the exiting employer to entering into a DDA to the signing of the agreement will vary. Where possible all parties will aim to have the agreement signed within 3 months, although there may be circumstances where timings may vary. The Fund will not be obligated to the DDA until the agreement is signed and if the agreement is not signed within an appropriate timeframe the Fund will invoice for immediate payment of the exit debt.

Once finalised, the employer will become a deferred employer in the Fund and will have an obligation to pay their secondary contributions as certified by the Fund Actuary. The responsibilities of the deferred employer will be set out in the legal agreement and these will include the requirements to:

- comply with all the requirements on Scheme employers under the Regulations except the requirement to pay a primary rate of contributions but including any additional applicable costs, such as strain costs as a result of early retirements;
- adopt the relevant practices and procedures relating to the operation of the Scheme and the Fund as set out in any employer's guide produced by the administering authority;
- comply with all applicable requirements of data protection law relating to the Scheme and with the provisions of any data-sharing protocol produced by the administering authority and provided to the deferred employer;
- promptly provide all such information that the administering authority may reasonably request in order to administer and manage the agreement; and
- give notice to the administering authority, of any actual or proposed change in its status, including take-over, change of control, reconstruction, amalgamation, insolvency, winding up, liquidation or receivership or a material change to its business or constitution.

The deferred employer should consult with their auditors about any impacts the DDA is expected to have on their accounting requirements.

Monitoring a DDA

A deferred debt agreement is subject to the ongoing approval of the administering authority. The administering authority reserves the right to terminate the agreement should they become concerned about a significant weakening in the deferred employer's covenant or a significant change in funding position. Conversely, if there was an improvement in the employer's circumstance then the administering authority and employer may agree to amend the terms of the agreement.

The administering authority will monitor a DDA in the following ways:

Changing funding position

The administering authority will request regular, and at least annual, updates of the deferred employer's funding position in order to review the progress of the DDA. The costs of the regular reviews will fall to the deferred employer as part of the terms for putting in place a DDA.

If the funding position changes by more than 10% (in absolute terms) from the previous review then the administering authority may engage with the deferred employer to discuss a possible review of the DDA.

Changing employer covenant

The administering authority monitors the level of covenant of its Scheme employers on an ongoing basis. In particular, the administering authority may commission an employer risk review report from the Fund Actuary each actuarial valuation cycle which includes obtaining credit ratings from credit rating agencies.

Once an employer enters into a DDA, the administering authority will review the employer's covenant on a regular basis and details of this will be agreed for each DDA on an individual basis. If a

deferred employer's covenant deteriorates, the administering authority may issue a notice to review and possibly terminate the agreements.

In addition, if a deferred employer requests an extension to the duration of the DDA the administering authority will consider an updated covenant review, amongst other factors, in assessing the proposal.

As a condition of entering into a DDA, the deferred employer is required to engage with the administering authority to assist with monitoring the level of covenant, for example by providing information requested by the administering authority in a timely manner.

Timeliness of payments

The agreement will set out whether payments are made on a monthly or annual basis, and the administering authority will monitor if contributions are paid on time. Successive late or in particular missing payments would contribute towards a notice being issued to the deferred employer to review and possibly terminate the agreement.

Strength of guarantee or security

If a particular funding basis has been used by the Fund Actuary on the understanding that there is a particular security in place (e.g. another employer in the Fund willing to underwrite the residual deferred and pensioner liabilities when the employer formally exits) then the administering authority will check there has been no change to the security at agreed regular intervals and as a minimum at each valuation cycle. The Fund Actuary may change the funding basis used to set the deferred employer's contributions depending on the strength of the security in place.

Notifiable events from the deferred employer

The deferred employer has a responsibility to make the administering authority aware of any changes in their ability to make payments or of a change in circumstance (e.g. a change of the guarantee in place mentioned above). Information should be shared with the administering authority at any time throughout the agreement to enable the administering authority to consider whether a review of the agreement should be carried out.

Terminating a DDA

Events that may terminate a DDA

As set out in Regulation 64(7E), the DDA terminates on the first of the following events:

- the deferred employer enrolls new active members;
- the duration of the agreement has elapsed;
- the take-over, amalgamation, insolvency, winding up or liquidation of the deferred employer;
- the administering authority serves a notice on the deferred employer that it is reasonably satisfied that the employer's ability to meet the contributions payable under the DDA has weakened materially (or is likely to in the next 12 months); or
- a review of the funding position of the deferred employer is carried out at an updated calculation date and the Fund Actuary assesses that the deferred employer has paid sufficient secondary contributions to cover what would be due if the deferred employer

terminated at the updated calculation date; in other words the review reveals no deficit remains on the relevant calculation basis.

The deferred employer can also choose to terminate the DDA at any point. Notice should be given to the administering authority at the earliest opportunity.

Termination clauses will be included in the formal DDA legal agreement.

Process of termination

Once a termination of the DDA has been triggered, the deferred employer becomes an exiting employer under Regulation 64(1). The administering authority will obtain from the Fund Actuary an exit valuation calculated at the date the DDA terminates, and a revised rates and adjustments certificate setting out the exit payment due from the exiting employer or the excess of assets in the Fund relating to the exiting employer (which would then be subject to the Fund's exit credit policy).

Once the exit payment has been made in full, the exiting employer has no further obligation to the Fund.

If the termination has been triggered because the deferred employer has enrolled new active members then the deferred employer becomes an active employer in the Fund and an immediate exit payment may not be required; this may instead be incorporated in the revised rates and adjustments certificate that will be provided in respect of the active employer. The employer remains responsible for all previously accrued liabilities and the revised contributions required from the active employer will be calculated in line with the Fund's FSS.

If the termination has been triggered because a review of the funding position of the deferred employer reveals that the secondary contributions paid to date by the deferred employer are sufficient to cover what would be due if the deferred employer terminated at the updated calculation date, then the deferred employer becomes an exiting employer and no further payments are required. The exiting employer has no further obligation to the Fund. Where there is a surplus, an exit credit may be payable as determined by the administering authority and in line with the Fund's exit credit policy.

Debt Spreading Agreements (DSAs)

Entering a DSA

Under a DSA, the cessation debt is crystallised and spread, with interest, over a period deemed reasonable by the administering authority having regard to the views of the Fund Actuary and following discussion with the exiting employer. The payments are fixed and are not reviewed at each actuarial valuation.

Information required from the employer

When making a request to enter a DSA, the exiting employer should demonstrate that they are unable to settle their exit payment immediately and provide any relevant information to support their request e.g. in relation to their covenant/ability to continue to make payments to the Fund. Examples of information the exiting employer may provide as evidence include the employer's:

- most recent annual report and accounts
- latest management accounts
- financial forecasts
- details of position of other creditors

This is not an exhaustive list and the administering authority may request further evidence. In particular, the administering authority may commission a covenant assessment if insufficient evidence is provided.

Assessing the proposal

The administering authority will make a decision on whether to enter into a DSA within 60 days of receiving a request but this may vary to reflect specific circumstances, for example if the administering authority chooses to request a covenant assessment then the process may take longer.

To reach a decision the administering authority will consider:

- the size of the exit payment relative to the exiting employer's business cashflow;
- the size of the exit payment relative to the costs associated with entering into a DSA;
- whether a deferred debt agreement or suspension notice would be more appropriate;
- any information provided by the employer to support their covenant strength;
- the results of any covenant review carried out by the Fund Actuary or a covenant specialist;
- the merit of any guarantees from another source and whether this is deemed sufficient to cover the outstanding payments should the exiting employer fail;
- the exiting employer's accounts;
- the potential impact on the other employers in the Fund; and
- the opinion of the Fund Actuary.

The administering authority is not obliged to accept an exiting employer's request for a DSA. For example, in the following circumstances the administering authority may consider a DSA not to be appropriate:

- the exiting employer could reasonably be expected to settle their exit payment in a single amount;
- there is doubt that the exiting employer can operate as a going concern during the spreading period; or
- the exiting employer cannot afford the speeded payments over the maximum spreading period or is requesting a spreading period longer than the maximum (see below).

The structure of the DSA is at the discretion of the administering authority having taken advice from the Fund Actuary and consulted with the exiting employer. The structure should protect all other employers in the Fund whilst being achievable for the exiting employer. The structure of the DSA will take into consideration:

- the period that the payments will be spread. This is expected to be no more than 7 years. For longer periods it may be more appropriate to consider a deferred debt agreement but the administering authority reserves the right to set whatever spreading period they deem appropriate provided they are satisfied with the exiting employer's ability to meet the payments over that period. The length of the spreading period will be set as to be as short as possible whilst remaining affordable for the exiting employer;
- the interest rate applicable to the spread payments. In general, this will be set with reference to the discount rate in the exiting employer's cessation valuation report;
- the regularity of the payments and when they fall due;
- other costs payable; and
- the responsibilities of the exiting employer during the spreading period (for example, to make payments on time and to notify the administering authority of a change in circumstances that could affect their ability to make payments).

Once all information has been considered the administering authority will consult with the exiting employer as required under the Regulations. If the administering authority does not wish to accept the exiting employer's request to enter into a DSA they will explain their reasoning and any alternatives (e.g. a DDA, suspension notice or indeed require the exit payment in full). If the administering authority accepts the request to enter into a DSA, they will notify their legal advisers and Fund Actuary. If the administering authority has concerns about the level of risk arising due to the DSA, the administering authority may only accept the request subject to a one-off cash injection being made by the exiting employer or security being provided as an additional guarantee.

The decision on whether to enter into a DSA will be made by the SI51 officer in liaison with the Head of Pensions.

Setting up a DSA

The administering authority and the exiting employer, with the assistance of the Fund Actuary, will then negotiate the structure of the schedule of payments which takes into consideration the exiting employer's affordability and an appropriate period of the spreading.

The schedule of payments will be set out in a revised rates and adjustments certificate prepared by the Fund Actuary. There may be circumstances where timings may vary, however, in general the certificate will be prepared and provided to the exiting employer within 60 days of agreeing the structure of the schedule of payments with the exiting employer.

The Fund will not be obligated to the DSA until the agreement is signed and if the agreement is not signed within an appropriate timeframe the Fund will invoice for immediate payment of the exit debt.

Monitoring a DSA

Over the term that the cessation debt payment is spread, the administering authority will monitor the ability and willingness of the exiting employer to pay the schedule of contributions in the revised rates and adjustments certificate. While it is expected the schedule of payments would be fixed for the spreading period, the administering authority may alter the structure of the schedule at any time if there is a change in the exiting employer's circumstances or indeed, if the exiting employer wanted to pay the remaining balance. This will be agreed on a case by case basis and set out in a side agreement as required.

The administering authority will be in regular contact with the exiting employer until their obligations to the Fund are removed when all payments set out in the schedule of payments are made.

Examples of factors which will be monitored are set out below. Should any of these raise any concerns with the administering authority then the DSA may be reviewed and/or terminated.

Changing employer covenant

The administering authority will monitor the ability of the exiting employer to make their set payments by monitoring publicly available information such as credit ratings and/or company accounts as well as keeping in regular contact, at least annually, with the exiting employer to ensure that the payments can be met.

As a condition of entering into a DSA, the exiting employer is required to engage with the administering authority to assist with monitoring the level of covenant, for example by providing information requested by the administering authority in a timely manner.

Timeliness of payments

The DSA will set out whether payments are made on a monthly or annual basis and how long for, and the administering authority will monitor if contributions are paid on time. Successive late or in particular missing payments would contribute towards further interest charges or the spreading agreement may be reviewed and/or terminated.

Strength of guarantee or security

If a particular schedule of payments has been agreed between the administering authority and the exiting employer on the understanding that there is a particular security in place (e.g. another employer in the Fund willing to pay the remaining balance or a fixed charge on property that covers the remaining balance) then the administering authority will check there has been no change to the security regularly. The frequency of these reviews may reduce as the level of outstanding debt reduces. The administering authority with advice from the Fund Actuary may change the schedule of payments depending on the strength of the security in place. The exiting employer would be consulted prior to any changes.

Notifiable events from the exiting employer

The exiting employer has a responsibility to make the administering authority aware of any changes in their ability to make payments or of a change in circumstance that affects their ability to make payments. Information should be shared with the administering authority at any time throughout the agreement to enable the administering authority to consider whether a review of the agreement should be carried out.

Terminating a DSA

Events that may terminate a DSA

On paying all the payments set out in the revised rates and adjustments certificate the exiting employer will no longer have any obligations to the Fund.

In the event that the administering authority believes that the exiting employer may not be able to make any of their remaining payments, the administering authority reserves the right to review and/or terminate the DSA to ensure it is appropriate for the Fund and does not adversely impact the other participating employers.

The exiting employer may also request to terminate the DSA early, in which case an immediate payment of the outstanding amounts set out in the contribution schedule should be paid.

Process of termination

In the event of a DSA being amended or terminated the administering authority will communicate this to the exiting employer along with reasons for the decision. Before the decision is made the administering authority will consult with the exiting employer about their change in circumstances and also take advice from the Fund Actuary.

If the DSA has to be terminated prematurely the administering authority will seek to obtain from the exiting employer as much of the outstanding exit payments as possible or look at alternative arrangements such as a deferred debt agreement.

Once the exit payment has been made in full, the exiting employer has no further obligation to the Fund.

Report to: Pension Committee

Date of meeting: 22 February 2023

By: Chief Finance Officer

Title: Governance Report

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

RECOMMENDATIONS

The Pension Committee is recommended to:

1. Note the updates
 2. Approve the updated Administering Authority Discretions policy
 3. Approve the draft Pensions Administration Strategy for consultation with employers
-

1 Background

1.1 This report is brought to the Pension Committee 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 updates

2.1 HM Revenue and Customs has run a consultation connected to the proposed McCloud remedy. This consultation covers the tax implications of changes to benefits because of the rectification. Broadly, with a few exceptions, additional payments are treated as authorised payments and as the same kind of payment as the original one. The Local Government Association has responded to this consultation. A copy of the response is included as **Appendix 1**.

2.2 HM Treasury has also released Directions covering what compensation will be permissible and how this would need to be calculated, included the provision for the payment of interest.

3 McCloud Working Group

3.1 Following Stephen Osborn standing down from the Pension Board, there is currently no employer representative sitting on this group. Pension Board members are asked to indicate if they would like to be invited to future meetings.

3.2 The group met on 5 January 2023 and discussed:

3.2.1 The proposed remedy that will be available to all members with active service as at 31 March 2012.

3.2.2 Some Teachers will have a back dated entitlement to benefits within the LGPS in relation to part time service where this is not pensionable service under the Teachers' Pension Scheme.

3.2.3 Officers have been working closely with our pensions software provider to test the quality of the data obtained during the collection exercise run in 2022 and develop guides and reports.

3.2.4 It was noted that not all employers had provided the information being sought and Lynda Walker agreed to provide assistance through her Trade Union in chasing responses.

3.2.5 The consultation by HMRC together with the ongoing legal case relating to who will cover the costs of implementing the remedy.

3.3 Further information on data collection is included in the Administration report.

4 Pension Board membership

4.1 Since Stephen Osborn announced he would be standing down from his role on the Pension Board, Officers have contacted all (with the exception of ESCC, BHCC and District & Borough Councils) employers notifying them of the forthcoming vacancy. Employers were asked to put forward the names of people they would like to nominate to become an Employer Representative of the Board.

4.2 Only one nomination was received following the initial request, so an extension was provided until 31 January 2023 to allow employers more time to nominate suitable people and provide greater choice and competition for the vacancy. No further nominations were received and an interview with the nominee was arranged for 17 February 2023.

4.3 The terms for both Lynda Walker and Nicoletta Palermo are due to come to an end in April 2023. Lynda Walker has expressed a desire to continue in the role and the Governance Committee on 24 January 2023 approved an extension to her term for 2 years to 31 March 2025.

4.4 Nicoletta Palermo has decided to step down from the role on the Pension Board when her current term expires. Officers are seeking nominations for a new representative to fill this vacancy from the GMB Union. This is the Trade Union which previously proposed Nicoletta Palermo's inclusion on the Pension Board and liaising with them will maintain the current balance.

4.5 The role of the Chair of the Pension Board is due for renewal in 2023. Officers have posted adverts in the media to seek applications, the end date for applications is 22 February 2023. Interviews will take place with shortlisted applicants in March.

5 Pension Committee Structure

5.1 The Pension Board requested on 27 May 2022 that the Governance Committee review the governance arrangements of the Pension Committee with regards representation, taking into account other examples. This paper was presented and considered on 24 January 2023. The Governance Committee following consideration of detailed legal advice and discussion, agreed to continue with the existing structure of the Pension Committee. The Committee also agreed to review the structure of the Committee if there is a change in the law or statutory guidance.

6 Administering Authority discretions

6.1 At the 15 November 2023 meeting, the Pension Board requested more information be included in the 'Existing Policy' section of **Appendix 2** to explain where there is no formal policy what actions would normally be taken. This document has been updated, changes to the previous version are highlighted in yellow.

6.2 As part of this exercise Officers will be proposing to Committee that a policy be developed to require a self-assessment medical questionnaire to be provided when a member applies to pay an Additional Pension Contribution or Shared Cost Annual Pension Contribution. If there is an indication of ill health, a satisfactory Occupational Health Review would then be required. This is to mitigate the risk to the Fund incurring significant increases to liabilities.

7 Pension Administration Strategy

7.1 The Pension Administration Strategy (PAS) is due for review and, if the Pension Board and Pension Committee agree with the proposed content, a consultation will be arranged with Employers.

7.2 The proposed layout of the PAS has changed significantly from the current document, although the content is similar. The reason for this is to comply with accessibility requirements. The draft document is included at **Appendix 3**.

7.3 The proposed changes to the content are:

- 7.3.1 The targets for the Pension Administration Team (PAT) section be amended to reflect the actual Key Performance Indicators (KPI's) that are in place and being reported quarterly to the Board and Committee. The previous table for administration targets remains in place which includes a wider range of tasks the PAT team complete on a daily basis, to support scheme employer and scheme members understanding expectations of when tasks might be completed. These targets have not been changed from the approved strategy in June 2020 and are to align with the Fund's expected customer services standards for single activities. A review will take place over the next year to ensure the targets are consistent with the processes that are followed by PAT and with any changes are incorporated resulting from the move towards data provision by employers through i-Connect where significant volumes of data is received in a single monthly upload. The PAS will be update if there is significant changes resulting from this review and changes due to the introduction of i-Connect.
- 7.3.2 PAT have been talking about a review of the actual target days for some KPI tasks. Recognising that targets need to be challenging but achievable and, where missed, explainable. The outcome of the review is a proposal to change only one KPI target. Following a significant change in process for transfer out settlement by the Pension Regulator which introduced much more stringent, time consuming, checks and tests including red and amber flags as well as possible referrals to Money and Pensions Service. **The PAT requests that the target for payments for transfers outs is extended from 90% achieved within 10 days, aggregation 25 days to 90% within 15 days, aggregation 25 days.**
- 7.3.3 **The introduction of a cost for processing multiple early retirement forms for the same member.** This is to mitigate the risk of the Administration Team being asked to provide variants on the same data an excessive number of times and taking resources from other workstreams.
- 7.3.4 **The introduction of a cost for dealing with employer's auditor queries.** In 2022 a small number of Employers external auditors started to raise questions of the Pension Fund in relation to the IAS19 accounting reports regarding the valuation of pension assets and liabilities to be shown in the employer's accounts. In these cases, the audit firms were threatening to qualify the employer's accounts if the Fund does not provide information. These requests are new and only relevant to a small subset of the employer base and take time and resources away from other workstreams that benefit all employers and members. In some instances, such questions could be answered by other sources by the auditors. A charge is therefore recommended to mitigate this risk and to compensate the Fund for the time spent dealing with queries and ensure there is no cross funding by employers where their external auditors are not trying to audit the Fund.
- 7.3.5 **The introduction of a specific charge for failing to provide data required in relation to i-Connect pension contributions, along with the failure to provide information sought in relation to projects being undertaken by Officers.** Employers not providing key information impacts the Fund's ability to correctly administer members pensions and the need to chase information can also take disproportionate levels of resourcing.
- 7.3.6 **A new section covering requirements relating to i-Connect has been introduced to ensure clarity.**

7.4 The Pension Committee should note that PAT KPIs are touched upon in the Administration report, where the KPI's are compared to a handful of LGPS funds where data has been shared.

8 Conclusion

8.1 The Committee is asked to note the updates in this report, approve the updated Administering Authority Discretions policy and approve the draft Pensions Administration Strategy for consultation with employers.

IAN GUTSELL
Chief Finance Officer

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HM Revenue and Customs

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6 January 2023

Consultation: The Public Service Pension Schemes (Rectification of Unlawful Discrimination) (Tax) Regulations 2023

Thank you for your technical consultation seeking views and evidence on the draft Public Service Pension Schemes (Rectification of Unlawful Discrimination) (Tax) Regulations 2023 ('the Regulations').

I respond on behalf of the Local Government Association (LGA) and the Local Government Pensions Committee (LGPC).

The LGA is a politically led, cross-party membership organisation that works on behalf of councils to ensure local government has a strong, credible voice with national government. 331 councils in England including district, county, metropolitan, unitary, London boroughs and the City of London are members of the LGA. There are 22 Welsh unitary authorities in membership via the Welsh Local Government Association (WLGA). The LGPC is a committee of councillors constituted by the LGA, the WLGA and the Convention of Scottish Local Authorities (COSLA). The LGPC considers policy and technical matters affecting the Local Government Pension Scheme (LGPS).

This response sets out the LGA's view on the draft regulations.

I hope the content is helpful. Please do not hesitate to contact me if you have any questions about this response.

Yours faithfully



Joanne Donnelly
Head of Pensions

Background to the response

This response is submitted in the context of the Local Government Pension Schemes (LGPS) in England and Wales, and Scotland. The LGPS is one of the largest defined benefit schemes in the world. In England and Wales there are over 19,000 employers, 6.3 million members and assets of £364 billion. The scheme is administered locally by 86 administering authorities in England and Wales, and 11 in Scotland.

General comments

There are two important areas the Regulations do not address:

- members of the Teachers' Pension Scheme (TPS) who will be rolled back into the LGPS as part of the McCloud remedy
- some small pot payments.

We provide more detail on both these issues in the [final section](#) of this response.

Timing of the consultation

Whilst we welcome sight of the draft regulations and guidance, we understand the lateness in providing these materials has caused a subsequent delay to DLUHC drafting and consulting on its secondary McCloud legislation. This presents a significant risk to LGPS administering authorities being able to implement the McCloud remedy on time, particularly as the LGPS is locally administered.

Also, the timing of the consultation and the length of time given to reply is disappointing. A six week consultation over the festive period has meant we have been unable to review the guidance that accompanies the Regulations or consult with stakeholders – both of which would have allowed us to provide a more considered response.

Comments on the Regulations

1. In this section we set out our views on the Regulations. Our response concentrates on the application of the Regulations to the LGPS but also includes general comments.
2. Regulation 2(1) refers to Her Majesty's Revenue and Customs. This should instead read His Majesty's Revenue and Customs.
3. Regulation 6 modifies regulation 14A of the Registered Pension Schemes

(Provision of Information) Regulations 2006, but only for Chapter 1 schemes.

Regulation 14 excludes any final salary uplift for the purpose of calculating an LGPS member's pension input amount (PIA) and has retrospective effect.

The PIA for an LGPS member who:

- has already retired or become deferred
- received an increase to their pension as a result of the underpin currently in operation, and
- exceeded the annual allowance in the year they left the Scheme

will now need to be re-visited and will reduce. Certain provisions in Regulation 6 will need to be replicated for members of the LGPS who are in this category.

We are aware that it is not possible for all administering authorities to identify which members received an uplift to the pensions under the current underpin rules. This provision would give extra time for the Scheme manager to identify the relevant members, re-calculate their PIAs and supply revised Pension Savings statements.

The extension is not needed for active members as the underpin has not impacted past PIA calculations. The extension is not required for leavers who did not benefit from an uplift as a result of the current underpin. If an underpin recalculation does result in an uplift to their pension, this will not affect their PIA.

4. Regulation 7 modifies regulation 14B of the Registered Pension Schemes (Provision of Information) Regulations 2006, but for Chapter 1 schemes.

The PIA for an LGPS member who:

- has already retired or become deferred
- received an increase to their pension as a result of the underpin currently in operation, and
- requested a pension saving statement for the year they left the Scheme

will now need to be re-visited and will reduce. Certain provisions in Regulation 7 will need to be replicated for members of the LGPS who are in this category.

5. Regulation 8 provides a framework for the scheme pays option in respect of annual allowance tax charges arising because of rectification in a Chapter 1 or 2015 Judicial scheme.

We are currently awaiting final details of how the remedy will apply to protected or taper protected members of another public service pension scheme who completed a transfer of final salary benefits to the LGPS. We believe that the preferred option is for members to acquire the protection offered by the new scheme in respect of the transferred in benefits. In the LGPS, this would mean that any post 2015 final salary benefits transferred in would be converted to CARE pension with underpin protection.

If this option is adopted, it is possible that a member who could have an increase to their benefits as a result of the conversion of their final salary benefits to CARE pension. As this does not represent 'a final salary uplift', it would not be excluded from PIA calculations.

In our view, an equivalent of regulation 8 is needed for LGPS members to ensure that a framework is in place for any members who incur an increased annual allowance charge as a result of the remedy.

6. Regulation 9 extends the deadline for a member to elect for Scheme pays in respect of an annual allowance tax charge that arises in 2022/23 in a chapter 1 scheme. The PIAs for LGPS members who retire in 2022/23 will also have to be reviewed after the remedy takes effect. We believe that the same extension should apply to LGPS members electing for scheme pays for the 2022/23 year.
7. Regulation 9 (5) refers to the POPJOA 2022 instead of the PSPJOA 2022. The same error occurs in regulation 33(2)(a).
8. Regulation 11 includes provisions that allow a Chapter 1 scheme to reclaim overpaid tax if a member has made a scheme pays election in respect of an annual allowance charge that has reduced as a result of the remedy. There is no corresponding regulation that allows an LGPS administering authority to reclaim overpaid tax. In the absence of such a provision, the LGPS scheme manager may instead amend an earlier Accounting for Tax return to make the correction. If this was not the intention, a regulation that replicates certain provisions in regulation 11 is needed for LGPS members.
9. Regulation 14 provides that a final salary uplift paid to an LGPS member is ignored for annual allowance purposes. This provision has retrospective effect.

These regulations come into force on 6 April 2023, however, this regulation will not have practical effect until 1 October 2023. This is because regulation 14(2) refers to section 78(1) of the Public Services Pensions and Judicial Offices Act 2022 which will come into force on 1 October 2023.

For the period up to 30 September 2023, LGPS must continue to include any increase to a member's benefits as a result of the current underpin calculation in annual allowance calculations, despite the fact that they will have to reverse this position after 1 October 2023.

This further supports our earlier comments on the need for regulations 6, 7 and 9 to also apply to the LGPS.

10. Regulation 15 includes provisions that ensure that the relevant protected pension age condition continues to be met in respect of members of Chapter 1 schemes who elect for new scheme benefits.

Members of LGPS Scotland rely on a protected pension age if they retire due to redundancy between age 50 and 55 and satisfy certain other criteria. Members in this group who have retired since 1 April 2015 will have their pensions re-visited from 1 October 2023 as a result of the remedy. We assume that the condition in subparagraph (7)(a) of paragraph 22 to Schedule 36 of the Finance Act 2004 will continue to be met in this situation. If this is not the case, then a version of regulation 15 is required to cover members of LGPS (Scotland).

11. Regulation 19 covers the payment of a top up lump sum to a member who has previously received a trivial commutation lump sum. However, the Regulations do not cover how the top-up payment should be treated for tax purposes. The top up payment will be taxed under section 636B of the Income Tax (Earnings and Pensions) Act 2003. However, the calculation of tax depends on whether the rights are crystallised or uncrystallised.

A top up payment that satisfies the relevant conditions set out in regulation 19 will be treated as a trivial commutation lump sum. However, as it is not actually a trivial commutation lump sum, we think it is necessary to specify whether the payment is treated as representing crystallised or uncrystallised rights when establishing the tax due.

12. Regulation 18 contains provisions that ensure the original trivial commutation lump sum remains an authorised payment when a top up payment becomes due. Regulation 19 provides for the top up payment to be paid and treated as a trivial

commutation lump sum in certain, but not all, circumstances. The top up lump sum would not be an authorised payment if the member has returned to LGPS membership, or if the payment does not satisfy the limits set out in regulation 19(3).

In our view, liability for the top up payment could be discharged by:

- making an unauthorised payment
- making a compensation payment in lieu of the top up payment
- using the payment to provide benefits in the Scheme.

We believe that providing benefits in the Scheme is HMRC's preferred option. The LGPS would need detailed guidance on how such a lump sum payment could be converted into Scheme benefits.

13. Regulation 19(4) disapplies Regulation 3 of the Registered Pension Schemes (Authorised Payments) Regulations 2009 when making payments under this regulation. In our view, it would be appropriate to disapply Part 2 (Commutation Payments) of those regulations instead. This would change the initial treatment of the payment when considering the 2009 regulations, as opposed to changing the outcome.

A similar issue occurs in:

- Regulation 21(3), which could disapply Part 2 instead of regulation 3 of the 2009 Regulations
- Regulation 22(3), which could disapply Part 3 instead of regulation 4 of the 2009 Regulations
- Regulation 23(5), which could disapply Part 4 instead of regulation 5 of the 2009 Regulations
- Regulation 24(5), which could disapply Part 2 instead of regulation 3 of the 2009 Regulations
- Regulation 25(6), which could disapply Part 2 instead of regulation 3 of the 2009 Regulations.

14. Regulation 22 covers arrears of pension payments that arise as a result of the

effect of the remedy on the benefits of a member who has died before the payments are made. 'Member' is not defined in the Regulations, therefore the definition of 'member' included in section 151 of the Finance Act 2004 applies to these Regulations. Dependants are therefore not covered by this regulation. In our view, a regulation equivalent to regulation 22 is required to cover the payment of arrears of pension in respect of a survivor pension when the survivor has died before the arrears are paid.

15. Arrears of pension payments may become due to a person who was previously in receipt of a child's pension, but who no longer meets the 'dependant' definition set out in paragraph 15 of schedule 28 to the Finance Act. We are not certain of the tax position relating to the payment of arrears in this situation. If the arrears would not be authorised based on current rules, a provision is needed in these Regulations to ensure that payment of arrears in this circumstance would be authorised.

16. Regulation 22(2)(a) refers to section 164(1) of the Finance Act 2004. In our view, it would be better to refer to section 164(1)(f) specifically. How a payment is treated for tax purposes is determined by which subsection of 164(1) it falls under. By specifying 164(1)(f), this would make it clear that tax treatment is determined by these Regulations in accordance with regulation 164(2).

The same issue occurs in regulation 23(2)(a).

17. Regulation 24 covers a top up payment that arises in respect of a member who took a trivial commutation lump sum payment and has since died. Some of the issues mentioned in paragraphs above may also be relevant to this regulation. These include:

- Paragraph 11: is the payment treated as representing crystallised or uncrystallised rights for the purpose of section 636B of the Income Tax (Earnings and Pensions) Act 2003?
- Paragraph 12: what payment can be made if a trivial commutation payment would not have been authorised? This would be the case if the limits set out in 24(4) would be exceeded or the member returned to local government employment after taking the initial trivial commutation lump sum.
- Paragraph 14: a corresponding regulation is required to cover top up

payments of trivial commutation lump sum death benefits in respect of a dependant who has died before the top up payment is made.

- Paragraph 15: a corresponding regulation may be needed to ensure that any top up payment made to a person who trivially commuted a child's pension and no longer meets the 'dependant' definition is authorised.

18. Regulation 26 covers the underpayment of a lifetime allowance tax charge as a result of the application of the remedy.

In the LGPS, extending underpin protection to younger members and changing the methodology of the underpin calculation will mean an increase to some pensions in payment. As the increase will constitute a new BCE, this regulation will not apply to LGPS members in this category.

There is another group of LGPS members who may see a change to their benefits in payment. The rules that will apply to past Club transfers are yet to be confirmed. We understand the preferred approach is for transferred benefits to 'inherit' the protection that applies in the receiving scheme. If this is the case, then pensions in payment may change for members who:

- were protected or taper protected members of another public service pension scheme
- transferred final salary benefits built up after 31 March 2015 from that other scheme to the LGPS
- built up LGPS benefits before 1 April 2022, and
- have already retired or retire before 1 October 2023.

This is because the post 2015 final salary benefits that are currently in payment will be converted into CARE benefits with underpin protection. This could mean an increase or reduction to the benefits currently in payment.

Regulations 27 and 28 would apply if the member's pension and lump sum reduce. However, regulation 29 does not currently apply to the LGPS.

If the benefits increase, in our view this would be treated as a new BCE. We would appreciate the HMRC view on this topic. If HMRC takes the view that this increase represents a change to an earlier BCE, then parts of Chapter 4 of these Regulations would be needed for LGPS members.

19. Regulation 30 defines how a top up defined benefits lump sum death benefit paid outside of the relevant two-year period will be treated in over-riding tax legislation. In our view a third subsection is required in regulation 30(3) to include 206(1B) of the Finance Act 2004.
20. Regulations 37 and 38 include the term 'remediable service' but this term is not defined in regulation 2. We recommend including a definition of this term for clarity.
21. Regulation 43 includes modifications to Schedule 15 of the Finance Act 2020. To fit in with the wording of Paragraph 2 of that Act, we believe the inserted (5A) should read "*A payment is within this paragraph if it is a compensation payment made by virtue of Part 1 of PSPJOA 2022*".
22. The first sentence of regulation 43(3) ends with 'substituted'. This should instead read 'inserted'. Similarly, the first sentence of 43(4) also ends with 'substituted', which should also read 'inserted'.

Issues not covered by the Regulations

1. 'Excess teacher service' is defined in section 110(2) of the PSPJOA 2022. We await full details of how the remedy will operate for members in this group, but our understanding is that taper protected and unprotected members of the Teachers' Pension Scheme (TPS) will be rolled back to the legacy scheme in respect of a full time contract for the remedy period. If they have an additional part time contract, that will be rolled back to the LGPS. A TPS member who has already retired will be offered an immediate choice. If they choose legacy scheme benefits, a similar adjustment will be needed to move any excess teacher service to the LGPS.

The provisions in the Regulations that refer to 'rollback' apply to chapter 1 schemes, and therefore they do not apply to the LGPS. Equivalent regulations will be required to ensure that any members in this position are put into the position they would have been in had the discrimination not occurred. This includes provisions covering:

- Tax relief on pension contributions paid to the TPS new scheme.
- Adjustments to pension input amounts for the remedy period and 2022/23 including exchange of information between schemes, reporting to HMRC, treatment of past scheme pays elections, changes to the usual thresholds for mandatory scheme pays elections, responsibility for paying extra or

reclaiming an overpaid tax charge, etc. By definition, members in this group have a full time teaching post. For simplicity, it may be possible to include a version of regulation 10(5) to ensure liability for a tax charge remains within the TPS scheme rather than transferring to the LGPS after rollback.

- Lifetime allowance charges paid by the TPS new scheme – reporting to changes to HMRC and member, responsibility for paying increased charge. We understand that an unprotected or taper protected member who has taken their TPS pension and elects for legacy scheme benefits will have to take their LGPS pension on the same date as their original retirement. Regulations could stipulate that the LGPS is treated as happening first for lifetime allowance purposes. In the vast majority of cases, this would ensure that the liability for any lifetime allowance tax charge remains within the TPS.

Section 4(4) of the PSPJOA 2022 includes a provision that defines ‘the relevant chapter 1 legacy scheme’ as the local government new scheme for certain purposes. A similar provision in these regulations could simplify the changes needed to deliver a fair result in respect of the tax position for members with excess teacher service after the remedy has been applied.

2. The Regulations include provisions that modify the rules in respect of members who have previously taken a trivial commutation lump sum from a scheme. There are no corresponding regulations to cover members who have taken a small pot payment under regulations 11 or 12 of The Registered Pension Schemes (Authorised Payments) Regulations 2009.

In our view, the Regulations do not need to cover members in this group as there is no requirement for payments of this type to be paid within a limited period, nor is there a requirement to measure the total value of the member’s pension benefits on a nominated date.

A member who has previously taken a small pot payment can take a further payment later if they later build up pension benefits in the same scheme. In our view, an LGPS member who had previously taken a small pot payment could take another payment of the same type if their benefits increase because of the remedy with no adverse impact on their tax position. This is subject to the usual conditions that apply when paying a small pot payment.

We would welcome HMRC’s confirmation that they agree with our opinion. If they

do not, then provisions relating to members who have received a small pot payment will also be needed.

This also applies to dependants who have received a trivial commutation lump sum death benefit where the dependant is still alive.

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Administering Authority Discretions Policy

Regulation	Description	Existing policy
30(8) LGPS Regulations 2013	Whether to waive, in whole or in part, actuarial reduction on benefits accrued from 1 April 2014 only when a member voluntarily draws them before normal pension age in the event that the member's former employer is no longer a scheme employer. Whether to waive, in whole or in part, actuarial reduction on benefits which a member draws on flexible retirement	As there is no active employer the Administering Authority becomes responsible for the decision. It would be decided on a case-by-case basis but unlikely to permit. Flexible retirement only applies to Active members for specific employers.
55 LGPS Regulations 2013	To publish Governance Compliance Statement	Governance and compliance statement published following June Pension Board/Committee meetings
58 LGPS Regulations 2013	Decide on funding strategy for inclusion in funding strategy statement	Published on Fund website
61 LGPS Regulations 2013	To publish a Communication Policy in accordance with this regulation	Published on Fund website
3 (13) LGPS (Transitional Provisions and Savings) Regs 2014 70(1) and (71(4)(c) LGPS (Administration) Regulations 2008 109 and 110 (4)(b) LGPS Regs 1997	Decide policy on abatement of pre 1 April 2014 element of pensions in payment following re-employment	Decision taken to abolish Abatement taken by Committee and implemented with effect from 1/4/2021 and new policy published on Fund website
Sch 2 para 1 LGPS (Transitional Provisions and Savings) Regs 2014	Whether to "switch on" the 85 year rule for a member voluntarily drawing benefits on or after age 55 and before age of 60 where the employer no longer exists. This applies under the Local Government Pension Scheme	As there is no active employer the Administering Authority becomes responsible for the decision. It would be

	Regulations 2013 only (i.e. currently does not apply to the early payment of deferred benefits payable under earlier regulations).	decided on a case-by-case basis but unlikely to permit.
30(2) and 30A(3) LGPS (Benefits, Membership and Contributions) Regs 2007	Consenting to the immediate payment of benefits for members aged between 55 and 60 where the member's former employer is no longer a scheme employer	As there is no active employer the Administering Authority becomes responsible for the decision. Would allow deferred members to retire on an actuarially reduced basis.
30(5) and 30A(5) LGPS (Benefits, Membership and Contributions) Regs 2007	To waive actuarial reduction where former employer is no longer a scheme employer	As there is no active employer the Administering Authority becomes responsible for the decision. It would be decided on a case-by-case basis but unlikely to permit.
4(2)(b) LGPS Regs 2013	Whether to agree to an admission agreement with a Care Trust NHS Scheme employing authority or Care Quality Commission	Process in place – Care Quality Commission already admitted
3(5) and Sch 2, Part 3, Para 1 LGPS Regs 2013	Whether to agree to an admission agreement with a body applying to be an admitted body	Under delegation of powers with Administering Authorities S151 Officer
Sch 2, Part 3, Para 14 LGPS Regs 2013	Whether to agree that an admission agreement may take effect on a date before the date on which it is executed	Admission agreements will be backdated to take effect from the time employees gain an entitlement to join the LGPS
Sch 2, Part 3, Para 12(a) LGPS Regs 2013	Define what is meant by employed in connection with the provision of service or assets	A person who spends at least 75% of their time working on the services covered by the Admission Agreement
Sch 2, Part 3, Para 9(d) LGPS Regs 2013	Whether to terminate a transferee admission agreement in the event of: • Insolvency, winding up or liquidation of the body • Breach by that body of its obligations under the admission agreement • Failure by that body to pay over sums due to the Fund within a reasonable period of being requested to do so	Covered in Funding Strategy Statement (FSS)

16(1) LGPS Regs 2013	Whether to turn down a request by a member to pay an Additional Pension Contribution or Shared Cost Additional Pension Contribution over a period of time where it would be impractical to allow such a request (e.g. where the sum being paid is very small and could be paid as a single payment)	Need to split into 2 types: (a) Shared cost APC (e.g. 3 months maternity conversion) is within the employer's discretionary policy. (b) APC process is considered on a case-by-case basis by Head of Administration
16(10) LGPS Regs 2013	Whether to require a satisfactory medical before agreeing to an application to pay an Additional Pension Contribution or Shared Cost Annual Pension Contribution and whether to turn down application if not in good health.	No policy
17(12) LGPS Regs 2013	Decide to whom any AVC/Shared Cost AVC monies (including life assurance policies) are to be paid on death of the member	Death Payment Policy contains decision making methodology. The AVC provider has advised that in the event of the death the proceeds from both the AVC policy and life assurance policy will be passed to the Administering Authority and therefore the beneficiaries will be those determined for the main scheme benefits.
40(2), 43(2) and 46(2) LGPS Regs 2013 17(5) to (8) LGPS (Transitional Provisions, Savings and Amendments) Regulations 2014 23(2), 32(2), 35(2) LGPS (Benefits, Membership and Contributions) Regulations 2007	Decide to whom a death should be paid	Death Payment Policy covers decision making process

38(1) & 155(4) LGPS Regulations 1997 E8 LGPS Regulations 1995		
32(7) LGPS Regs 2013	Whether to extend the time limits which a member must give notice of the wish to draw benefits before Normal Pension Age or upon flexible retirement	The Administering Authority process is the member can take benefits in accordance with overriding statutory legislation. Flexible retirement is included in each employers' discretionary policy.
34(1) LGPS Regs 2013 39 LGPS (Benefits, Membership and Contributions) Regs 2007 49 and 156 LGPS Regs 1997	Decide whether to commute small pension	The Administering Authority process is to offer triviality options (maximum £30k value including other schemes) as standard on retirement and death small pensions.
36(3) LGPS Regulations 2013 56(2) LGPS (Administration) Regs 2008 97(10) LGPS Regs 1997	Approve medical advisors used by employers (for ill health benefits)	Independent Registered Medical Professional (IRMP) Policy published on Fund website
38(3) LGPS Regs 2013 31(4) LGPS (Benefit, Membership and Contributions) Regs 2007	Decide whether a deferred beneficiary meets the criteria required to qualify for ill-health retirement in cases where the member's former employer is no longer a scheme employer.	East Sussex CC IRMP would be used with the Administering Authority arranging the appointment. Covered in ill health policy.

38(5) LGPS Regs 2013 31(7) LGPS (Benefit, Membership and Contributions) Regs 2007	Decide whether a suspended ill-health tier 3 member is unlikely to be capable on undertaking gainful employment before normal pension age because of ill health (in the event that the member's former employer is no longer a scheme employer).	East Sussex CC IRMP would be used as appropriate with the Administering Authority arranging the appointment
49(1)(c) LGPS Regs 2013 42(1)(c) LGPS (Benefits, Membership and Contributions) Regs 2007	Decide, in the absence of an election from the member, which benefit is to be paid where the member would be entitled to a benefit under 2 or more regulations in respect of the same period of Scheme membership. This is to prevent a double entitlement.	No policy – decided on case by case basis
54(1) LGPS Regs 2013	Whether to set up a separate admission agreement fund	No policy – Admission bodies are set up in line with the Funds published outsourcing guide and included in the main fund.
59(1) and (2) LGPS Regs 2013	Whether to have a Pension Administration Strategy and, if so, the matters it should include.	Pension Administration Strategy (PAS) is published on Fund website
22(3)(c) LGPS Regs 2013	Member pension accounts may be kept in such form as is considered appropriate.	Pension accounts will be kept in most appropriate form
64 (2A) LGPS Regs 2013	Whether to suspend, for up to 3 years, an employer's obligation to pay an exit payment where the employer is again likely to have active members within the specified period of suspension	Contained in cessation policy
64(4) LGPS Regs 2013	Whether to obtain revision of employer's contribution rate if there are circumstances which make it likely a scheme employer will become an exiting employer	Contained in FSS

68(2) LGPS Regulations 2013 80(5) LGPS Regs 1997	Whether to require employers to pay for pension strain when benefits are drawn early or with a reduced deduction	Contained in FSS
69(1) LGPS Regs 2013	Decide frequency of payments to be made over to Fund by employers and whether to make an administration charge	Contained in PAS
69(4) LGPS Regs 2013	Decide form and frequency of information to accompany payments to the Fund	Determined by I-Connect process
70 LGPS Regs 2013 22(2) LGPS (Transitional Provisions, Savings and Amendments) Regulations 2014	Whether to issue employer with notice to recover additional costs incurred as a result of the employer's level of performance	Contained in PAS
71(1) LGPS Regs 2013	Whether to charge interest of payments by employers which are overdue	Contained in PAS
74(4) LGPS Regs 2013	Whether to increase the amount of time to make an application to the Internal Dispute Resolution Procedure (IDRP)	IDRP Published on Fund website
74(6) LGPS Regs 2013	Decide procedure to be followed by the Adjudicator when exercising Stage One functions and decide the manner in which those functions are to be exercised	IDRP Published on Fund website
76(4) LGPS Regs 2013 60(8) LGPS (Administration) Regs 2008 99 LGPS Regs 1997	Decide procedure to be followed by admin authority when exercising its stage 2 IDRP functions and decide the manner in which those functions are to be exercised	IDRP published on Fund website

79(2) LGPS Regs 2013 63(2) LGPS (Administration) Regs 2008 105(1) LGPS Regs 1997	Whether Admin Authority should appeal against employer decision (or lack of decision)	The Administering Authority process is to challenge the employer where it is determined an inappropriate decision or indecision has been made. This will be on a case-by-case basis.
80 (1)(b) LGPS Regs 2013 22(1) LGPS (Transitional Provisions, Savings and Amendments) Regulations 2014 64(1)(b) LGPS (Administration) Regs 2008	Specify information to be supplied by employers to enable admin authority to discharge its functions	Combined with PAS
31(2) LGPS Regs 2013	Determine whether to pay annual compensation on behalf of an employer and recharge the payment to an employment	The employer's discretionary policies allows it to pay compensation up to an annual maximum (£6,500 revalued). If the employer elects to implement the Admin Authority administrators will implement the enhanced benefits. The following month the employer will be invoiced for the additional cost.
91(6) LGPS Regs 2013	Timing of pension increase payments by employers to the administering authority (A former employing authority can have pensions increase liabilities that have not been provided for by employer contributions. When this is certified by the administering authority's actuary, further cash payments may be made, at intervals determined by the administering authority)	No policy – considered on a case by case basis

64(2ZA) LGPS Regs 2013	Whether to extend the period beyond 3 months from the date an Employer ceases to be a Scheme Employer, by which to pay an exit credit	Exit Credit policy is published on the Fund website. A decision to extend the period would be determined by the Pension Committee on a case by case basis
82(2) LGPS Regs 2013 52(2) LGPS (Administration) Regs 2008 95 LGPS Regs 1997	Whether to pay Death Grant due to personal representatives or anyone appearing to be beneficially entitled to the estate without need for grant of probate/letters of administration where payment is less than the amount specified in s6 Administration of Estates (Small Payments) Act 1965	General decision-making process defined in Death Payment Policy
83 LGPS Regs 2013 52A LGPS (Administration) Regs 2008	Whether, where a person (other than eligible child) is incapable of managing their affairs, to pay the whole or part of that person's pension benefits to another person for their benefit	The Administering Authority process is to allow the use of Power of Attorney
98(1)(b) LGPS Regs 2013	Agree to bulk transfer payment	Included in FSS
98(4)(a) LGPS Regs 2013	Whether to agree to set aside bulk transfer assets	No policy – will be considered on a case by case basis in liaison with the Fund actuary and new scheme; it is anticipated in most cases a transfer payment will be made to the new scheme
99 (1) & (2) LGPS Regs 2013	Determine the amount of, and adjustments to, bulk transfer process	Decided on case by case basis in liaison with the Fund actuary and in line with the FSS
99(5) LGPS Regs 2013	For bulk transfers, to determine who should bear the actuarial costs (where more than one employer is involved)	Decided on case by case basis in liaison with the Fund actuary and in line with the FSS

100(6) LGPS Regs 2013	Extend normal timeframe for acceptance of a transfer value beyond 12 months from joining the LGPS (in agreement with the employer)	The Administering Authority process is to allow if both the employer and Fund S151 Officer approve.
100(7) LGPS Regs 2013	Allow transfer of non-club pension rights into Fund	The Administering Authority will allow transfer of non-club pension rights
105(2) LGPS Regs 2013	Decide whether to delegate any administering authority functions under the Regulations	Table 5, part 3 of ESCC Constitution
106(3) LGPS Regs 2013	Decide whether to establish a Joint Pension Board (where permission granted by the Secretary of State)	No ambition to create Joint Local Pension Board
106(6) LGPS Regs 2013	Establish procedures applicable to the Pension Board, including the establishment of sub-committees, formation of joint committees and payment of expenses	Terms of reference published on ESCC website
107(1) LGPS Regs 2013	Determine the membership of the Local Pension Board, appointment method and terms of membership	Terms of reference published on ESCC website
2 The Registered Pension Schemes (Modification of Scheme Rules) Regulations 2011	To decide whether to offer voluntary scheme pays facility to members who have an annual allowance tax charge; and, if so, decide the circumstances upon which it would do so	The Administering Authority process is: (a) To always allow for tapered members. (b) As part of the historical review to allow all cases. (c) Going forwards cases under the £2k limit – requests would be considered on a case-by-case basis.
Schedule 1 LGPS Regs 2013 17(9) LGPS (Transitional Provisions, Savings and Amendments) Regulations 2014	Decide to treat a child as being in continuous education or vocational training despite a break	Death Payment Policy covers decision making process and allows Senior Officers to apply such discretion on a case-by-case basis.

Schedule 1 LGPS Regs 2013 17(9)(b) LGPS (Transitional Provisions, Savings and Amendments) Regulations 2014 25 LGPS (Benefits, Membership and Contributions) Regs 2007	Decide evidence required to determine financial dependence of cohabiting partner on scheme member or financial interdependence of cohabiting partner and scheme member	Death Payment Policy covers decision making process and allows Senior Officers to apply such discretion on a case-by-case basis.
3(1) and Sch.2 LGPS (Transitional Provisions, Savings and Amendments) Regulations 2014	In the event that a deferred member is drawing benefits early and that member's former employer is no longer a scheme employer to determine whether: To waive any reductions that would apply to the member's service which is fully protected for the rule of 85 on compassionate grounds To waive any reductions that would apply to a member's service which is not fully protected for the rule of 85 on any grounds whatsoever	As there is no active employer the Administering Authority becomes responsible for the decision. It would be decided on a case-by-case basis but unlikely to permit.
Sch.2 Para 2(3) LGPS (Transitional Provisions, Savings and Amendments) Regulations 2014	Whether to require any strain on Fund costs to be paid "up front" by employing authority if the employing authority "switches on" the 85 year rule for a member voluntarily retiring (other than in flexible retirement) prior to age , or waives an actuarial reduction.	The employer's discretionary policies allows it to switch on the extended 85 year rule (for age 55 to 60 Active members). If employer elects to use the discretion then the Fund will pay the enhanced member benefits and the employer will be invoiced for the additional cost the following month.
3(6), 4(6)(c), 8(4), 10(2)(a), 17(2)(b) LGPS (Transitional Provisions, Savings and Amendments) Regulations 2014	Where a member to whom Reg 10 of the LGPS (Benefits, Membership and Contributions) Regs 2007 applies (use average of 3 years pay for final pay purposes) dies before making an election, whether to make that election on behalf of the dead member. Or, where a member has a certificate of	The final pay calculations can go back three or ten years or longer if there is a certificate of protection. In theory the member is supposed to make an

10 LGPS (Benefits, Membership and Contributions) Regs 2007 Sch. 1 LGPS (Transitional Provisions) Regs 2008 23(9) LGPS Regs 1997	protection in place in respect of a pay cut or restriction prior to April 2008 and dies before making an election, to make an election on behalf of the member	election. The reality is this is an employer responsibility to determine the correct pay. The Administering Authority process is to accept the salaries provided unless they look obviously incorrect.
10(9) LGPS (Transitional Provisions, Savings and Amendments) Regulations 2014	Decide, in the absence of an election from the member within 12 months of ceasing a concurrent employment, which ongoing employment benefits from the concurrent employment which has ceased should be aggregated (where there is more than one ongoing employment).	The Administering Authority process where there are two (or more) concurrent records and one leaves, we would automatically combine and inform the member. The member would be given an immediate option to undo the task.
15(1)(b) LGPS (Transitional Provisions, Savings and Amendments) Regulations 2014 66(9)(b) LGPS Regs 1997	Allow late application to convert scheme AVCs into membership credit i.e. allow application more than 30 days after cessation of active membership (where arrangement was entered into before 13 November 2001)	The Administering Authority process for pre 13/11/2001 joiners who retire from Active can use their AVC fund to buy service in the main scheme. The member must elect before the retire. If they fail to pre-elect a late application would be considered on a case-by-case basis.
15(1)(c) LGPS (Transitional Provisions, Savings and Amendments) Regulations 2014 Sch. 1 LGPS (Transitional Provisions) Regs 2008 83(5) LGPS Regs 1997	Extend time for capitalisation of added years contract	The Administering Authority process would be to consider on a case-by-case basis. Note – no requests in 14 years+

15(1)(d) LGPS (Transitional Provisions, Savings and Amendments) Regulations 2014 28(2) LGPS (Administration) Regs 2008	Whether to charge member for provision of estimate of additional pension that would be provided by the Scheme in return for transfer of in-house AVC/SCAVC funds (where AVC/SCAVC arrangement was entered into before 1/4/14)	The Administering Authority process is not to charge for such estimates
27(5) LGPS (Benefits, Membership and Contributions) Regs 2007 47 LGPS Regs 1997 G11(2) LGPS Regs 1995	Payment of a child's pension to another person	Death Payment Policy covers decision making process and allows Senior Officers to apply such discretion on a case-by-case basis. The Administering Authority process is to automatically pay child pensions for minors (under age 18) in their name to a parents or guardians bank account. If at age 18 the child elects to remain in full-time education or vocational training then the pension will continue but the child will be given to option to have paid to their own bank account.
45(3) LGPS (Administration) Regs 2008 89(3) LGPS Regs 1997	Outstanding employee contributions can be recovered as a simple debt or deduction from benefits	The employer's is responsible for the collection (deduction from salary) of employee contributions. How they recover an underpayment as a debt is a matter for them. If an employer requests such a shortfall be deducted from a Fund benefit in payment, it would be considered on a case-by-case basis. Note – never been requested.
106A(5) LGPS Regs 2013	Date to which benefits shown on an annual deferred benefit statement are calculated.	Benefit calculations based on 31 March data

47(1) LGPS Regs 1997 G11(1) LGPS Regs 1995	Apportionment of children's pensions where more than 1 child is eligible	No policy – dealt with on case by case basis Note: The Administering Authority process for a disabled child who reaches adulthood is to convert it to an adult dependent's pension. Child pensions are review at age 18 and annually thereafter. They will cease on no longer being in education or age 23 whichever is the sooner.
50 and 157 LGPS Regs 1997	Commute benefits due to exceptional ill health	The Administering Authority process if left before 98 on serious incapacity (<12 months to live) then the member benefit would fully commuted (5 x annual pension plus lump sum due). This would be subject to agreement from the Occupational Health Medical Practitioner.
118 LGPS Regs 1997	Retention of Contribution Equivalent Premium where member transfers out for pre 1 April 2008 leavers	HMRC will no longer accept CEP payments so not applicable.
147 LGPS Regs 1997	Discharge Pension Credit liability (in respect of Pension Sharing Orders for pre 1 April 2008 leavers)	The Administering Authority process is to allow the ex-Spouse to retain a pension credit record in the Fund under a new separate Altair record.
F7(1) LGPS Regs 1995	Suspension of spouses' pensions during remarriage or cohabitation	The Administering Authority process is not to either ask about a spouse's remarriage/cohabitation nor to suspend a benefit.
31(5) LGPS Regs 2013 Sch 2, paragraph 2(1) LGPS (Transitional Provisions, Savings	Waive, on compassionate grounds, the actuarial reduction applied to deferred benefits paid early	The employer's discretionary policies allow it to pay non actuarially reduced benefits. The Fund would invoice the

and Amendments) Regulations 2014		employer for the additional cost the following month.
3(5A) LGPS (Transitional Provisions, Savings and Amendments) Regulations 2014	Grant application for early payment of deferred benefits on or after age 50 on compassionate grounds	If the Protected Pension Age rules apply to the case, then the employer's discretionary policies allow it to pay non actuarially reduced benefits. The Fund would invoice the employer for the additional cost the following month.
4 The Local Government Pension Scheme (Transitional Provisions) Regulations 1997		
106 The Local Government Pension Scheme Regulations 1997		



Pension Administration Strategy 2023



Introduction

East Sussex County Council is the Administering Authority for the Local Government Pension Scheme (LGPS) on behalf of the Scheme Members and Scheme Employers participating in the LGPS through the East Sussex Pension Fund (the Fund). The LGPS is governed by statutory regulations.

This is the Pension Administration Strategy (the Strategy) of the Fund in relation to the LGPS. The Strategy is kept under review and revised to reflect changes to LGPS regulations and Fund policies. Scheme Employers of the Fund are consulted when any substantial changes are proposed to this Strategy.

The aim of this Strategy is to set out the quality and performance standards expected of the Fund as Administering Authority and Administrator and its Scheme Employers and to further ensure that both the Administering Authority and the Scheme Employers are fully aware of their responsibilities under the LGPS, and to outline the key performance standards they are expected to meet to ensure the delivery of a high-quality, timely and professional administration service.

As at 31 March 2022 the Fund comprised 134 Scheme Employers with 81,291 scheme members in relation to the LGPS; the Fund value was assessed with a value of over £4.6bn

Setting out the expectations of the Administering Authorities and Scheme Employers will help to ensure that:

- Administration standards improve and are maintained at a high standard;
- Set out the quality and performance standards expected of the Administering Authority and the Scheme Employers in relation to each other; and,
- Promote good working relationships and improve efficiency between the Administering Authority and the Scheme Employers for the benefit of Fund members.

This document therefore sets out a framework by way of outlining the policies and performance standards to be achieved when providing a cost-effective inclusive and high-quality pensions administration.

Delivery of a high standard of administration is not the responsibility of one person or organisation, but rather of a number of different parties, who between them are responsible for meeting the diverse needs of the membership. In recognition of these principles, this Strategy sets out:

- The roles and responsibilities of both the Fund and the Scheme Employers;
- The level of service the Fund and Scheme Employers will provide to each other; and
- The performance measures used to evaluate the level of service.

This Strategy is an agreement between the Fund and its Scheme Employers and is effective from 01 April 2023. The Strategy applies to all existing Scheme Employers and all new Scheme Employers joining the Fund after the effective date.

Regulatory Provisions

The LGPS is a statutory scheme, principally governed by The Local Government Pension Scheme Regulations 2013 (the Regulations).

The Strategy has been created pursuant to Regulation 59 of the Regulations and shall be reviewed at least every three years.

In carrying out their roles and responsibilities in relation to the administration of the LGPS the Administering Authority and Scheme Employers will, as a minimum, comply with overriding legislation, including:

- Local Government Pension Scheme Regulations
- Pensions Acts 2004 and 2011 and associated disclosure legislation
- Public Service Pensions Act 2013 and associated record keeping legislation
- Freedom of Information Act 2000
- Equality Act 2010
- Data Protection Act 2003
- Finance Act 2013
- Relevant Health and Safety legislation
- Any other legislation that may apply at the current time and
- The Pension Regulator's Codes of Practice

As a result of the Public Service Pensions Act 2013, the Pensions Regulator now has responsibility for oversight of a number of elements of the governance and administration of Public Service pension schemes including the LGPS. The Regulator has the power to issue sanctions and fines in respect of failings of the Administering Authority, and also where employers in the Fund fail to provide correct or timely information to the Administering Authority. Should this happen, the Administering Authority would recharge any costs back to employers as set out later in this strategy.

Our Aims and Objectives

The purpose of this Strategy is to set out the quality and performance standards expected of East Sussex County Council in its role of Administering Authority and Scheme Employer's within the Fund, and the Pension Administration Team. The Fund has a number of specific administration objectives, these are to:

- provide a high quality, professional, proactive, timely and customer focused administration service to the Fund's stakeholders;
- administer the Fund in a cost effective and efficient manner utilising technology appropriately to obtain value for money;
- ensure the Fund's Scheme Employers are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of their administration obligations;
- ensure the correct benefits are paid to, and the correct income collected from, the correct members at the correct time;
- have a culture of risk awareness, governance and compliance and work effectively with partners and stakeholders
- maintain accurate records and ensure data is protected and has authorised use only; and,
- ensure the roles and responsibilities for all stakeholders are clearly set out and understood so that they work seamlessly together in the delivery of the Fund's administration.

Administration of the East Sussex Pension Fund

The East Sussex County Council as Administering Authority, has delegated responsibility for the management of the Pension Fund to the East Sussex Pension Committee, taking into consideration advice from the Pensions Board and specialist advisers. The Pension Committee and Pension Board monitors the implementation of this Strategy through quarterly service reports and through the Funds breaches log.

This Strategy will ensure that Scheme Employers have a common understanding of their obligations under the Local Government Pension Scheme and that administrative processes are designed to maximise efficiency and manage risk.

The success of the Fund largely 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 have an obligation to ensure that these duties are effectively delivered. The Fund will provide guidance and support as well as free training where relevant for Scheme Employers to build up and maintain a level of professional expertise which will enable employers to deliver information required by the Fund to efficiently manage the scheme. Guidance for Scheme Employers on a range of topics of responsibility, as well as forms to enact responsibilities are published on the Funds website for ongoing access. This will ensure employers have a sound 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 (and, additional contributions);
- The reasons for leaving under the LGPS Regulations;
- Providing information requested by the Fund through monthly data uploads and at year end, or as required for other responsibilities; and,
- Their responsibilities with respect to outsourcing, staff transfers and re-organisations.

The Fund will look for opportunities to work collaboratively with other Administering Authorities to deduce development costs and enhance the quality of information. This might include working with our ACCESS pool colleagues, attending the Southern Area Pension Officer Group, use and sponsor of the LGPS procurement frameworks.

Communications

The Fund published a Communication Strategy Statement in 2022 which describes the way the Fund communicates with its Scheme Members, Scheme Employers and other stakeholders and interested parties. The latest version of the Communication Strategy Statement can be obtained from the Fund's website:-

<https://www.eastsussexpensionfund.org/media/lzrj0hat/communication-strategy-2022-east-sussex-pension-fund.pdf>

The Fund aims to communicate with Scheme Employers on an ongoing basis in respect of developments relating to the LGPS including training opportunities, as well as ensuring that employers are notified of changes to either professional practice, administration procedures,

legislation, notifications from the Pension Regulator, and/or changes to pension scheme regulations as these arise. The Fund holds an Employer Forum annually in November, to provide opportunities for networking, meet and greet opportunities, as well as to provide information on developments in progress which may affect all Scheme Employers and Scheme Members.

Performance Standards

The Administering Authority and Scheme Employers have statutory obligations, functions and tasks in respect of the rights and entitlements of individual Scheme Members. These define a standard of performance and service delivery to individual Scheme Members, which constitute the agreed statutory minimum standards to which Scheme Employers must comply.

In instances where Scheme Employers use external service providers for functions relating to the administration of the LGPS, it is incumbent on all employers to ensure that their suppliers and service providers comply with applicable legislation and regulations which apply to the administration of the East Sussex LGPS Fund.

Roles and Responsibilities

Scheme Manager

The East Sussex County Council as Administering Authority, has delegated responsibility for the management of the Pension Fund to the East Sussex Pension Committee, to oversee the management of the Pension Fund. The Pension Board provides assistance to the Administering Authority in ensuring compliance with the regulations. As the Funds Pensions Administration Strategy affects the administration of the Pension Fund the Pension Board will review the effectiveness of the Fund's Pension Administration Strategy on a regular basis while considering the Funds Administration activity and Performance and activity that could result in Breaches. Details of roles and responsibilities of the Scheme Manager is set out in Appendix A.

Pension Administrator

Pension Administration is delivered as an in-house service and the performance standards that scheme employers and scheme members should expect is outlined in Appendix B for Service Standards. These Service Standards are focused on the key activities which Scheme Employers and Scheme Members are involved in and should not be viewed as a complete list of all activities. It includes key performance indicators that the Administering Authority has agreed for reporting.

Scheme Employer Responsibilities

The roles and responsibilities of Scheme Employers are set out in Appendix C. The appendix defines the main responsibilities of Scheme Employers, to ensure an efficient, accurate and high-quality pension service to Scheme Members when working in partnership with the Pension Administration Team.

Improving Performance

The Fund's Pension Administration Team provide the administrative support to ensure that the administration functions are delivered in compliance with the requirements of the law. If Scheme Employers do not provide the requested data correctly, in the correct format and within the timescales requested by the Administrator, the Fund cannot meet its legal obligations and may be liable to penalty fines imposed by The Pension Regulator.

This Strategy is therefore focused on good partnership working between Administrator and the Fund's Scheme Employers. The Fund have introduced an Employer Engagement team to help support Scheme Employers more directly with training and general support in carrying out their responsibilities while providing a clear route for contact. However, it is recognised there may be circumstances where employers are unable to meet the required standards. The Administering Authority will seek, at the earliest opportunity, to work closely with employers in identifying any areas of poor performance or misunderstanding, provide opportunities for necessary training and development and put in place appropriate processes to improve the level of service delivery in the future.

It is expected that it will be extremely rare for there to be ongoing problems but, where persistent and ongoing failure occurs and no improvement is demonstrated by an employer, and/or unwillingness is shown by the employer to resolve the identified issue, we set out below the steps the Fund will take in dealing with the situation in the first instance:

- The Administering Authority will issue a formal written notice to the person nominated by the employer as their key point of contact, setting out the area(s) of poor performance.
- The Administering Authority will request a meeting with the employer to discuss the area(s) of poor performance, how they can be addressed, the timescales in which they will be addressed and how this improvement plan will be monitored.
- The Administering Authority will issue a formal written notice to the person nominated by the employer, setting out what was agreed at that meeting in relation to how the area(s) of poor performance will be addressed the timescales in which they will be addressed.
- A copy of this communication will be sent to:
 - The Head of Pensions at East Sussex County Council
 - The Director of Finance or other senior officer at the relevant employer.
- The Administering Authority will monitor whether the improvement plan is being adhered to and provide written updates at agreed periods to the person nominated by the employer, with copies being provided to the Head of Pensions and the Director of Finance (or alternative senior officer) at that employer.
- Where the improvement plan is not being delivered to the standards and/or timescales agreed, the matter will be escalated the Head of Pensions who will determine the next steps that should be taken. This may include (but is not limited to):
 - Meetings with more senior officers at the employer

- Escalating to the Pension Committee and/or Pension Board, including as part of the Fund's Procedure for Recording and Reporting Breaches of the Law
- Reporting to the Pensions Regulator or Scheme Advisory Board, as part of the Fund's Procedure for Recording and Reporting Breaches of the Law.

Costs and Charges

The Fund will work closely with all employers to assist them in understanding all statutory requirements, whether they are specifically referenced in the LGPS Regulations, in overriding legislation, or in this Strategy. The Fund will work with each employer to ensure that overall quality and timeliness is continually improved. The 2013 LGPS Regulations provide that an administering authority may recover from an employer, any additional costs including interest associated with the administration of the scheme, incurred as a result of the unsatisfactory level of performance of that employer.

Where an administering authority wishes to recover any such additional costs they must give written notice stating:

- The reasons in their opinion that the employer's level of performance contributed to the additional cost.
- The amount the Administering Authority has determined the employer should pay.
- The basis on which this amount was calculated.
- The provisions of the Strategy relevant to the decision to give notice.

The Administering Authority will recharge to an employer any additional costs incurred by the Fund in the administration of the LGPS as a direct result of such unsatisfactory performance and where it is reasonable to do so. In instances where the performance of the employer results in:

- fines being levied against the Administering Authority by The Pensions Regulator, Pensions Ombudsman or other regulatory body, an amount no greater than the amount of that fine will be recharged to that employer.
- the improvement plan as outlined later in this statement is not being adhered to, the Pension Committee may determine that any other additional costs will be recharged. In these circumstances, the Pension Committee will determine the amount to be recharged and how this is to be calculated. The employer in question will be provided with a copy of that report and will be entitled to attend the Pension Committee when this matter is being considered.

Employers may also be required to pay for additional work that is outside of business as usual, such as:

- Requesting the Fund undertake non-standard work
- Requesting work to be completed earlier than the normal service standards.

The employer's agreement to the charge will be obtained prior to the work being carried out.

All additional costs relating to this Strategy are met directly by the Fund unless mentioned otherwise.

Charges for additional administration

The table below sets out the fees which the Fund will levy on a Scheme Employer whose performance falls short of the standards set out in this document. Charging is a last resort and the approach outlined in the section above will be followed before a fee is levied.

Description	Occurrence	Administrative charge
1. Multiple payments/LGPS31 forms received for a single employer, per month	Each instance	£20.00 administration charge per additional payment
2. LGPS31 Forms Failure to provide the LGPS31 Form by the 18 th of the following month contributions are due or failure for the form to be signed and authorized correctly by section 151 or delegated power by the 18 th of the following month its due.	1st instance 2nd instance	Warning Administrative charge of £150
3. Employer/ Employee Contributions Failure of Scheme Employers to pay over contributions to the Fund by the 19 th of the month following the deduction in line with the legal duty/	1st instance 2nd instance	Warning Administrative charge of £150
4. Multiple retirement requests in relation to the same member	1 st and second in rolling 12-month period Each additional request	No charge £50.00 administration charge per request
5. Change Notifications Failure to notify the administrators of any change to a member's - working hours - leave of absence with permission (maternity, paternity, career break) or - leave of absence without permission (strike, absent without permission) - within 20 days/the next I-Connect upload of the change in circumstance	1st instance 2nd instance	Warning £50 administration charge per member

6. Year End Data Failure to provide year end data by 30th April following the year end or the non-provision of year end information or the accuracy/quality of the year end data is poor requiring additional data cleansing. This applies where Year End Data is required.		Late receipt - initial fee of £300 then a fee of £150 for every month the information remains outstanding Quality/format of data – fee of £150 should data provided not be in the correct format and/or the quality is poor
7. New Starter(s) Failure to notify the administrators of new starter(s) and the late or non-provision of starter form(s) – within 15 days of employee joining the scheme/in the next I-Connect upload	1st instance 2nd instance	Warning £50 fee per member
8. Leaver(s)/ retirements Failure to notify the administrators of any leaver(s)/retirements and the late or non- provision of leaver form(s) including an accurate assessment of final pay – within 15 days of employee leaving the scheme or employment/in the next I-Connect upload	1st instance 2nd instance	Warning £50 fee per member
9. Further notification of leaver/ death/ retirement leading to recalculation of benefit	Each instance	£50
10. I-Connect Data Failure to provide data through the I-Connect system by the required deadline.	1st instance 2nd instance	Warning Administrative charge of £150
11. Project data Failure to provide data requested as part of projects being run by the Fund to ensure changes in legislation are being adhered to,	1st instance	Warning

best practice is being followed or previous errors are rectified. This includes, but is not limited to responses to queries relating to data received.	2nd instance	Administrative charge of £150
12 Other non-standard work A request that work be carried out that would not normally be expected of the administrators		The cost of such work to be agreed on a case by case basis in advance of action being taken by the administrator.

Warnings for non-compliance will operate on a rolling 12-month basis, for example, should a warning have been issued and 10 months later there is a 2nd instance, a fee/administrative charge will apply. However, if it is 13 months later, another warning will be issued.

If an issue has not been resolved within 10 working days of a warning being issued, a fee will apply and the Fund may take further action as appropriate regarding the failure to comply with the statutory requirements.

In addition to the above interest may be charged at 1% above base rate on any sum remaining unpaid for more than one month beyond the date on which it became due.

Where delays in providing information result in the Fund being liable to pay interest in accordance with Reg 81 LGPS Regulations 2013, or any superseding legislation, this will be recharged to the Employer.

The Administering Authority does also apply charges for non-standard work requested by members. These are covered outside of this document and subject to periodic review. Such charges include requesting more than one Cash Equivalent Transfer Value and non-standard work relating to divorces.

Audit queries – charges for additional work

The Fund regularly receives queries from employers in relation to their own audits. Whilst the Fund does not object to providing information about it to help employers understand how the Fund operates and how it is constituted, such queries can take a significant amount of time to answer and take resource away from the day-to-day operation of the Fund.

The Fund is audited annually and publishes the annual report and accounts and audit certificate on the website. The Fund publishes a significant amount of information about the Fund, its activities and investments; and actuarial information is provided directly to employers. Scheme Employers are urged to review the information of the Fund's website, <https://www.eastsussexpensionfund.org>, and to consider the information published by the Local Government Association.

Where auditor queries still need to be referred to the Fund, we would ask that a single request with all queries is made. Work carried out to answer these queries will be recharged at a cost of £50 per hour for Officer time along with any costs incurred by the Fund. Such costs include, but are not limited to, Actuary fees.

Key Risks

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

- Lack or reduction of skilled resources due to difficulty retaining and recruiting staff members and staff absence due to sickness
- Significant increase in the number of employing bodies causes strain on day to day delivery
- Inadequate performance against service standards
- Significant external factors, such as national change, impacting on workload
- Incorrect calculation of members' benefits, resulting in inaccurate costs
- Employer's failure to provide accurate and timely information resulting in incomplete and inaccurate records. This leads to incorrect valuation results and incorrect benefit payment.
- Failure to administer the scheme in line with regulations as listed under 'Regulatory Basis' in this Statement. This may relate to delays in enhancement to software or regulation guidance.
- Failure to maintain records adequately resulting in inaccurate data.
- Use of external printers/distributors resulting in possible data mismatch errors
- Unable to deliver an efficient service to pension members due to system unavailability or failure
- Failure to maintain employer contact database leading to information being sent to incorrect person

Consultation and review process

This Strategy was approved on [DATE] by the East Sussex Pension Committee. It is effective from 01 April 2023. It will be formally reviewed annually and updated at least every three years, if there are any changes to the LGPS or other relevant Regulations or Guidance which need to be taken into account.

In preparing the original Strategy the Fund has consulted with its scheme employers; the scheme member and employer representatives on the East Sussex Pension Board; and other persons considered appropriate. The employers of the Fund will also be consulted should any substantial changes be proposed to this Strategy following consultation.

The latest version of this Strategy will always be available on the Fund website:

<https://www.eastsussexpensionfund.org/forms-and-publications/>

Contact details

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Appendix A - Scheme Manager Responsibilities

Governance

Administering Authority responsibilities	Timeframes/deadlines
Review the Fund's pension administration strategy and consult with all scheme employers.	The Pensions Administration Strategy will be formally reviewed no less frequently than every three years. A review may take place at any time where in the view of the Administering Authority it is necessary to do so.
Review the Fund's funding strategy statement at each triennial valuation, following consultation with scheme employers and the Fund actuary.	Every three years in line with Fund valuation cycle.
Review the Fund's Communications Strategy	The Communications Strategy will be formally reviewed no less frequently than every three years. A review may take place at any time where in the view of the Administering Authority it is necessary to do so.
Review the Fund's governance compliance statement.	The Governance Policy Statement will be formally reviewed no less frequently than every three years. A review may take place at any time where in the view of the Administering Authority it is necessary to do so.
Draft, maintain and publish all the policies and strategies that govern the pension fund, liaising with Employing Authorities and the Administrator as required.	Policies will be reviewed no less frequently than every three years. A review may take place at any time where in the view of the Administering Authority it is necessary to do so.
Publish the Fund's annual report and financial statement.	To be published annually.

Transfers – transfers in and transfers out

Administering Authority responsibilities	Timeframes/deadlines
For transfers in, ensure that the Administering Authority has in place an appropriate discretionary policy setting out their policy on whether they choose to extend the 12-month time limit for accepting transfers in, where the decision falls to them.	This is contained within the Discretionary Policy of the Administering Authority.
For transfers out, to determine necessary action on how to proceed with transfer cases that have been flagged as at risk of being a pension liberation/fraud case. This may include, but not be restricted to, indicating whether the transfer is to be paid or whether legal advice is sought.	Any transfer cases referred to the Administering Authority by the scheme administrator for suspected pension fraud will be thoroughly investigated and secondary assurance sought from the scheme member. This should include all transfers to Qualifying Recognised Overseas Pension Scheme's (QROPS). The Administrator will abide by the deadlines set out in appropriate legislation.

Transfers – bulk transfers

Administering Authority responsibilities	Timeframes/deadlines
Share information as appropriate with the Employing Authority regarding the timescales, negotiations, and where material, the financial consequences, and where possible, reach agreement with the Employing Authority on the stance adopted on any negotiations with the receiving Fund.	The Administering Authority will in these cases engage with all parties as early as possible. The Fund will look treat each case on its own merits and consider in line with the principals detailed in the Fund's Funding Strategy Statement.
Ensure the provision of the Regulations are met, including the rights of the transferring members	The Administering Authority will comply with the deadlines set out in legislation as applies at the time.

Complaints and breaches

Administering Authority responsibilities	Timeframes/deadlines
Appoint a nominated person to consider disputes under stage 1 of the IDRP process for disputes for any decisions/lack of decisions which need to be made by the administering authority.	Stage 1 complaints to be determined by the Administering Authority will be considered by the Head of Pensions.
Appoint a nominated person to consider disputes under stage 2 of the IDRP process.	Stage 2 complaints to be determined by the Administering Authority will be considered by the Solicitor and Monitoring Officer.
Consider and respond to disputes made under stage 1 and/or stage 2 of the IDRP within statutory timeframes as set out in the LGPS Regulations 2013.	Response to disputes under stage 1 and 2 of the IDRP will be provided within the statutory deadline of two months and monitored by the Head of Pensions.
Prepare and maintain a Policy showing how to identify, record and report breaches of the Law.	The Fund Breaches Policy will be formally reviewed no less frequently than every three years. A review may take place at any time where in the view of the Administering Authority it is necessary to do so.
Maintain a Breaches Log detailing all known breaches of the law, whether these are considered immaterial and hence only recordable or whether they are considered material and reported to the Pensions Regulator.	This will be maintained on an ongoing basis.
Present the Breaches Log to the Pension Committee and the Pension Board at each meeting	To be presented at each meeting of the Board and Committee.

Finance, accounting and reporting

Administering Authority responsibilities	Timeframes/deadlines
Consult with employing authorities on the outcomes of the triennial valuation.	To be carried out every three years in line with the Fund valuation timetable.
Carry out termination valuations on admitted bodies or employing authorities who cease their participation in the Fund.	To be carried out as and when required.
Carry out accounting and financial reporting on behalf of the administering authority, including liaison with any third-parties, including: - Management, preparation and presentation of the Fund's annual report and accounts. - Further accounting and cash-flow reporting throughout the scheme year. - Cashflow forecasting and reporting. - Liaising with internal and external auditors. - Quarterly management accounts. - Raising invoices on behalf of the Fund. Recording and maintaining all accounting records in line with record retention policies.	To be carried out as and when required.

Contributions

Administering Authority responsibilities	Timeframes/deadlines
Notify employing authorities of their contribution requirements for three years effective from the April following each actuarial valuation.	To be carried out every three years in line with the Fund valuation timetable.
Notify new employing authorities of their contribution requirements.	To be carried out as and when required.

Employer services and monitoring

Administering Authority responsibilities	Timeframes/deadlines
Provide support to employing authorities through a dedicated employer website, technical notes, employer bulletins and day to day contact.	Web content available to employers will be reviewed on no less than an annual basis. Employer newsletters will be issued in line with the Communications Strategy.
Provide training sessions on employing authorities' roles and responsibilities.	To be delivered as and when required.
Monitoring of employers, including reporting of key metrics. This may include monitoring employers who have a very small number of active members remaining and may therefore cease participation or highlighting significant changes in membership numbers indicating a restructuring exercise or other event that	Ongoing basis

requires the attention of the administering authority.	
Monitor the existence of indemnity bond cover for employers, including highlighting to the administering authority where bond cover is either outdated, soon to expire or needs to be reviewed in line with administering authority policies. This may involve further communication with the Fund actuary or other party to obtain updated levels of recommended bond cover where appropriate.	Bonds in place for admission body employers will be reviewed in line with the individual agreements and the Funding Strategy Statement.
Maintain an updated record of further information relating to employers, for example, whether another employer has agreed to act as a guarantor for that employer, or any other information determined by the administering authority to be relevant.	Ongoing basis
Review the IRMPs appointed and used by Employing Authorities meet legislative requirements to advise on ill health retirement applications	To be reviewed no less than every three years.

New and ceasing employers

Administering Authority responsibilities	Timeframes/deadlines
Assist in the preparation and communication of admission agreements to new employers in the Fund, including liaising with the relevant employers, procurement departments, legal and the Fund actuary, as required, to prepare the necessary documentation.	Potential new employers in the Fund should engage with the administering authority at the earliest opportunity to allow adequate time for an assessment of the employer contribution rate and bond (where necessary). Where this is a result of an outsourcing of employees under TUPE from an existing scheme employer, engagement with the Administering Authority should be sufficiently early to allow pensions information to be included in the tender documentation.
Obtain a signed agreement and/or keep these on record on behalf of the administering authority.	The Admission Agreement should be completed with the commercial contract and no later the date of admission.
Provide technical advice, guidance or support in relation to new or existing admission agreements and the operation of these with employers.	To be provided as and when required.
Assist in managing the cessation of an employer, including liaising with them in relation to any cessation debt due to the Fund or surplus to be returned to the scheme employer.	Any deficit or surplus due at the point an employer exists the Fund will be communicated to the former scheme employer in line with the requirements of regulation 64 of The Local Government Pension Scheme Regulations 2013.

Policy development

Administering Authority responsibilities	Timeframes/deadlines
Draft, maintain and publish all the policies and strategies that govern the pension fund, liaising with Employing Authorities and the Administrator as required.	Policies will be reviewed no less frequently than every three years. A review may take place at any time where in the view of the Administering Authority it is necessary to do so.

Additional Voluntary Contributions

Administering Authority responsibilities	Timeframes/deadlines
Ensure a process is in place to periodically review AVC providers/fund options.	A review of the AVC provider to the Fund will take place no less than every 5 years.
Ensure that the member receives an annual statement, and that this statement meets statutory requirements.	Annual statements received from the AVC provider are redistributed to individual contributors on an annual basis.

Additional Pension Contributions

Administering Authority responsibilities	Timeframes/deadlines
Agree that any requests to pay additional contributions satisfy the administering authorities' discretionary policy in respect of additional contributions (e.g. whether a member is required to undertake a medical before entering into an additional contributions contract and determining whether the request is impractical)	To be agreed with the scheme administrator.

Retirements

Administering Authority responsibilities	Timeframes/deadlines
Where a deferred member requesting early payment of their pension benefits and requesting that their Rule of 85 is to be applied and/or whether their reductions are to be waived, whose former employer no longer contributes within the East Sussex Pension Fund: o Consider the application and confirm to the decision to the member. Notify the administrator whether the Ro85 is to apply/reductions are to be waived or not.	Applications will be considered by the Section 151 Officer on behalf of the Administering Authority and confirmed to the scheme administrator.
Where a deferred member requesting early payment of their pension benefits due to ill health, whose former employer no longer contributes within the East Sussex Pension Fund: arrange for the member to be assessed by an IRMP, provide confirmation to the administrator that the employee meets all the conditions for ill-health retirement, as defined	Applications will be considered by the Section 151 Officer on behalf of the Administering Authority and confirmed to the scheme administrator.

by the relevant LGPS regulations, and confirm the retirement date and a complete and correct ill-health certificate completed by the IRMP	
Where the member is in receipt of an ill health pension made under Tier 3, and the former employer has subsequently ceased to be a contributing employer within the ESPR, arrange for the member to be reassessed by an IRMP after 18 months and determine whether the pension should continue, or be subject to an uplift.	Arrangements for reassessment will be made by the Section 151 Officer on behalf of the Administering Authority.

Deaths

Administering Authority responsibilities	Timeframes/deadlines
Review where necessary information provided by the administrator in relation to potential death grant lump sums and dependant pensions and provide written agreement for payments to be made, where necessary.	The determination of death grant beneficiaries will be in line with the Fund policy. The decision is delegated to the scheme administrator but for more complicated cases that will be referred to the Administering Authority for determination on a case by case basis.
Review the Administrator's policy annually in relation to the payment of death grant lump sums and ensure this is regularly reviewed and updated if necessary.	The policy on payment of death grant lump sums will be reviewed on an annual basis.

Communications

Administering Authority responsibilities	Timeframes/deadlines
Liaise with Officers to agree on newsletter (and other communication) content	This will be done and timetabled in line with the Communications Strategy of the Fund.
Liaise with Officers to agree on content of surveys	This will be done and timetabled in line with the Communications Strategy of the Fund.
Liaise with Officers to agree on structure / content of presentations / workshops	This will be done and timetabled in line with the Communications Strategy of the Fund.

Appendix B - Service Standards for Pension Administration

Overview and purpose

Under the Local Government Pension Scheme (LGPS) (Administration) Regulations 2013, East Sussex County Council has a statutory responsibility to administer and manage the East Sussex Pension Fund (the Fund, ESPF) on behalf of all employers participating in the Fund and all past and present members, including their dependents.

Fund will ensure that it meets its statutory responsibilities and that members and employers receive a cost-effective and high-quality service by delivering to these service standards. A report is presented at Pension Board and Pension Committee quarterly to provide oversight and governance of administration activity and projects including Key Performance Indicator reporting.

General administration overview

The main services provided include maintenance of Scheme Members' records, calculation and payment of retirement benefits including premature retirement compensation, transfers of pension rights, calculation of annual pension increases and the provision of information to scheme members, employers and the Fund's actuary.

- Pensions Administration
- Projects
- Technical & Compliance
- System Support
- Training & Development
- Help Desk

Legal timescales

The table below contains a list of processes and the legal timescales in which they must be met. The Fund will monitor its performance against these timescales, which are subject to an achievement target and include the results in the quarterly administration performance report.

Process	Legal requirement
To process new member information – i.e. create a new pension record and provide basic scheme information to the member.	Within one month of the date of receiving jobholder information from the scheme employer, extended to two months where correct jobholder information has not been received.
Notify members and beneficiaries of material alteration to basic scheme information	Within 3 months
Provide a Cash Equivalent Transfer Value (CETV) to the member, including for divorce purposes.	Within three months of the date that the request is made by the member. Or, in divorce cases, such shorter deadline as specified in a valid court order where reasonable.
Pay a CETV following a member's election to transfer.	Within six months of the guarantee date, or within six months of the member's request if

	CETV not guaranteed. This is subject to “red flags” which prevent the transfer under current legislation.
Inform member or prospective member whether they are entitled to acquire transfer credits in exchange for a cash equivalent or any transfer payment provided from another Scheme	Within two months of the request being made unless such a request has been made in the last twelve months
Notify HMRC when a transfer payment is made to a QROPS.	Within 60 days of the date the transfer payment is made.
Notify members who re-join the scheme and have previous LGPS benefits of their rights and options.	In sufficient time to allow the member to make an election within 12 months of re-joining.
Aggregation of deferred benefit with active pension account	Within 12 months of the active account being opened unless the member makes an election to retain separate accounts
Notify members of the transfer credits available in respect of a CETV or transfer payment from a previous pension arrangement (TV-in).	Within two months of the date of the member's request, unless already provided within the previous 12 months. This includes obtaining the transfer value from the previous provider and informing member of transfer options.
Provide information for divorce purposes which does not include a CETV.	Within one month of the date the request is made by the member, their spouse/partner, or the Court.
Implement a Pension Sharing Order.	Within four months of the effective date of the Order, or the date on which all the relevant information is received.
Inform members who leave the scheme before their normal pension age of their rights and options.	Within two months of the date of initial notification from the scheme employer, or the request from the member.
Provide refund of contributions where a member leaves without meeting the vesting period (currently two years)	Within two months of the request being made.
Notify the member of the amount of retirement benefits.	Within one month of the date of retirement, if retiring on or after normal pension age. Within two months of the date of retirement, if retiring before normal pension age.
Notify member of change in the amount of benefit when already in payment	Before the date on which the decision to alter the benefit takes effect or within one month of that date
Notify the dependent(s) of the amount of death benefits payable.	Within two months of the date of becoming aware of the member's death, or of the date of request for information from a third party.
Make payment of any death grant.	Within two years of the date of becoming aware of the member's death.
Provide annual benefit statements to all active, deferred, pension credit and deferred pensioner members.	By 31 st August of each year.

Provide pensions savings statements to all members who exceed the annual allowance.	By 6 October following the end of each tax year.
Notify members (or dependents) of the percentage of the standard lifetime allowance used up by a Benefit Crystallisation Event (BCE).	Within three months of the BCE date.
Submit the annual event report to HMRC.	By 31 January following the end of each tax year.
Submit quarterly accounting for tax returns to HMRC, including details of all: • Short service refund lump sum charges • Lifetime allowance charges • Special lump sum death benefit charges • Serious ill-health lump sum charges • Authorised surplus payments charges • Annual allowance charges Overseas transfer charges	By 15 May, 14 August, 14 November and 14 February each year.
Issue P60s to all pensioner members.	By 31 May following the end of each tax year.
Issue P14/P35 to HMRC.	By 19 May following the end of each tax year.
Submit full payment submission (FPS) to HMRC.	On or before each monthly pay date.
Pay tax owed to HMRC.	By the 22 nd of each month.
Respond to an IDRP Complaint.	Within two months of receiving the Stage One complaint or Stage Two appeal.
Provide copy of Scheme Documents including Annual Report	Within two months of request

Administration Key Performance Indicators (KPI's)

The table below contains a list of pensions administration processes, and the KPI for each. The Fund will monitor and report its performance against the targets stated in the table and include the results in the quarterly administration performance report.

Task	Target timeframe	Expected achievement as a percentage
Death notification acknowledged, recorded and documentation sent	within 2 days	95%
Award dependent benefits (Death Grants)	within 5 days	95%
Retirement notification acknowledged, recorded and documentation sent	within 7 days	95%
Payment of lump sum made	within 5 days	95%

Calculation of spouses' benefits	within 5 days	90%
Transfers In - Quote (Values)	within 10 days, aggregation within 15 days	90%
Transfers In - Payments	within 5 days, aggregation within 25 days	90%
Transfers Out - Quote	within 10 days, aggregation within 15 days	90%
Transfers Out - Payments	within 15 days, aggregation within 25 days	90%
Employer estimates provided	within 15 days	95%
Employee projections provided	within 15 days	95%
Refunds (inc frozen refunds)	Quotes within 10 days, settle within 5 days	95%
Deferred benefit notifications	within 15 days	95%

Administration operational targets

The information in the tables below reflects the target timeframes for the administration team when carrying out their daily tasks which underpin the KPIs. Performance against these timeframes is not reported but is included to help members and employers know anticipated turnaround times for completing tasks.

The following tables are only included for single tasks from employers or members during the month. These tables do not include bulk tasks received through i-Connect, where timeframes will be longer and scheduled. A revision to the tables will be made when i-Connect procedures are embedded.

Table I: General member administration

Task	Target timeframe for single task
New starter Create a new pension record and provide basic scheme information to new members.	Within 20 working days of receiving details of the new member from the scheme employer.
50/50 membership Update administration software (Altair) when commences or finishes.	Within 20 working days of receiving confirmation from the scheme employer.
Additional Pension Contributions or Additional Voluntary Contributions information Provide information to the member on paying or amending additional contributions.	Within 10 working days of receiving the request from the member.
Absence contributions	Within 10 working days of receiving confirmation from the scheme employer that the member has returned from absence.

Provide information to the member and/or scheme employer on paying additional contributions to cover absence.	
Payment of additional contributions in respect of absence, APC or AVC Action any request to pay additional contributions.	Within 10 working days of receiving the request to pay additional contributions from the member.
Estimate of benefits Provide the member, employer or other stakeholder with an estimate of benefits in respect of increasing or reducing benefits, possibly through additional contributions.	Within 15 working days of receiving the request from the member, employer or other stakeholder.
Annual Allowance and Lifetime Allowance Provide the member with individual calculations, including projections, of benefits and possible tax charges in relation to the Annual Allowance and Lifetime Allowance	Within 10 working days of receiving the request from the member (excluding the annual project cycle relating to issuing Pensions Savings Statements by 6 October).
General Enquiries If not about a specific task, a catch all other type task.	Within 10 working days of receiving the request from whomever.
Data Amendments Includes tasks like change of name, address or bank account.	Within 10 working days of receiving the request from the member or the scheme employer.

Table 2: Leavers not entitled to immediate payment of benefits

Task	Target timeframe for single task
Refund of contributions Calculate refund of contributions and issue letter including reference to possible CETV to the member.	Within 10 working days of receiving a completed leaver form.
Unclaimed refunds Contact the member to arrange for payment of an unclaimed refund to be made, in line with regulations which require this to happen after a specific time.	Within 10 working days of the date that is two months prior to the date that payment must be made.
Payment of refund of contributions Make payment of refund of contributions and send notification letter to the member.	Within 5 working days of receiving a complete and correct payment form from the member.
Deferred benefits Calculate deferred benefit entitlement and send notification letter and statements to the member.	Within 15 working days of receiving all the required complete and accurate information from the scheme employer.

Table 3: Transfers and aggregation

Task	Target timeframe for single task
Transfer-in – request for information Request details of the estimated transfer payable from the member's previous pension provider.	Within 5 working days of receiving the member's initial request to investigate a transfer-in.
Transfer-in – estimate Calculate the estimated additional benefits that the transfer value would award and send a letter and all option forms to the member.	Within 10 working days of receiving the transfer value from the member or their previous pension provider.
Transfer-in – request payment Request payment of the transfer value from the member's previous pension provider.	Within 5 working days of receiving all complete and correct forms from the member.
Transfer-in – actual Calculate the additional benefits that the transfer value has awarded and send a confirmation letter to the member.	Within 10 working days of receiving confirmation of payment from the member's previous pension provider.
Transfer-out – estimate Calculate a transfer value and send an information pack and all option forms to the member.	Within 15 working days of receiving a complete and correct CETV request form from the member
Transfer-out – actual Calculate and make payment of the CETV or interfund transfer and send confirmation to the member and the receiving scheme.	Within 25 working days of receiving all the required information, including complete and correct forms from the member and the receiving scheme.
Aggregation within ESPF (in fund transfer) - quotation Notify the member of their rights and options, or confirm automatic aggregation, if appropriate.	Within 15 working days of receiving a complete and correct starter form from the scheme employer.
Aggregation within ESPF - settlement Update member record in accordance with the election made.	Within 10 working days of receiving a member's election (to aggregate or not to aggregate), or at the expiration of the 12 period in which a member may elect other than for automatic aggregation.
Aggregation from another LGPS fund – request for information Request details of estimated transfer payable from the member's previous pension provider.	Within 5 days of receiving confirmation of previous LGPS service with another Fund.
Aggregation from another LGPS fund - estimate Notify the member of their rights and options, or confirm automatic aggregation, if appropriate.	Within 10 working days of receiving all the required information from the previous fund.

Aggregation from another LGPS fund – request payment Request payment of the transfer value from the member's previous pension provider	Within 5 working days of receiving all complete and correct forms from the member.
Aggregation from another LGPS fund – settlement Update member record in accordance with the election made.	Within 10 working days of receiving all complete and correct forms from the member (request payment and pend until) payment from previous Administering Authority.
Aggregation to another LGPS fund – quote Send all the required information to the member's new fund.	Within 15 working days of receiving the request for information from the new fund.
Aggregation to another LGPS fund – settlement Calculate and make payment of the transfer value and send confirmation to the member and the receiving scheme.	Within 25 working days of receiving all the required information, including complete and correct forms from the member and the appropriate Administering Authority.

Table 4: Retirements

Task	Target timeframe for single task
Active retirement (early, normal, late, incapacity or redundancy) – quote Calculate the value of the standard retirement benefits and send a letter, statements and all option forms to the member.	Within 7 working days of receiving both a complete and correct leaver form.
Payment of lump sum and notification Calculate the final retirement benefits, make payment of any tax-free lump sum, and send notification to the member.	Within 5 working days of the later of the date of retirement or receiving all complete and correct retirement forms from the member.
Strain payment Issue an invoice for the strain payment to the scheme employer.	Within 30 working days of making payment of the lump sum or sending notification to the member.
Trivial commutation upon retirement or from pensioner status – Quote Calculate and inform the member of the trivial commutation sum together with the appropriate claim forms.	Within 10 working days of receiving a member request.
Trivial commutation upon retirement or from pensioner status – Settlement Calculate and make payment of the trivial commutation payment and send notification to the member.	Within 10 working days of receiving all the information required to make payment.

Table 5: Deaths

Task	Target timeframe for single task
Death of an active, deferred or pensioner member – quote Send a letter of condolence and claim forms to the member's next of kin or personal representatives.	Within 2 working days of having been informed of the member's death by next of kin, scheme employer or personal representative.
Dependant's pension – settlement Calculate and process the benefits due to the member's dependant(s) and send notification.	Within 5 working days of receiving all required information and documents from the dependant(s).
Trivial commutation of dependant pension – Quote Calculate and inform the dependant of the trivial commutation sum together with the appropriate claim forms.	Within 10 working days of receiving a member request.
Trivial commutation of dependant pension – Settlement Calculate and make payment of the trivial commutation payment and send notification to the dependant.	Within 10 working days of receiving all the information required to make payment.
Balance of pension Make payment of the balance of pension due to the estate.	Within 7 working days of receiving all the information required to make payment.
Death grant – approval Submit recommendation for payment of death grant to Administering Authority for decision.	Within 5 working days of receiving all the information required to make recommendation.
Death grant – payment Make payment of the death grant to the determined beneficiary(s).	Within 5 working days of receiving all the information required to make payment.

Table 6: Pension Sharing and Earmarking Orders

Task	Target timeframe for single task
Schedule & Invoice for charges Provide the member and/or their solicitor or other representative with a schedule of charges that will apply and provide the required information including any invoice to the member for any charges that are due.	Within 5 working days of receiving a request for information from the member.
Provide PSO information – quote Calculate a transfer value and send an information pack and forms to the member and/or their solicitor	Within 15 working days of receiving a complete and correct CETV request form from the member

Pension debit and credit – settlement Calculate the final pension debit and credit amounts and send notification to the member and/or their solicitor	Within 25 working days of receiving a Pension Sharing or Earmarking Order and payment for implementation

Breaches and complaints

The management of breaches are in full compliance with the Funds Breaches Policy which is published on the Fund website.

The Fund will maintain a record of all complaints received (verbally and in writing) and operate a local complaints resolution procedure that all staff will be aware of. The number of complaints received will be included in the administration report.

The Fund will produce and communicate an IDRP procedure in accordance with LGPS regulations and will pass any stage 1 and stage 2 cases to the relevant nominated person as soon as possible. All IDRP cases received will be included in the quarterly reporting to Pension Board and Pension Committee.

Process	Standard	Administration standards
Breaches	Logged within 1 working day	Reported to Head of Pension Fund within 2 working days of breach occurring.
Complaint	Logged within 2 working days	
Error & Omission	Logged within 2 working days	
IDRP cases	Logged within 1 working day	Reported to Head of Pension Fund within 1 working day of receipt of IDRP case

Communications

The table below shows a list of communications not covered by legal timescales that the Fund will produce and distribute and the timescales in which this will be done. The Fund has a detailed Communications Strategy published on the Fund website.

Communication	Administration standards
Notify all pensioner and dependent members of the annual increase to their pension.	By 30th April following the end of each tax year.
Employer survey Issue an annual survey to all employers in the Fund.	Issue bi-annually by 30 th June and a separate survey at employer Forum held at the end of the year.
Member surveys Issue an annual survey to Fund members.	Issue annually a separate survey for active and pensioner members.
Pensioner newsletter Produce and distribute a newsletter to all members in receipt of a pension.	Issue annually by 30 th April after the year end of 31 st March and accompanying the notification of annual pensions increase.
Active and deferred member newsletter Produce and distribute a newsletter to all active and deferred members.	Active - Issue bi-annually by 30th June and 31 st December. Deferred – Issue annually by 31 st December.
Annual Benefits Statements	By 31 st August
Website	Reviewed regularly. Update carried out by Communications Manager.
Valuation or data extract(s) for the Fund's Actuary	Data is provided to the Fund Actuary through the secure data portal in line with the agreed valuation plan and timeline.

Quarterly Reporting

To demonstrate its performance against the targeted service standards, the administration team will produce an administration report on a quarterly basis, for review at Pension Board and Pension Committee meetings.

As well as demonstrating compliance with key performance indicators (KPIs) the administration report will provide an overview of the administration function, including work completed and work in hand, updates on projects, and future administration plans. The report will include a comparison of KPIs and workloads over the previous 12 months.

Reports covering the following material provided to the Pension Board and Pension Committee at their quarterly meetings. This information is provided across various reports created by the Funds management team.

Quarterly Admin Reporting covers:

- Total number of KPI related cases completed during the period
- Total number and % of cases where the KPI has been met
- Total number of cases where the KPI has been missed
- Number of new starters set up in a month
- Complaints received
- Compliments received
- % of Helpdesk enquiries dealt with at first point of contact
- % of Helpdesk call answering times within 20 seconds
- Helpdesk call abandon rate
- % of email communications answered within 3 working days
- Top 5 reasons for calls to the Helpdesk

Breaches and complaints Reporting covers:

- Number of breaches logged during the period.
- Number of breaches reported to TPR during the period.
- Number of member complaints received during the period.
- Number of IDRP cases logged during the period.
- Number of IDRP cases upheld/partially upheld during the period.

Member Communications reported include:

- Annual Benefit Statements for active members
 - Legal timescale for issuing active ABSs.
 - Date that active ABSs were issued.
 - Number and percentage of active members who received an ABS.
- Annual Benefit Statements for deferred members
 - Legal timescale for issuing deferred ABSs.
 - Date that deferred ABSs were issued.
 - Number and percentage of deferred members who received an ABS.
- Employer Satisfaction Survey
- Member Satisfaction Survey
- Pensioner newsletter
- Member newsletter
- Employer meetings
- Annual Employer Forum

Data quality reported annually:

- Common data
 - Last reported common data score.
- Scheme-specific data
 - Last reported scheme-specific data score.
- Data improvement plan
 - Summary of any actions taken to improve data quality

Scrutiny and audit reported as required during the year:

- Internal audit
 - Audit report findings.
 - Date of audit report.
- External audit
 - Audit report findings.
 - Date of audit report.
- TPR annual return
 - Target for providing data for the TPR annual return.
 - Date of completion.

Project reporting includes:

- A list of ongoing and new administration projects and plans.
- Targets for completing these projects.
- Performance against the project targets.
- Dates projects were completed, if appropriate.

Appendix C

Scheme Employer Responsibilities

Table I: Governance

Employer responsibility	Timeframe
Designate a named individual as Pensions Liaison Officer, to be the main point of contact for the administrator or administering authority.	Within 30 days of becoming a scheme employer within the East Sussex Local Government Pension Fund or 30 days from date of request by the Scheme Administrator or Administering Authority.
Complete authorised signatory forms to provide the administrator and administering authority with contact information for officers authorised to perform key administrative roles.	Within 30 days of becoming a scheme employer within the East Sussex Local Government Pension Fund or 30 days from date of request by the Scheme Administrator or Administering Authority.
Appoint an independent registered medical practitioner (IRMP) qualified in occupational health medicine to consider all ill-health retirement applications and agree the appointment with the administering authority. Confirmation must be provided to the Administering Authority that the requirements to be an IRMP have been met. This information can be found in the Ill Health Early Retirement Guide produced by the Administering Authority and published on its website.	Within 90 days of becoming a scheme employer within the East Sussex Local Government Pension Fund or 90 days from date of request by the Scheme Administrator or Administering Authority.
Designate an appropriate person to make decisions on ill health early retirements and inform the Administering Authority of their identity, providing a specimen signature.	Within 30 days of becoming a scheme employer within the East Sussex Local Government Pension Fund or 30 days from date of request by the Scheme Administrator or Administering Authority.
Formulate, publish and keep under review policies in relation to all areas where the employer may exercise discretion within the scheme regulations.	Within 90 days of becoming a scheme employer within the East Sussex Local Government Pension Fund or 90 days from date of request by the Scheme Administrator or Administering Authority.
To provide the Fund with the details of the employer's s.151 Officer (or equivalent) or person with delegated authority, including a specimen signature, for the purposes of allowing the Administering Authority to check LGPS31 forms are authorized by the appropriate person.	Within 30 days of becoming a scheme employer within the East Sussex Local Government Pension Fund or 30 days from date of request by the Scheme Administrator or Administering Authority.

Notify the administering authority of any contracting out of services that will involve a TUPE transfer of employees to another organisation before the procurement exercise takes place.	Employers should inform the Administering Authority as soon as possible, enabling pension information to form part of the tender documentation. Notification should be in line with the published procurement guide.
Provide the administering authority with contact details for lead decision-making and operational officers where a prospective new employer or admitted body may request to join the Fund as a result of re-organisation or TUPE transfer.	Employers should inform the Administering Authority as soon as possible within the tender process, enabling pension information to form part of the tender documentation. Notification should be in line with the published procurement guide.
Work with the administering authority to establish an admission agreement.	Potential Admission Body Employer's, together with the letting employer should work closely with the Administering Authority, to ensure that Admission Agreements are completed alongside the commercial contract and no later than the contract start date.
Notify the administering authority where the employer ceases to admit new members or is considering ceasing participation in the Fund.	This should be done at the earliest opportunity, allowing the Administering Authority to liaise with the Fund actuary in order to achieve a well-managed employer exit from the Fund.

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Table 2: New Starters and auto-enrolment

Employer responsibility	Timeframe
Enrol all eligible new employees into the scheme in accordance with the relevant LGPS regulations.	From the first available pay period.
Determine and deduct the appropriate rate of employee contributions, based on the current contribution rate banding table.	Immediately upon commencing Scheme membership, in line with employer's policy and as a minimum in each April thereafter.
Notify the administrator of all new starters.	Provide the Pension Section with details of all new entrants to the LGPS, by the 10th of the month following entry.
Provide all eligible new employees with details about the scheme in the form of a copy of the key facts leaflet and/or directing them to the Fund's website.	To be provided to the employee within six weeks of the date on which the employee became a scheme member.
Enrol and re-enrol all eligible employees into the scheme in accordance with the auto-enrolment requirements of the Pensions Act 2008 and the relevant LGPS regulations.	This should be done for each pay period ensuring all non-members without a valid exclusion from auto-enrolment are enrolled or re-enrolled into the LGPS.
Replicate the same process as above in New Starters section for those employees enrolled or re-enrolled into the scheme	N/A

When an election to move into or out of the 50/50 section is received from an employee, adjust the contribution rate accordingly and confirm to the member that this has been actioned.	Within one month of the date of change following receipt of a valid election to either move from the Main Section to 50/50 Section of the Scheme, or to move from the 50/50 Section to Main Section of the Scheme. This may be in the form of a pay advice notice.
Where an employee either goes onto nil pay due to sickness or injury or passes the automatic re-enrolment date, move the employee back into the main section of the scheme.	This should be done from the date of the relevant event detailed, and communicated to the employee within one month of the change.
Notify the administrator of all employees that move into and out of the 50/50 section via spreadsheet or online portal, at least monthly.	This should form part of the monthly submission to the Administering Authority.

Table 3: Additional contributions

Employer's responsibility	Timeframe
Distribute general information on the options available for paying additional contributions to employees, if requested to do so by the administrator or administering authority, both electronically and in paper format.	This should be distributed within one month of having received the instruction and documentation from the Scheme Administrator or Administering Authority.
Make the appropriate deduction of additional contributions on receipt of an election from a member, and confirm this has been actioned to both the member and Administrator	The deduction should take effect from the first available pay period (or date specified if later). The member and Scheme Administrator should then be informed within one month of the change.
Ensure and arrange for the correct deduction of APCs from pensionable pay throughout the length of the contract.	The deduction should take effect from the first available pay period (or date specified if later) and continue at the prescribed rate until the termination date or date active membership of the Scheme ceases if earlier.
Make payment of the APCs to the administering authority within the timescales agreed.	Scheme employers must pay over contributions to the Fund by the 19 th of the month following the deduction.
Provide a monthly breakdown of all APCs to the administrator/administering authority for reconciliation against payments received.	Submission of a LGPS31 should be made to the Fund prior to the payment and no later than 19 th of the month following the deduction.
Ensure and arrange for the correct deduction of additional contributions from the member's pensionable pay.	The deduction should take effect from the first available pay period (or date specified if later) and continue at the prescribed rate until the termination date or date active membership of the Scheme ceases if earlier.

Ensure deductions of additional contributions commence and cease from the appropriate dates.	The deduction should take effect from the first available pay period (or date specified if later) and continue at the prescribed rate until the termination date or date active membership of the Scheme ceases if earlier.
Make payment of all additional contributions (excluding AVC's) to the administering authority within the timescales agreed.	Scheme employers must pay over contributions to the Fund by the 19th of the month following the deduction.
Provide a monthly breakdown of all other additional contributions to the administrator/administering authority for reconciliation against payments received.	Submission of a LGPS31 should be made to the Fund prior to the payment and no later than 19 th of the month following the deduction.
Absence contributions The requirements below apply to all absences, including, but not limited to: • Child-related leave (e.g. maternity, paternity, adoption, parental leave); • Authorised unpaid leave (e.g. unpaid child-related leave); • Reserve forces leave; • Industrial action; • Jury service.	
Notify employees of the options available to pay additional contributions to cover benefits that have been reduced or lost due to periods of absence.	Member elections to purchase lost pension during a period of authorised unpaid leave must be made within 30 days of returning to employment (or a longer period as permitted by the employer). Employers must therefore provide details of the options available to employees, allowing sufficient time for an employee election to be made.
When an election to pay additional contributions to cover a period of absence has been received, arrange for the correct amounts to be deducted from the employee's pensionable pay.	Deduct the relevant contributions due within the first available pay period following receipt of a valid member election.
Make payment of all absence-related additional contributions to the administering authority within the timescales agreed.	Scheme employers must pay over contributions to the Fund by the 19th of the month following the deduction.

Provide a monthly breakdown of all absence-related additional contributions to the administrator/administering authority for reconciliation against payments received.	Submission of a LGPS31 should be made to the Fund prior to the payment and no later than 18 th of the month following the deduction.

Table 4: Award of additional pension

Employer's responsibility	Timeframe
Ensure the appropriate additional pension decisions are communicated promptly to Administrator by one of the employing authority's authorised signatories.	Notification should be provided to the administrator within 5 working days of the resolution to award additional pension having been made.
Ensure the appropriate additional costs invoiced in relation to any award of additional pension are paid to the administering authority within the agreed timescale.	Payment of the invoice should be made within the stated terms.

Table 5: Leavers not entitled to immediate payment of benefits

Employer's responsibility	Timeframe
Notify the administrator of all employees who leave the scheme before retirement, by providing a complete and correct pensions leaver form, signed by one of the employing authority's authorised signatories. This must include the member's personal details, date of leaving, reason for leaving, and pay details as outlined below. - Provide details of the contributions made by the employee and employer during the final scheme year and the previous scheme year, including any additional contributions. - Provide details of the member's pensionable pay, as defined by the LGPS Regulations 2013, for the scheme year up to the date of leaving and for the previous scheme year. - Where required, provide details of the member's final pay as defined by the LGPS (Benefits, Membership and Contributions) Regulations 2007. - Where the member is entitled under the LGPS regulations to use a final pay that relates to a previous year, provide the previous two year's final pay	To be provided within one calendar month of the date of leaving, in a format approved by the Administering Authority.

figures or the best of the last 10 years' final pay figure, as required. - Where required, provide details of the hours the member worked up until the date of leaving and, if required by the administrator, details of historical hours changes for the member.	
Refund contributions through the payroll to any employee who opts out of the scheme with less than three months membership.	Within the first available pay period following receipt of a valid opt out. Provide the Scheme Administrator with details of all opt outs and a copy of the completed 'Opt out form' by the end of the calendar month following the last contribution deducted.
Provide additional information to assist in the accurate calculation of refunds of contributions, if required by the administrator.	To be provided within 10 working days from receipt of the request from the administrator.
Provide additional information to assist in the accurate calculation of deferred benefits, if required by the administrator.	To be provided within 10 working days from receipt of the request from the administrator.
Ensure an appropriate discretionary policy is in place setting out policy on whether they choose to extend the 12 month time limit for accepting transfers in.	This should form part of the discretionary policies made within 90 days of becoming a scheme employer within the East Sussex Local Government Pension Fund or 90 days from date of request by the Administering Authority.
Work with the Administering Authority and the Fund Actuary in their negotiations to facilitate agreement on the terms for transfer.	By way of providing any additional information within 10 working days of receipt of the request.

Table 6: Retirements

Employer's responsibility	Timeframe
Notify the administrator of all employees who leave the scheme at a point where they are entitled to receive payment of their retirement benefits, whether voluntarily or because of a decision by the employing authority, by providing a complete and correct pensions leaver form, signed by one of the employing authority's authorised signatories. This must include the member's personal details, date of leaving, reason for leaving, and pay details as outlined below.	Notify the administrator when a member is due to retire as soon as final earnings are known, typically 20 days prior to date of retirement and no later than 2 weeks after the date of leaving by the submission of a Leaver Notification.

- Provide details of the contributions made by the employee and employer during the final scheme year and the previous scheme year, including any additional contributions. - Provide details of the member's pensionable pay, as defined by the LGPS Regulations 2013, for the scheme year up to the date of leaving and for the previous scheme year. - Where required, provide details of the member's final pay as defined by the LGPS (Benefits, Membership and Contributions) Regulations 2007. - Where required, provide details of the hours the member worked up until the date of leaving and, if required by the administrator, details of historical hours changes for the member. - Provide confirmation that the employing authority has received details of the potential retirement costs and wishes to proceed with the retirement. - Provide confirmation to the member about the employing authority's decision, with appropriate justification if required. - Understand, and pay where applicable, the associated costs to the Administering Authority that apply if a decision is made to retire a member on the grounds of redundancy, business efficiency or ill health.	
Where the reason for leaving is voluntary early retirement, provide confirmation of whether the Rule of 85 is to be applied, whether any reductions to protected benefits are to be waived, whether any reductions to unprotected benefits are to be waived, and the amount of the reductions that are to be waived (if any).	Confirmation should accompany the Leaver Notification if not previously submitted.
Where the reason for leaving is flexible retirement, provide confirmation of whether any reductions to protected benefits are to be waived, whether any reductions to unprotected benefits are to be waived, and the amount of the reductions that are to be waived (if any). Where the reason for leaving is redundancy or efficiency retirement, provide a copy of the employee's notice letter.	Confirmation should accompany the Leaver Notification if not previously submitted.

Where the reason for leaving is ill-health retirement, arrange for the member to be assessed by an IRMP that has been certified by the Administering authority, provide confirmation that the employee meets all the conditions for ill-health retirement, as defined by the relevant LGPS regulations, provide confirmation of which tier of benefits is to be awarded, and enclose a copy of the notice letter and a complete and correct ill-health certificate completed by the IRMP.	Confirmation should accompany the Leaver Notification if not previously submitted.
Where the member is in receipt of an ill health pension made under Tier 3, arrange for the member to be reassessed by an IRMP after 18 months and determine whether the pension should continue, or be subject to an uplift.	Scheme employers should notify the administrator of the outcome of a Tier 3 Ill Health Review as within 5 working days of the determination.

Table 7: Deaths

Employer's responsibility	Timeframe
Notify the administrator of all employees who die while an active member of the scheme, by providing a complete and correct pensions leaver form, signed by one of the Employing Authority's authorised signatories. This must include the member's personal details, date of leaving, reason for leaving, and pay details as outlined below. - Provide details of the contributions made by the employee and employer during the final scheme year and the previous scheme year, including any additional contributions. - Provide details of the member's pensionable pay, as defined by the LGPS Regulations 2013, for the scheme year up to the date of leaving and for the previous scheme year. - Provide details of the member's Assumed Pensionable Pay (APP), as defined by the LGPS Regulations 2013 as at the date of death. Where required, provide details of the member's final pay as defined by the LGPS (Benefits, Membership and Contributions) Regulations 2007. - Where required, provide details of the hours the member worked up until the date of death and, if required by the	Notify the administrator as soon as possible of the death and provide a Leaver Notification within 5 workings days of the death.

administrator, details of historical hours changes for the member. - Provide additional information to assist in the accurate calculation of death benefits, if required by the administrator.	

Table 8: Pension Sharing Orders

Employer's responsibility	Timeframe
Provide the administrator with information as requested to enable them to carry out the order. This may include, but is not restricted to: - Providing details of the member's pensionable pay, as defined by the LGPS Regulations 2013, for the scheme year up to the date of leaving and for the previous scheme year. - Where required, provide details of the member's final pay as defined by the LGPS (Benefits, Membership and Contributions) Regulations 2007.	Details should be provided to the administrator within 10 working days of the request.

Table 9: Complaints, errors and breaches

Employer's responsibility	Timeframe
Appoint a nominated person to consider disputes under stage 1 of the IDR process and provide up to date contact details to the administering authority and administrator.	Within 90 days of becoming a scheme employer within the East Sussex Local Government Pension Fund or 90 days from date of request by the Administering Authority.
Notify the administering authority of the receipt of any complaint under the IDR process.	Within 5 working days of receipt of the complaint.
Consider and respond to disputes made under stage 1 of the IDR within statutory timeframes as set out in the LGPS Regulations 2013.	Where the complaint is in relation to an act or omission of the scheme employer, the appointed person to consider disputes under stage 1 of the IDR process by the employer, should respond within the statutory deadline of 2 months beginning with the date on which the IDR application was received.
Notify the administering authority when a stage 1 decision has been issued.	A copy of the response should be provided to both the complainant and the Administering Authority within the 2-month period.

Fully cooperate with all stages of any complaint investigation, including the provision of data, information or technical assistance to any relevant party (including external parties such as the Pensions Ombudsman) as required, to ensure the efficient resolution of any complaint.	By way of providing any additional information requested within 10 working days of receipt of the request.
Be aware of the Fund's Breaches Policy and Reporting Procedures, and of each party's responsibilities in relation to this.	The East Sussex Pension Fund Breaches Policy was agreed by the Pensions Committee and is published on the Fund website. Employers should take time to familiarise themselves with this policy.
Liaise and cooperate appropriately with any investigation into any potential breaches, including with the Administering Authority and the Administrator, and provide such information as is requested.	By way of providing any additional information requested within 10 working days of receipt of the request.

Table 10: Data quality and record keeping

Employer's responsibility	Timeframe
Ensure that robust controls are in place for collecting good quality data and, where a data improvement plan has been implemented, liaise with the Administrator and the Administering Authority as appropriate to meet key milestones and to ensure and demonstrate progress against that plan.	N/A
Ensure that pension related information is archived in such a way as to ensure it is accessible for as long as it may be needed.	N/A
Ensure the year end return, (1 April to 31 March) is provided to the administrator in the prescribed format, a template of which will be issued in advance of the year end.	The return must be submitted no later than 30 th April following the end of the preceding scheme year. A late or incorrect return will directly affect your employees, as until the year end data has been reconciled, an annual benefit statement may not be issued.
Where the employer has been onboarded onto the I-Connect system, ensure member data is uploaded each month in line with the instructions provided.	Data should be received no later than 19 th day of the following month. A late or incorrect submission will affect your employees as the Fund will not hold accurate data about them and this may impact information provided about their benefit entitlements.
Provide a response to any queries raised in relation to the year end return.	Provided to the administrator / Administering Authority within 10 working days of receipt of the request.

Table 11: Communications

Employer's responsibility	Timeframe
Distribute any information provided by the administering authority or administrator to members or potential members (e.g. scheme guides and newsletters).	All material provided to scheme employers should be distributed to the relevant employees with 15 working days of receipt.
Ensure that the administrator is provided with requisite information to enable them to produce an ABS	Any additional data required by the administrator for the purpose of issuing an Annual Benefit Statement, should be provided within 10 working days of receipt of request.

Table 12: Pensioner payroll services

Employer's responsibility	Timeframe
Where the member is in receipt of an ill health pension made under Tier 3, arrange for the member to be reassessed by an IRMP after 18 months and determine whether the pension should continue, or be subject to an uplift.	Scheme employers should notify the administrator of the outcome of a Tier 3 Ill Health Review as within 5 working days of the determination.
To notify the administrator as soon as practically possible after identifying any irregularity that could contribute to the member being over or underpaid (e.g. an audit review of completed leaver forms may identify an incorrect pay value stated and issued to the administrator in respect of a pensioner)	Scheme employers should notify the administrator within 5 working days of having discovered the irregularity.

Table 13: Finance and accounting

Employer's responsibility	Timeframe
Make payment of additional fund strain costs in relation to early payment of benefits from flexible retirements, redundancy or efficiency retirements, or early retirements with employer consent, upon receipt of an invoice from the administrator or administering authority.	Payment of the invoice should be made within the stated terms.
Make payment of recharge amounts in respect of compensatory added years, where appropriate.	Payments to be made on a monthly basis and detailed on the LGPS31 Form submitted to the Administering Authority.

Make payments in respect of accounting work carried out on behalf of the employing authority by the Fund actuary or the administering authority's accounting team, upon receipt of an invoice from the administrator or administering authority.	Payment of the invoice should be made within the stated terms.
Make payments in respect of any other work carried out by the administrator, administering authority or Fund actuary on behalf of the employing authority, upon receipt of an invoice from the administrator or administering authority.	Payment of the invoice should be made within the stated terms.
Ensure the correct employee contribution rate is determined each scheme year in line with the appropriate contribution banding table.	An assessment should be made by all scheme employers every April to ensure all employee contribution deductions are made in line with the revised employee contribution bandings issued.
Ensure the correct deduction of contributions from employees' pensionable pay, including any period of child-related leave, trade dispute, or other absence.	N/A
Apply changes to employer contribution rates as instructed by the administering authority at the date specified by the Fund actuary.	Apply from the first available pay period (retrospectively if required) or the date specified by the actuary if later, following receipt of an instruction from the Administering Authority.
Ensure employer and employee contributions are paid across in a timely manner and in the agreed format.	Scheme employers must pay over contributions to the Fund by the 19 th of the month following the deduction. Submission of a LGPS3I should also be made to the Fund prior to the payment and no later than 18 th of the month following the deduction. Failure to pay contributions or submit the LGPS3I by the prescribed deadline may result in additional charges being levied against the employer. Where considered to be of material significance the Fund will consider a referral to The Pensions Regulator in line with their Code of Practice 14 or any future Code of Practice that comes into force.

Table 14: Employer services

Employer's responsibility	Timeframe
Distribute all supporting material supplied by the administrator or administering authority to relevant staff and ensure attendance at employer training sessions.	All material provided to scheme employers should be distributed to the relevant employees with 15 working days of receipt.

Table 15: Pensions Taxation

Employer's responsibility	Timeframe
Ensure that the administrator is provided with any information required to enable them to calculate the Pension Input Amount and to produce a Pension Savings Statement within statutory timescales.	By way of providing any additional information requested within 10 working days of receipt of the request from the administrator or Administering Authority.

Table 16: Administration performance reports and CIPFA benchmarking

Employer's responsibility	Timeframe
Provide additional information to assist in the completion of the annual CIPFA benchmarking questionnaire, if required by the administrator or the administering authority.	Within 10 working days of receipt of the request from the administrator or Administering Authority.
Provide additional information to assist in the accurate calculation and payment of all benefits, if required by the administrator.	Within 10 working days of receipt of the request from the administrator or Administering Authority.

Table 17: i-Connect employee data portal

Employer's responsibility	Timeframe
Ensure monthly i-Connect submissions are loaded and processed in accordance to submission dates	By the agreed submission date and no later than the 18 th of the following month due.
Ensure all i-Connect submissions are reviewed before uploading and data is accurate.	By the agreed submission date and no later than the 18 th of the following month due.
Any changes to employer i-Connect users and changes of staff are communicated to the i-Connect administration team.	AS soon as possible but within 2 weeks of a change taking place.
Changes to payroll providers are communicated to the i-Connect team and the management of i-Connect data is handed over with support from the i-Connect Administration team.	Notification of any changes 90 days prior to changing payroll provider to allow the transition and file build to be managed.

To engage with i-Connect administration team to resolve any errors or suppression and omitted members or any other queries that arise from the monthly submission	Within 10 days of request from the i-Connect administration team.
Ensure participation on any training or updates provided by the i-Connect administration team. Any changes to the i-Connect specifications need to be implemented.	As requested by i-Connect administration team.

Report to: Pension Committee

Date of meeting: 22 February 2023

By: Chief Finance Officer

Title: Pension Administration - updates

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

RECOMMENDATION

The Pension Committee is recommended to note the report.

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 January 2022 to December 2022 can be found at **Appendix 1**. The PAT saw performance numbers during quarter four 2022, average at 95.43% (volume completed 2,550) which were improved from the previous quarter (94.28% with a volume of 2,464) as team resources were returned from projects.

2.2 Under the Good Governance Review carried out by the Fund in 2020, documents were developed and updated which included the Service Level Agreement and Roles & Responsibilities for the administrator, these were implemented into Altair in early October 2021. Since then, the Fund has created a new KPI reporting dashboard within Altair Insights and expect this to be presented in the new format once the software provider has made some changes to the underlying system.

2.3 The Pension Board requested the KPIs be benchmarked against other funds and the initial results are included in **Appendix 4** there is limited access to comparable KPI data of other funds as the KPI's are not always consistent and as an industry this information is not shared or benchmarked. The Fund reached out to its neighbouring funds through the Southern Area Pension officer Group, with only a couple sharing their KPI's. The Fund will endeavour to expand the comparators and assess its performance and standards of excellence.

2.4 In April 2021 the Fund implemented a new gold standard service provision for the Pensions Helpdesk and the results are included in **Appendix 2**. With effect from 25 November 2022, Surrey CC took their Pensions Helpdesk in-house. Currently ESPF is happy with the helpdesk performance but will review the option to bring the service in-house in the Summer 2023.

3. Pension Administration Transfer and Staffing Update

3.1 All administration staff continue working on a hybrid approach and are attending Lewes County Hall on business need basis. ESCC reviewed the working arrangements via a staff survey in October 2022, with results and recommendations expected to be presented to CMT in March 2023.

3.2 Five vacancies were advertised on 31 October 2022. The Fund have made conditional offers for two pension administrator and one i-Connect administrator positions, it is hoped these new staff can start on 13 February 2023. In January 2023 Fund officers interviewed for the Projects manager role and a conditional offer made, which was accepted and it is planned that the individual will start in three months. After these appointments the PAT team are down to two vacancies and these will be advertised in February 2023. The latest PAT structure chart is included in **Appendix 3**.

4. Projects update

4.1 Annual Benefits Statements – 2022

All BHCC active members were excluded from the project due to data discrepancies which led to the i-Connect file not being onboarded. During January 23 the vast majority of these were issued, further details will be made available under the exempt breaches report.

4.2 Annual Allowance (AA) historical review project

The project to correct the AA for the period 2014/15 to 2020/21 is now completed from a member's perspective. PAT need to now coordinate the tax position including penalties and interest with HMRC.

The AA exercise for 2021/22 is now complete, with the exception of BHCC.

Due to the difficulties with AA, the Fund arranged for external training to be rolled out to senior officers and those members who had breached the annual allowance limit in recent years, holding an online webinar and in person seminar. This training covered an explanation of what is AA, how it is calculated and reported plus how to record on tax self-assessments. A recording of one event was added to the Fund website.

4.3 Process Reviews

The PAT have now completed some process reviews and each includes:

- Creating a flowchart of the existing "as is" process
- Creating a flowchart of the new "to be" process
- Updating the suite of letters and documents connected to the tasks
- Revising checklists to account for changes made
- Training sessions on the new process rolled-out where required

Completed areas	Current position
Transfer out – quotations & payments	Complete and new process in place
Leavers – frozen & actual refunds	Submitted to robotics for automation review
Leavers – deferred	Submitted to robotics for automation review
Bulk new starters	Robotics team scoping task
Ongoing areas	
Deaths – multiple tasks	Trialing new process
Transfers-in – quotations & payments	"As is" map produced
Aggregation within ESCC - combining	"As is" map produced
Aggregation with LGPS – interfund in	"As is" map produced
Aggregation with LGPS – interfund out	25/01/2023 "as is" meeting arranged
Next areas	
Retirements	Expected to start early March 23

The overall project has a programme board and is closely linked to and interacts with the Finance Areas of Focus Robotics project. There are currently seven PAT proposals for automation with the robotics team.

The first robot is complete and being used by PAT as the doer role to coordinate the deferred to normal retirement quotations and associated letters ready for checking.

4.4 Address Tracing Projects

The overall project goal is not only to maximise the number of members we have correct addresses for but the quality of the address data on Altair is 100% accurate. This project will also improve the Pension Regulator (tPR) data validator scores and help the Fund prepare for the Pensions Dashboard while increasing the numbers of ABS that can be issued to members.

To help the Fund deliver this project the Fund commissioned a third party (ITM) to compare a batch of records to multiple external databases to check their accuracy. The Fund agreed the following groupings and priority order:

Priority	Status	Category	Est. no. of records	Progress
1	4	All deferred members	25,000	24,851 records to ITM in Oct 22
2	5/6	All gone away pensioners (suspended cases)	200	Data being prepared for ITM
3	2	Undecided leavers (pre 1/1/22)	1,000	
4	9	Frozen refunds (pre 1/1/22)	5,000	

Phase 1 – Electronic Trace Results for 24,501 with last known address (350 removed – 18 with no address & 332 living overseas)

- 16,433 Traced to same address (& verified <3mths)
- 3,986 Traced to new address (& verified <3mths)
- 64 Traced to new address (address validation required)
- 4,018 Not match – propose full trace

Phase 2 – Full Trace Results for 4,018 plus 350 removed from phase 1

This will be received in mini batches as it includes a verification of address by writing or speaking to the members

Batch 1

Result	No of cases	4,018 cases Person Match/No Match	350 No Address/Address Overseas
Traced to same address	76	52	24
Traced to new address	49	42	7
Negative (untraced)	33	9	24
Total	158/4,368	103/4,018	55/350

4.5 McCloud update

The McCloud Working Group met on 5 January 2023 and discussed progress over the last year and noted a number of planned next steps. The working group members in attendance were happy with the update which included:

- **Legislation** has been extended to include individual members active before 31 March 2012 regardless of age, previously it had applied to people within 10 years of retirement. There is a requirement for multiple periods of service to be aggregated to qualify for McCloud. In addition there is a new provision surrounding teachers, which is to offer membership within the LGPS for excess teacher service where the Teachers Pension Scheme cannot implement.

- **Software** updates are continuing - the class management team have been working closely with the Local Government Association (LGA) and Heywood and there has been a lot of testing behind the scenes and creating of guides. The update of the Altair system is being completed in four phases and sub-phases.
- **Data collection** templates and letters were prepared and issued in July 2022 to 140 active employers. The Data return deadline was 30 September 2022 and the Fund received returns from 50 employers. These are being quality reviewed before being considered for bulk uploading to Altair. As at 25 January 2023, the Fund now have approximately 90 returns and continue to chase the remaining employers including ESCC and BHCC. The third chaser to the employers was issued on 23 December. In total Heywood provided data for 263 employers so the remaining 123 employer are non-active employers, these records are being investigated. It is anticipated it will not be necessary to issue data requests for many of these.

5 Conclusion and reasons for recommendation

5.1 The Pension Committee is asked to note the report.

IAN GUTSELL
Chief Finance Officer

Contact Officer: Paul Punter, Head of Pensions Administration
 Email: paul.punter@eastsussex.gov.uk

APPENDIX 1

East Sussex Pensions Administration - Key Performance Indicators

	Activity	Impact	Target	Target [since Oct 21]	Dec-22		Nov-22		Oct-22		Sep-22		Aug-22		Jul-22		Jun-22		May-22		Apr-22		Mar-22		Feb-22		Jan-22	
	Scheme members	Pensioners, Active & Deferred			84,067		83,333		83,208		82,472		82,526		82,476		82,505		81,483		81,450		81,405		81,089		81,132	
	New starters set up	Bulk, i-Connect & New Starter Task			1,045		519		382		297		215		430		391		316		287		404		123		320	
					Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score
1a	Death notification acknowledged, recorded and documentation sent	M	95%	within 2 days	35	100%	47	100%	39	100%	25	100%	31	100%	26	100%	39	100%	35	100%	23	100%	28	100%	35	100%	30	100%
1b	Award dependent benefits (Death Grants)	H	95%	within 5 days	9	100%	22	100%	23	100%	11	100%	13	100%	14	100%	15	100%	12	100%	11	100%	17	100%	15	100%	9	100%
2a	Retirement notification acknowledged, recorded and documentation sent	M	95%	within 7 days	78	100%	91	100%	92	84%	100	92%	140	98%	148	95%	78	99%	124	97%	96	96%	128	88%	114	93%	101	97%
2b	Payment of lump sum made	H	95%	within 5 days	73	100%	106	100%	128	100%	137	100%	150	100%	142	99%	134	100%	125	98%	142	100%	129	100%	99	100%	130	100%
3	Calculation of spouses benefits	M	90%	within 5 days	14	100%	20	100%	18	100%	16	100%	25	100%	21	100%	17	100%	18	100%	17	100%	22	96%	13	93%	25	88%
4a	Transfers In - Quote (Values)	L	90%	within 10 dys, aggregation 15	45	94%	45	89%	41	93%	25	92%	42	88%	22	91%	24	80%	32	97%	33	85%	37	84%	36	98%	31	91%
4b	Transfers In - Payments	L	90%	within 5 dys, aggregation 25	23	100%	20	100%	18	100%	19	95%	22	100%	22	100%	26	100%	38	100%	20	95%	23	100%	21	100%	33	97%
5a	Transfers Out - Quote	L	90%	within 10 dys, aggregation 15	44	82%	61	90%	48	94%	54	86%	82	97%	36	97%	49	90%	50	96%	51	91%	57	95%	48	98%	48	100%
5b	Transfers Out - Payments	L	90%	within 10 dys, aggregation 25	17	100%	26	85%	21	90%	18	50%	10	90%	21	91%	18	78%	26	77%	19	95%	23	87%	14	93%	24	100%
6a	Employer estimates provided	M	95%	within 15 days	8	100%	9	100%	10	100%	5	100%	4	100%	12	100%	22	100%	23	100%	10	100%	10	100%	22	100%	18	100%
6b	Employee projections provided	L	95%	within 15 days	7	100%	18	100%	21	100%	23	100%	16	94%	16	100%	14	100%	13	100%	27	100%	12	100%	17	100%	19	100%
7	Refunds (inc frozen refunds wef Aug 22)	L	95%	Quotes 10 days, settle 5 days	110	98%	173	98%	165	89%	141	82%	160	89%	57	97%	31	100%	43	100%	39	100%	55	100%	52	93%	33	100%
8	Deferred benefit notifications	L	95%	within 15 days	235	99%	251	85%	339	98%	188	89%	213	93%	257	100%	202	100%	267	100%	294	100%	303	100%	306	100%	221	99%
	TOTAL TASKS COMPLETED				698	97.56%	889	93.81%	963	94.91%	762	90.16%	908	94.93%	794	97.98%	669	97.76%	806	98.01%	782	97.95%	844	96.68%	792	97.85%	722	98.34%
	Figures for the previous year				606	95.21%	883	97.62%	699	98.28%	847	97.17%	789	98.61%	734	99.32%	664	94.73%	643	96.89%	481	94.59%	550	91.45%	557	90.84%	617	9

Performance for the year Jan 22 to Dec 22 inclusive		
Total	Fails	% pass
393	0	100.0
171	0	100.0
1,290	70	94.6
1,495	3	99.8
226	5	97.8
413	41	90.1
285	3	98.9
628	45	92.8
237	34	85.7
153	0	100.0
203	1	99.5
1,059	74	93.0
3,076	86	97.2
9,629	362	96.2

	Award dependent benefits (Death Grants)												
1b	Retirement notification acknowledged, recorded and documentation sent												
2a	Payment of lump sum made												
2b	Calculation of spouses benefits												
3	Transfers In - Quote (Values)												
4a	Transfers In - Payments												
4b	Transfers Out - Quote												
5a	Transfers Out - Payments												
5b	Employer estimates provided												
6a	Employee projections provided												
6b	Refunds (inc frozen refunds wef Aug 22)												
7	Deferred benefit (DB5YE)												
8	New KPI/SLA MI from Altair Insights not completed yet. Lots of interviewing throughout the quarter. Process reviews continue . October new starters begin some intensive training.												
	New KPI/SLA MI from Altair Insights not completed yet. Key resources retained to work on ABS & i-Connect Employers. Plus Julie full time on Annual Allowance in Sept. Lots of time consuming interviewing undertaken in August. In Sept two staff begin working on i-Connect without BAU backfill. A lot of team time being allocated to process reviews (the outstanding 2021/22 internal audit action). Sept included additional training for promoted staff. BAU time allocated to mortality exercises.												
	New KPI/SLA reporting MI from Altair Insights not completed yet. Key resources moved to work on ABS & onboarding BHCC i-Connect												
	New KPI/SLA reporting MI from Altair Insights not completed yet. Key resources moved to work on Pension Increases Project & System upgrades. Impact of Ivy leaving felt.												
In Jan 23 interviews for Projects Manager & Projects Officer.	3 job offers made	5 roles advertised	3 new pension administrators + 1 apprentice started	3 existing pension administrators promoted and 1 changed roles - need to backfill.	Ten vacancies	Ten vacancies	Ten vacancies	Ten vacancies	Ten vacancies	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.
	Six vacancies	Six vacancies	Six vacancies	Ten vacancies	Ten vacancies	Ten vacancies	Ten vacancies	Ten vacancies	Ten vacancies	Nine vacancies	Nine vacancies	Eight vacancies	

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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
GOLD TARGETS	85%	75%	5%	100%
April 21	96%	53%	5%	100%
May 21	95%	44%	7%	100%
June 21	95%	56%	5%	100%
July 21	91%	43%	9%	100%
August 21	88%	31%	9%	100%
September 21	86%	23%	6%	100%
October 21	80%	37%	2%	100%
November 21	87%	36%	1%	100%
December 21	81%	36%	0%	100%
January 22	83%	39%	0%	100%
February 22	80%	39%	0%	100%
March 22	86%	37%	1%	100%
April 22	84%	28%	2%	100%
May 22	84%	21%	4%	100%
June 22	86%	19%	2%	100%
July 22	87%	74%	3%	100%
August 22	91%	61%	4%	100%
September 22	92%	67%	4%	100%
October 22	85%	47%	8%	68%
November 22				
December 22	85%	92%	0%	66%

The “call answer time” SLA on the mainline is under investigation with BT since early June 22 and it is believed this has not been reporting correctly since September 2021. The SLA has now been resolved, but the helpdesk

is unable to go back and correct the SLA% from previous months but it was corrected mid-June, so the July report will show a true picture. Amanda Cutter looks at the report from Cisco daily now to ensure a problem like this does not reoccur/ unnoticed.

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

Period	First time fix	Call answer time	Abandoned call rate	Email response time
GOLD TARGETS	85%	75%	5%	100%
April 21	N/A	30%	18%	N/A
May 21	N/A	31%	15%	N/A
June 21	N/A	48%	10%	N/A
July 21	100%	39%	10%	100%
August 21	100%	49%	21%	100%
September 21	100%	67%	6%	100%
October 21	91%	64%	9%	100%
November 21	100%	63%	6%	100%
December 21	100%	76%	2%	100%
January 22	100%	84%	2%	100%
February 22	100%	78%	1%	100%
March 22	100%	76%	6%	100%
April 22	100%	74%	2%	100%
May 22	100%	68%	2%	100%
June 22	100%	47%	10%	100%
July 22	100%	76%	3%	100%
August 22	100%	61%	10%	100%
September 22	100%	63%	14%	100%
October 22	100%	51%	15%	70%
November 22				
December 22	100%	69%	0%	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
April 22	898	1,114	24	2,036
May 22	911	1,335	25	2,271
June 22	801	1,017	21	1,839
July 22	722	988	16	1,726
August 22	1,154	1,813	28	2,995
September 22	817	1,166	18	2,001
October 22	736	1,050	17	1,803
November 22				
December 22	518	875	6	1,399

* Includes any ESPF calls fielded on the old SCC line.

Top five reasons for calls

Month	Self Service Activation	Login issues	Claim form guidance	Option guidance – member	Update Address	Leaver form received	Progress check - Actual	Progress check - Quote	Document or Form enquiry	How can I opt-out
Jul 21	1 st	2 nd	3 rd	4 th	5 th					
Aug 21	1 st	2 nd	4 th	5 th		3 rd				
Sep 21	1 st	2 nd	5 th		4 th	3 rd				
Oct 21	3 rd		2 nd		4 th	1 st	5 th			
Nov 21		1 st	4 th		3 rd	2 nd	5 th			
Dec 21		4 th	2 nd		3 rd	1 st	5 th			
Jan 22	3 rd	4 th	1 st			2 nd		5 th		
Feb 22		2 nd	3 rd	5 th	4 th	1 st				
Mar 22	4 th	2 nd	1 st					5 th	3 rd	
Apr 22		1 st	2 nd	3 rd	4 th	5 th				
May 22		3 rd	1 st		2 nd	4 th				5 th
Jun 22	1 st	3 rd	4 th	5 th	2 nd					
Jul 22		3 rd	1 st		5 th	2 nd			4 th	
Aug 22		1 st	3 rd	4 th			5 th		2 nd	
Sep 22	3 rd	1 st	2 nd	5 th					4 th	
Oct 22		3 rd	2 nd	4 th		1 st			5 th	
Nov 22	4 th	3 rd	2 nd		5 th				1 st	
Dec 22	4 th	5 th	2 nd			3 rd			1 st	

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

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	0 0 0 10 49	4 0 0 7 48	0 1 2 5 51	2 1 1 4 51
February 22	0 0 1 1 25	0 0 0 2 25	0 0 0 2 25	0 0 0 2 25
March 22	0 0 2 8 29	1 1 3 8 26	0 2 1 3 33	1 1 1 6 30
April 22	0 0 0 6 39	0 0 1 6 38	0 0 2 6 37	0 0 0 6 39
May 22	0 0 0 7 44	0 1 1 5 44	0 0 1 6 44	0 1 2 2 46
June 22	1 1 5 8 39	0 2 6 11 35	0 2 5 5 42	0 2 5 7 40
July 22	0 0 1 3 16	0 0 1 4 15	0 0 1 2 17	?
August 22	0 1 1 5 20	0 1 0 6 20	0 1 0 4 22	0 1 0 5 21
September 22	?	?	?	?
October 22	N/A	N/A	N/A	N/A
November 22	0 0 0 2 6	0 0 0 2 6	0 0 0 1 7	0 0 1 1 6
December 22	0 0 0 3 54	0 1 3 9 44	1 0 2 5 49	1 1 1 8 46

Note: 5 Star is the highest and therefore best rating

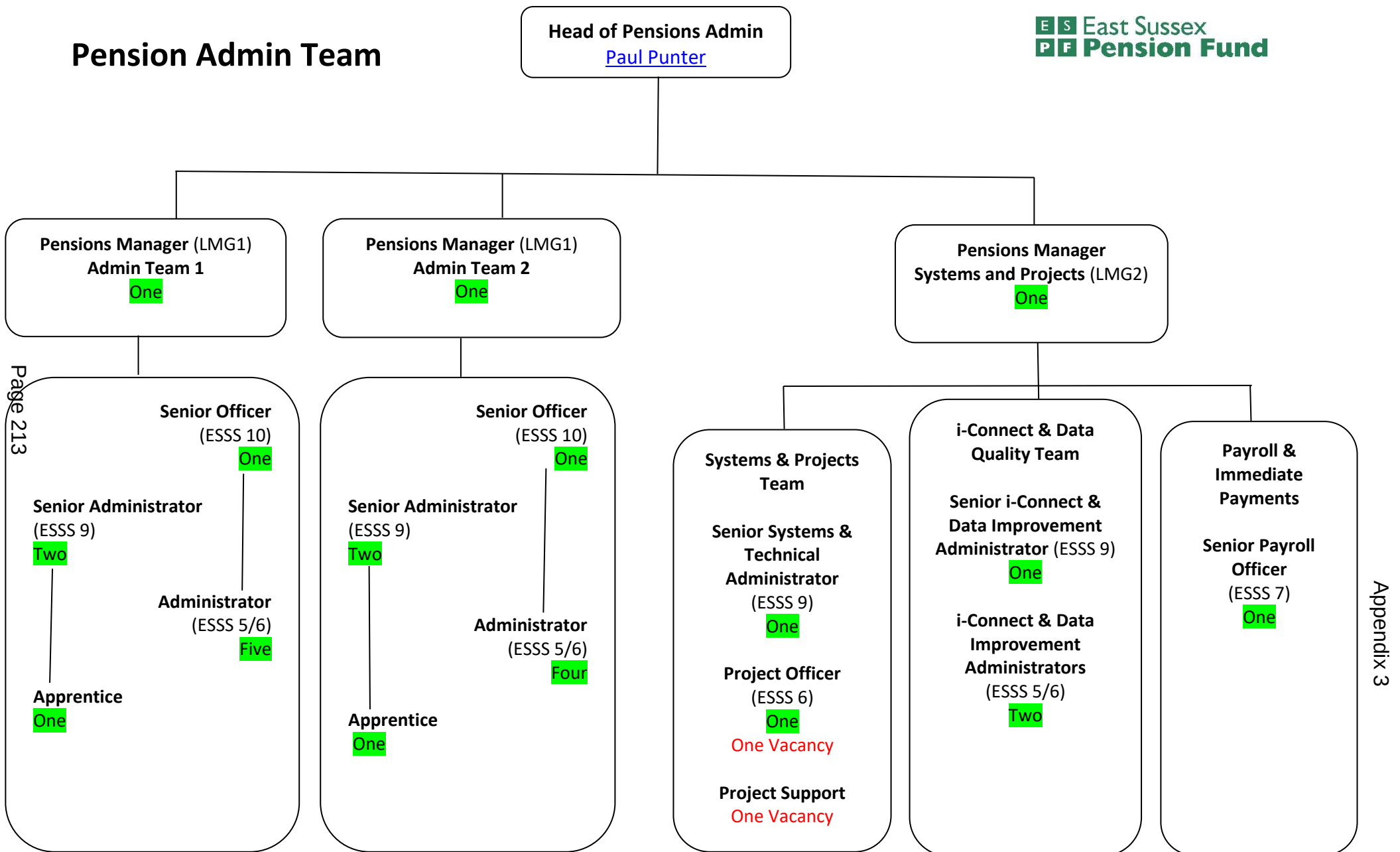
An additional question was asked about how many times have you called in connection with your enquiry?

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
April 22	35	8	0	2
May 22	37	9	3	2
June 22	42	7	3	2
July 22	13	6	1	0
August 22	21	2	3	1
September 22	?	?	?	?
October 22	N/A	N/A	N/A	N/A
November 22				
December 22	40	12	2	3

The Surrey Pensions Helpdesk was taken in-house from 25 November 2022.

Pension Admin Team



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		East Sussex		Surrey		Isle of Wight	Berkshire	Buckinghamshire	Hampshire	West Sussex	Hillingdon	Westminster
	Activity	Target		Target		Target	Target	Target	Target	Target	Target	Target
1a	Death notification acknowledged, recorded and documentation sent	95%	2 days	90%	5 days	10 days		11 days	15 days	15 days	15 days	15 days
1b	Award dependent benefits (Death Grants)	95%	5 days	90%	10 days	10 days	5 days	11 days	15 days	15 days	15 days	15 days
2a	Retirement notification acknowledged, recorded and documentation sent	95%	7 days	80% (90% for ill health)	15 days	20 days		10 days	15 days	15 days	15 days	15 days
2b	Payment of lump sum made	95%	5 days	85% (90% for ill health)	15 days	10 days	5 days	20 days	15 days	15 days	15 days	15 days
3	Calculation of spouses benefits	90%	5 days	90%	10 days							
4a	Transfers In - Quote (Values)	90%	10 dys, aggregation 15	80%	20 days	20 days		10 days, aggregation 30	15 days	15 days	15 days	15 days
4b	Transfers In - Payments	90%	5 dys, aggregation 25	80%	20 days	20 days		20 days, aggregation 30	15 days	15 days	15 days	15 days
5a	Transfers Out - Quote	90%	10 dys, aggregation 15	80%	20 days	20 days		10 days, aggregation 30	15 days	15 days	15 days	15 days
5b	Transfers Out - Payments	90%	10 dys, aggregation 25	80%	20 dys	20 days		20 days, aggregation 30	15 days	15 days	15 days	15 days
6a	Employer estimates provided	95%	15 days	80%	10 days	10 days		10 days	15 days	15 days	15 days	15 days
6b	Employee projections provided	95%	15 days					10 days	15 days	15 days	15 days	15 days
7	Refunds	95%	Quotes 10 days, settle 5 days	80%	20 days	40 days	10 days	10 days	15 days	15 days	15 days	15 days
8	Deferred benefit notifications	95%	15 days	80%	2 months	40 days		10 days	30 days	30 days	30 days	30 days
N/A	Divorce							Est 10 days, actuals 20 days	15 days	15 days	15 days	15 days

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Report to:	Pension Committee
Date of meeting:	22 February 2023
By:	Chief Internal Auditor
Title:	i-Connect IT Application Audit Report and the Internal Audit Strategy for Pensions 2023/24.
Purpose:	This report advises the Committee of the outcome of the i-Connect IT Application audit and seeks the Committee's approval of the Internal Audit Strategy for Pensions 2023/24.

RECOMMENDATIONS

The Committee is recommended to:

- note the i-Connect IT Application Audit report (Appendix 1); and
 - approve the 2023/24 Internal Audit Strategy for Pensions and Annual Plan (Appendix 2).
-

1. Background

i-Connect IT Application Audit

1.1 The i-Connect IT Application audit (Appendix 1) was completed as part of the Internal Audit Strategy for Pensions 2022/23 and provides assurance on the overall effectiveness of the system's controls. This is the second audit completed so far of the 2022/23 audit plan.

1.2 As a result of our work in this area, we were able to provide an opinion of **Reasonable Assurance** over the controls in place. The report contains two low-risk findings and appropriate actions have been agreed with management to address these.

Internal Audit Strategy and Plan for Pensions 2023/24

1.3 The Council's Internal Audit Strategy for Pensions 2023/24 sets out the approach Internal Audit takes when planning its assurance activity over the effectiveness of controls within the East Sussex Pension Fund (ESPF). It sets out the risks inherent in administering a large and complex scheme so that audit resources may be focussed on areas where these risks are highest.

1.4 With the improvements in control that we have been able to report over the last few years, the proposed number of audit days in the Strategy has been reduced from 100 to 75.

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

2. Conclusions and Reasons for Recommendation

2.1 The Pension Committee is:

- recommended to note the Internal Audit report; and
- requested to approve the Internal Audit Strategy for Pensions 2023/24.

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

i-Connect IT Application Audit

Final

Assignment Lead: Liam Pippard, Senior Auditor
Assignment Manager: Mark Winton, Audit Manager
Prepared for: East Sussex County Council
Date: January 2023

Report Distribution List

Draft report:

Ian Gutsell, Chief Finance Officer

Sian Kunert, Head of Pensions

Michael Burton, Pensions Manager - Governance & Compliance

Tim Hillman, Pensions Manager – Employer Engagement

Paul Punter, Head of Pensions Administration

Final report as draft, plus:

Ros Parker, Chief Operating Officer and Senior Information Risk Owner

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

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1. Introduction

- 1.1. i-Connect is the cloud-based portal used by organisations, including ESCC, that are part of the East Sussex Pension Fund (ESPF) to help manage the flow of employee information and changes from payroll to the pensions administrator system (Altair).
- 1.2. ESPF is keen to roll-out i-Connect to all employers within the ESPF by 31st March 2023 and ESPF have their own “employer on-boarding” manual/guide.
- 1.3. This application audit will review all major input, processing, and output controls, will review the controls in place including access controls and segregation of data to interface with any other systems and ensure appropriate ownership and responsibilities are known.
- 1.4. This review is part of the agreed Internal Audit Plan for 2022/23.
- 1.5. This report has been issued on an exception basis whereby only weaknesses in the control environment have been highlighted within the detailed findings section 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:
 - Access is restricted to appropriately authorised individuals and the permissions provided to those users are in line with job functions.
 - Data processed through interfaces is authorised, accurate, complete, securely processed and written to the appropriate file.
 - Outputs produced are complete, accurate, reliable, distributed on time and with confidentiality where appropriate.
 - Updates and enhancements are performed in a consistent manner and subject to sufficient testing and authorisation before implementation.
 - Appropriate support arrangements are in place to manage changes within the application.

3. Audit Opinion

- 3.1. **Reasonable Assurance is provided in respect of i-Connect IT Application Audit 2022/23.** 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 Reasonable Assurance over the controls operating in respect of the i-Connect application because:
- 4.2. An owner has been assigned and a contract is in place between the East Sussex Pension Fund (ESPF) and the provider detailing key information including service requirements and responsibilities.
- 4.3. The Information Security (IS) team is aware of the i-Connect portal, and whilst a Technical Risk Assessment (TRA) has yet to be undertaken, they are no major concerns over this, and work is planned soon to complete a TRA.
- 4.4. Appropriate access controls are in place which includes the use of long alphanumeric complex passwords. Different access roles are used to ensure that appropriate access can be provided to users. Full administrative rights are restricted to a small number of users within the ESPF administrative team.
- 4.5. Administrative actions within the application/portal are recorded, however, through conversation we identified there is no regular review of actions or tasks undertaken by ESPF i-Connect administrators to help ensure activities carried out by admins are appropriate.
- 4.6. i-Connect does not store any data as it is used to transport employer data in a binary form to the Altair pensions application, however, employers i-Connect users are only able to view any information and reporting present that is applicable to their organisation. Alongside this applicable admin rights are only provided to one approved user at each of the onboarded employers for them to then manage access locally.
- 4.7. Local management of access by employers helps to keep access appropriate and removed when applicable, however due to the cloud access nature of i-Connect there is a risk that if local admins fail to manage access this may not be picked up in a timely manner due to ESPF admins only reviewing users' access with employers on a yearly basis.
- 4.8. Data validation takes place within i-Connect using set tolerance levels to ensure key employer data uploaded isn't uploaded containing significant errors. These controls are only amendable by ESPF admins and are agreed with employers and then reviewed if regularly failing. We did identify that no record is kept confirming employers' agreement of these tolerances.
- 4.9. Our testing did identify that there is no dedicated ESPF i-Connect business continuity plan (BCP) held by ESPF, however, this should be included in the general pensions BCP which has been identified and an action agreed as part of a previous audit.
- 4.10. Appropriate details and support is provided to ESPF and onboarded employers for scheduled and completed updates; this includes details of the update, scheduled portal unavailability, and if applicable issues experienced during updates.

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.	0	
Medium	Existing procedures have a negative impact on internal control or the efficient use of resources.	0	
Low	This represents good practice; implementation is not fundamental to internal control.	2	1, 2
Total number of agreed actions		2	

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

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

6. Acknowledgement

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

Internal Audit Report – i-Connect IT Application Audit 2022/23
Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
1	ESPF i-Connect Admin Activity i-Connect records activity that has been carried out on the portal by administrators, this includes any changes made to data validation controls and creation of users by admins. Through our review of the portal we identified that no review of this admin activity is regularly undertaken to ensure there is no inappropriate activity or errors in changes e.g. incorrect changes to data validation controls or user creation.	There is a risk of errors or inappropriate activity not being detected by ESPF leading to the inability to detect incorrect data being uploaded or inappropriate access to the portal.	Low	To run an annual review to make sure any changes or validation controls are picked up by the i-connect admin team. Identify issues through the omitted members validation that are highlighted on each monthly return. A monthly log has been created and looked at on a monthly basis to check and address all suppressions that are highlighted through the monthly returns. Any historic suppressions will also be reviewed and investigated over the next 6 months.
Responsible Officer:		Tim Hillman, Employer Engagement Manager	Target Implementation Date:	End of June 2023

Internal Audit Report – i-Connect IT Application Audit 2022/23
Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
2	Access Review Employers onboarded to use i-Connect are responsible for managing their own access and therefore most leavers and changes required to access should be picked up locally. To support employers ESPF admins review access to i-Connect with the onboarded employers on an annual basis, however, whilst information viewable by users is minimal and limited to their organisation, irregular review of access may lead to a lack of effective support for employers to ensure effective management of access at that employer.	Irregular review of access could lead to inability for employers to make admin changes, inappropriate access to the portal, or needed changes to user accounts e.g., access level changes not being picked up.	Low	Scheme Access: Bi-annual checks on access for i-Connect administration rights will be carried out by the Pensions Administration Manager. Employer Access: All i-Connect employers will have an annual audit review to check that all users that have been setup are current and correct. This review will also include checking each employers tolerances and their submission dates. Any changes will be agreed between the employer and the i-Connect team. The review dates will be determined by the employers onboarding date and spread across the scheme year.
Responsible Officer:		Tim Hillman, Employer Engagement Manager / Paul Punter, Pensions Admin manager	Target Implementation Date:	From April 2023

Appendix A

Audit Opinions and Definitions

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

Management Responsibilities

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

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

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

East Sussex
Local Government Pension Scheme
Internal Audit Strategy and Plan
2023/24

1. Introduction

- 1.1. The Scheme provides retirement benefits for employees of the County Council and 140 other employer organisations, including Brighton & Hove City Council, district and borough councils and academic institutions.
- 1.2. We (the Orbis Internal Audit & Counter Fraud Team) provide internal audit services to the East Sussex Pension Fund.

2. Objective

- 2.1. The objective of this Pension Scheme Audit Strategy and Plan (The Strategy), which is formally reviewed on an annual basis, is to provide the Scheme with a consistent, risk-based approach to determining an internal audit programme for the Pension Fund.
- 2.2. The ESPF pools funds with another 10 funds as part of the ACCESS Pool, a collaboration of central, eastern and southern shires. The 11 members of the ACCESS pool hold total assets of £60.1bn, of which 31.8bn is pooled. The ESPF has assets of £4.7bn of which £2.6bn is pooled. Where possible, we shall seek additional sources of assurance over controls operating over the ACCESS Pool, e.g., audit reports on the ACCESS Support Unit.
- 2.3. The Fund receives professional advice from ISIO. The Fund's actuary is Barnett Waddingham LLP, and the most recent actuarial valuation of the Fund was carried out in 2022. The valuation found that the funding level had improved from 107% in 2019 to 123% in 2022.
- 2.4. The Strategy seeks to provide assurance on the following aspects of pension fund activities:
 - The collection of contributions;
 - Investments and accounting;
 - Cash management; and
 - The administration of benefit payments.

3. Approach

- 3.1. The Strategy uses risk assessment as its foundation. On a periodic basis, risks will be reviewed in consultation with the Chairs of the Pension Committee and Board and with management to identify any new risks. The risk assessment will consider the materiality and significance of the processes involved, any negative factors such as problems or significant changes, and any positive factors, which provide comfort or assurance. It should be borne in mind that the Pension Fund is a material and fundamental financial

system in its own right and, as such, should be subject to a level of coverage that complements the work of the Scheme's external auditors.

- 3.2. The outcome of the risk assessment will be an objective view of those areas of the business where the organisation requires assurance that risks are being managed effectively. Internal Audit will then use a number of potential sources to provide that assurance.
- 3.3. Throughout the year, there will be routine liaison between Internal Audit and officers representing the Fund to identify emerging risks and ensure that this Strategy continues to reflect the needs of, and risks to, the Fund. COVID-19 has continued to affect the way many areas of the pension administration service are being delivered, as well as having a wider impact on the Fund, in particular on the performance of its investments.
- 3.4. Where appropriate, audit coverage will be varied from year to year. In areas where no significant findings were made in the previous year, the scope may be widened to other areas to maximise the breadth of coverage. For instance, where new policies have been introduced, we may review compliance with these.
- 3.5. Where possible, direct access to source data will be obtained, including to data held in the administration system (Altair), information passed via the Pension Regulator's on-line portal and HMRC's event reporting portal.
- 3.6. We plan to deliver 75 audit days for the year 2023/24. This level of coverage will be kept under review to ensure that it remains appropriate to the needs of the Fund. Audits covered in previous years are presented in Appendix A.

4. Professional Standards

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

5. Reporting Arrangements

- 5.1. Internal Audit work will be reported in the following manner:
 - Terms of Reference will be drafted and agreed with management.
 - An initial draft report will be issued to management for its comments on factual accuracy and response to the issues and risks identified.
 - A final report that includes agreed actions and implementation dates will be published to management.
 - The results of audit work on the Scheme will be reported:

- in full, to the Pension Board and Pension Committee; and
- in summary form, to the Audit Committee as part of our routine quarterly progress reports.

5.2. Audit work for 2023/24 will be reported in four separate reports (in addition to any specific follow-up audits), covering the risks detailed below:

- The Collection of Contributions
 - Failure to collect pension contributions in full, from all employers in the scheme, increases the risk of Pension Fund deficit.
- Investments and Accounting
 - Ineffective stewardship results in the loss of assets or breaches of regulatory requirements.
 - Poor performance of the Fund's investments results in financial loss, the potential for liabilities not to be met and reputational damage.
 - Investment returns are not received in full in a timely manner.
 - Accounting of the Pension Fund, including the valuation of assets, is inaccurate resulting in mis-statement of the Fund's annual accounts.
- Cash Management
 - The dependency on employers for the timely provision of information, increases the risk of data inaccuracy, undermining the Fund's ability to deliver an effective service.
 - Without obtaining guarantees or bonds to underwrite new employers' contributions, the Fund may be exposed to additional financial risk.¹
 - Unexpected spikes in benefit demands (e.g., large death benefits) or reductions in contributions received, may result in the Fund's bank account becoming overdrawn.
- The Administration of Benefit Payments
 - Poor data quality leads to inaccuracies in transactions, or a failure to meet statutory requirements, resulting in financial loss, and/or regulatory sanction.

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

- Inaccuracies in the calculation of pension benefit entitlements may cause financial loss to the Scheme or financial hardship to members and reputational damage for the Council.
- Poor or inadequate delivery of the pension administration service (including as a result of inadequate procedure notes or system access controls) may result in regulatory breach, leading to reputational damage for the Council and/or complaints by members.

Appendix A

Previous Audits

In previous years, our work on the Pension Fund has included the following audits:

- Pension Fund Governance
- Investments and External Control Assurance
- Compliance with Regulatory Requirements
- Pension Administration – People, Processes and Systems
- Information Governance
- Altair - Application Controls
- The implementation of Altair
- I-Connect – Application Controls
- Cyber Security

The audits we plan to carry out in 2023/24 will cover the key areas we reviewed as part of the above audits. The audits for 2023/24 have been updated to account for the changes to the governance structure in the current ESFP and to align more closely with the roles and responsibilities as they currently sit.

Exceptions are the ICT related audits, which have been delivered due to the introduction of new systems as well as covering areas of continuing high risk. In the case of the latter, it is to be expected that they will be revisited in future years.



EAST SUSSEX PENSION FUND INTERNAL AUDIT PLAN 2023/24

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

Review Name	Outline Objective	Estimated Timing
The Collection of Contributions	The Fund collects in excess of £130m annually in contributions, without access to prime accounting records to provide assurance that contributions have been collected accurately from all members of the scheme and have been paid over in full. We shall assess the availability and quality of sources of assurance over employers' payroll, and other, systems for collecting and paying over employees' and employers' contributions.	Q2
Investments and Accounting	A review to assess the adequacy of controls over the Fund's investments, including the safeguarding and performance of investments, the valuation of assets, compliance with investment regulations receipt of, and accounting for, investment income.	Q4
Cash Management	We shall review the arrangements in place to ensure the effective management of cash flow, including the Fund's ability to meet its liabilities when they fall due.	Q3
The Administration of Benefit Payments	We shall review controls over the calculation and payment of pension benefits, transfers to and from the Pension Fund and the maintenance of the data.	Q3

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Report to: Pension Committee

Date of meeting: 22 February 2023

By: Chief Finance Officer

Title: Business plan, 2023/24 Budget and Quarterly budget report

Purpose: This report provides an update on the 2022/23 Forecast Financial Outturn and sets out the business plan and budget for 2023/24

RECOMMENDATION

The Committee is recommended to:

1. note the 2022/23 Q3 forecast financial outturn position
 2. approve the Business Plan and Budget for 2023/24 in Appendix 1
-

1. Background

1.1 The East Sussex Pension Fund's (the Fund) business plan and budget sets out the direction of travel, objectives and targets to be achieved in the financial management for the administering authority to carry out its statutory duties in a structured way. The Pension Committee has been delegated the duties of East Sussex County Council as the administering authority in respect of the Pension Fund.

1.2 At its meeting on the 24 February 2022 the Pension Committee agreed a budget of £7.141m to support the business plan for 2022/23. The budget estimates do not incorporate any provision for investment fees earned by fund managers which are deducted at source by asset managers, income from contributions or payment of pension benefits as these are paid in line with statute and not a discretionary item.

2. Supporting information

2022/23 Q3 Forecast Outturn as at 31 December 2022

2.1 The budget requirements for 2022/23 were set at decreased level from 2021/22 due to increased transparency on the costs affecting the Pension Fund after the in sourcing of the administration team.

2.2 The forecast outturn at the third quarter of 2022/23 is **£5.739m, a decrease of £0.600m** from the previous reported forecast outturn. The 2022/23 projected outturn against budget line items is shown in the table below. The underspend mostly relates to investment management fee invoices due to lower asset values, lower custody fees based on the likelihood of transition activity taking place in 2023/24 rather than 2022/23 and fund officer vacancies. The main movements to the budget are detailed in Paragraphs 2.3 to 2.5.

2022/23 Outturn Report

2021/22 Outturn £000	Item	2022/23 Budget £000	2022/23 Actuals to December £000	2022/23 Forecast Outturn Q2 £000	2022/23 Forecast Outturn Q3 £000	Variance to Previous Quarter £000
	Pension Fund Staff Costs					
1,234	Staffing	1,900	137	1,510	1,435	75
2	Recruitment costs	5	(1)	-	-	-
1,236	Sub Total	1,905	136	1,510	1,435	75
	Pension Fund Oversight and Governance					
55	Actuarial	200	89	155	133	22
57	Employer Actuarial work	80	15	66	76	(10)
-38	Employer recharges	(80)	(20)	(66)	(77)	11
-	Governance consultancy costs	-	54	55	60	(5)
-	Communications	42	5	5	5	-
8	Training Costs	30	11	17	20	(3)
47	External Audit – Grant Thornton	35	(28)	22	24	(2)
279	East Sussex County Council recharges	249	45	202	184	18
56	Legal Fees	78	28	43	55	(12)
70	Subscriptions and Other Expenses	72	54	67	81	(14)
534	Sub Total	706	253	566	561	5
	Investment activities					
216	Investment Advice	135	102	135	150	(15)
21	ESG Advice	50	24	50	24	26
139	Custodian	136	(15)	166	97	69
110	ACCESS	125	125	125	125	-
3,210	Investment Manager Fee Invoices	2,872	400	2,667	2,208	459
3,696	Sub Total	3,318	636	3,143	2,604	539

2021/22 Outturn £000	Item	2022/23 Budget £000	2022/23 Actuals to December £000	2022/23 Forecast Outturn Q2 £000	2022/23 Forecast Outturn Q3 £000	Variance to Previous Quarter £000
	Pension Administration					
150	East Sussex County Council recharges	281	52	209	198	11
98	System Services and License	346	303	378	394	(16)
156	Consultancy & Service Providers - Benefits	100	181	203	218	(15)
-	Other Administration projects	150	10	100	65	35
218	Admin operational support services	289	20	269	269	-
14	Other Expenses	50	17	35	52	(17)
-3	Other Income	(4)	(2)	(20)	(3)	(17)
633	Sub Total	1,212	581	1,174	1,193	(19)
6,099	Total	7,141	1,606	6,393	5,793	600

2.3 Since the November meeting recruitment to the remaining vacant posts has been mostly successful however most posts are being filled later than anticipated. 5 vacancies are now forecast to be vacant till the early part of the next financial year. Resulting in an underspend of £0.075m from the previous quarter.

2.4 Since the November meeting the value of the Fund's investments have stayed relatively level. This is around £180m less than 31 March 2022 with around £100m of this affecting the equity portion of the Fund. The fees that are invoiced to the Fund are predominantly from our equity managers which are outside the ACCESS ACS structure. The fees charged are linked to the value of the assets under management. As the assets undermanagement are continuing to be lower than anticipated over the year we have adjusted the expectation of the fee level down. This is created an underspend of £0.459m to the expected fees for last quarter.

2.5 Custody fees are also partially based on the assets we hold as well as activity undertaken. When we are moving assets between managers, we incur additional costs from the custodian. Compared to the expectation at the beginning of the year the Fund has not readjusted the assets as much as we had planned during the year with the expectation that this may move to next year. The Fund is only expecting to cover the normal custodian cost for the remainder of the year so have underspend of £0.069m compared to last quarter.

3. 2023/24 Business Plan and Budget

3.1 The Business Plan and Budget is set out in **Appendix 1**.

3.2 Total budget proposed is **£4.463m** (£4,269m 2022/23) to support the Business Plan activities and administration of the Fund.

3.3 There has been a significant change in the reporting of the budget from the Business Plan in 2022/23, where invoiced investment management fees were included in the budget. This has been removed in 2023/24 due to the inability to predict investment returns which drive investment fees as they are linked to the assets under management. In addition, investment management fees are a mix of invoiced directly and deducted at source from the investment balance. The previous budget only included directly invoiced meaning the reported fees were only capturing certain investments and not all investment management fees. Investment management fees are calculated and reported in full in the annual report and accounts as part of the statutory accounting process.

3.4 The budget is £0.194m higher than the 2022/23 budget. The variance as been driven by an increase of £0.118m on staff costs which assumes the Fund is fully staffed for the year. A higher pay award is also budgeted for in 2023/24 than in previous years. There is a £0.134m increase expected on IT Systems due to a one of payment of £0.050m for improvements to the member self-service system, £0.020m improvement to the payroll system, an increase to contract costs due to membership exceeding the 80,000 threshold and £0.046k for inflation increases. This is partially offset by a reduction in actuarial fees of £0.113m as this is a non-valuation year.

3.5 The layout of the budget for 2023/24 has been amended to better align the budget with statutory reporting requirements. This will allow for a more transparent view of the costs when they are reported in the Pension Fund Annual Report and Accounts.

4. Conclusion and reasons for recommendation

4.1 The Committee is recommended to note the Q3 2022/23 forecast position and approve the Business Plan and Budget for 2023/24.

IAN GUTSELL
Chief Finance Officer

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2023/24 Business Plan and Budget



Introduction

This Business plan and Budget set out the key activities to be delivered by the East Sussex Pension Fund (the Fund) in 2023/24 and associated budget to deliver these targets and the day-to-day administration activities of running the Fund.

This report includes

- business plan themes,
- budget for 2023/24 compared against 2022/23 forecast spend,
- key assumptions in setting the budget and
- key deliverables of the budget plan themes.

Business Plan

It is anticipated that 2023/24 will see key activities within the following themes:

- **Team Investment:** With success in recruiting to many of the vacant posts held through 2022/23 the team will continue to expand to the full establishment while considering the best team structure as the team becomes established. New starters will be trained, supported in understanding and delivering their responsibilities and integrated into the team. Existing staff will be provided development opportunities, through formal qualifications, conferences and training courses.
- **Oversight and Governance activities:** Development of specific Fund Business Continuity Plan and focus on Cyber resilience. Appointment, integration and training for new Pension Board members to ensure the Board can assist the Administering Authority. Production of the Fund Annual Report and Accounts with improvements in cash management and financial control activities for the Fund. ESCC, who provide ancillary systems and property services to the Fund, will also be implementing a new ERP Finance system that will require Fund officers to ensure the Fund can be financially administered effectively and robustly with clear reporting.
- **Investment advice:** Monitor the Fund's investments and effectiveness of investment managers, implementation of strategic investment decisions, full review of investment strategy in light of the valuation results. Review consequences regarding fossil fuel divestment including financial and regulatory risk. Submission of Stewardship code following feedback on first submission to FRC. Development of TCFD reporting and Environmental, Social and Governance (ESG) and climate risk management information.
- **ACCESS activities:** Joint Committee support, review of ACCESS support unit (ASU), participation in the officer working group and smaller working groups, participation in section 151 group including representing S151 officers on relevant projects and appointments. Continue to actively invest more through the pool in line with government guidelines where Investment strategy can be effectively implemented.

- **Administration to members and employers:** Focus will be on data management activities from employers including the last onboarding of employers to i-Connect. There will continue to be a focus on process mapping to ensure complete and clear procedures are in place following best practice and ensuring a high customer service is provided to members. From a projects perspective the Fund will be looking to finalise GMP reconciliation, implement data collection and processing for the McCloud project, carry out address tracing, development of robotics.

Each theme within the Business Plan includes activities planned for the year. The strategic nature of the Fund objectives means that a number of the 2023/24 activities build on work previously undertaken and will in turn provide the foundation for further milestones in subsequent years.

Budget

The detailed budget to support the Business plan themes and to carry out day to day administration of the Fund has been assessed at **£4,463K** (£4,269K 2022/23) is detailed in the table below.

Item	2022/23 Budget £000	2022/23 Forecast Outturn £000	2023/24 Budget £000
Fund Staff Costs			
Fund Officers	1,905	1,435	2,023
Sub Total	1,905	1,435	2,023
Oversight and Governance Expenses			
Investment advice	310	299	392
Actuarial Fund Work	200	133	87
Actuarial Employer Work	80	76	81
Employer reimbursement	(80)	(77)	(81)
Legal	78	55	69
Governance Costs	50	60	70
Audit (internal and external)	72	61	71
Sub Total	710	607	689
Investment Expenses			
Custodian	136	97	97
Sub Total	136	97	97
Administration Expenses			
IT Systems licenses costs and Hardware	438	480	572
Overheads	383	263	475
Admin operational support services	289	269	279
Improvement projects	150	65	100
Consultancy	88	218	45
Communications	32	1	47
Training	20	20	20
Subscriptions	72	81	75
Other Expenses	50	52	60
Sub Total	1,522	1,449	1,673
Income			
Income	(4)	(3)	(19)
Sub Total	(4)	(3)	(19)
Total	4,269	3,585	4,463

Budget Coverage

The Budget covers expenditure and income that is accounted for directly by the Fund where the fund has control. It does not include the income and expenditure relating to member contributions, transfers in or benefits paid out.

The Fund has not included a budget line for investment manager fee invoices as this is based on the assets under management and the Fund cannot predict the market volatility. The line item previously reported on only included the directly invoiced investment management fees. The majority of investment management fees are deducted from the investment assets so this figure is not comparable year on year and is not complete. The true complete position for investment management fees are assessed at year end and accounted for in the Financial Accounts. This is a change of reporting methodology to the budget from the 2022/23 Business Plan.

The budget does not include items of future pension liability.

Fund staff costs include the Pension Fund team, a percentage of S151 officer time, the recharge of an ESCC IT Business Analyst and ESCC IT staff costs for Robotics.

Investment advice include, investment consultancy, independent adviser, ESG consultancy and costs associated with ACCESS.

Governance cost include the administration of the Pension Board and Committee.

Overheads are recharges from ESCC for ancillary services such as Accounts Payable, Accounts Receivable, Treasury management, IT helpdesk and infrastructure, office space and other associated property costs.

Admin operational support service include procured services to the Fund to support the pensions administration team such as the Helpdesk and payment of the monthly Pensions payroll.

Improvement projects for 2023/24 budget include McCloud, Dashboard and MSS

Other expenses include a contingency amount to cover anticipated interest and penalties relating to incorrect Annual Allowance calculations by the Funds previous administrator from 2014 when there was a change in methodology to reflect tax year. The project identified various data inconsistencies as data was checked manually rather than placing reliance on employers to provide correct data at the outset.

Key budget assumptions

The key budget assumptions are set out below

- Staffing assumes full establishment for the full year
- The 23/24 Pay Award is forecast to be 5% in line with the ESCC expectations.
- No change to NI rates (13.8%) or thresholds (£9,100).

- Pension employer contribution set to 19.7%.
- Increments will be applied to staff who are not at the top of their scale.
- ACCESS cost based on the budget set by the ACCESS Joint Committee.
- Non-valuation year so a reduction expected in actuarial costs
- The overhead rate from ESCC for property, IT, business administration and other ancillary services will stay at its current rate

Business plan deliverables by key theme

Theme	Tasks	2023/24 activity
Team Investment	Staffing	Recruit to remaining vacancies in all teams Establish roles and where responsibilities sit across teams and individuals as the new team structure embeds and the department become fully staffed
	Training	Train new staff in their roles and responsibilities, help team members integrate with staff in a hybrid world. Promote competency-based training for all staff Review qualifications that will help staff in their career progression Promote conferences and training events where relevant to ensuring staff are kept up to date on all new regulations and guidance to ensure the Fund provides best practice and high customer service.
Oversight and Governance activities	Business Continuity Planning (BCP)	Engage with IT Team to discuss existing levels of protection Identify ways to improve liaison with key BCP contacts across the Local Authority Fully documented procedures for the Fund rolled out to all staff and decision makers to enact if required. Test BCP
	Cyber Resilience	Alongside the BCP work ensure all key systems are mapped for data transfers internally and externally to understand risk points. Continue engagement with IT team for testing resilience of systems Continue to support staff in identifying cyber risk and phishing scams

Theme	Tasks	2023/24 activity
	Pension Board Pension Fund Annual Report and Accounts Contribution monitoring Review internal controls	Ensure the Fund can evidence all steps as per the TPR cyber security checklist. Document cyber security credentials for all systems where data is held. Appointment to vacant posts due to term ends in the year. Induct new members and provide training to allow members to understand their role and ensure the Board can assist the Administering Authority. Production of Fund's Financial Statements and Audit Working papers and creation of the Annual Report Liaise with external auditor as appropriate. Develop and maintain accounting controls to ensure correct financial records are held. Report quarterly budget monitoring reports to Pension Board and Committee. Create the Budget for 2024/25 to be approved by the Pension Committee. Cash Management Strategy development Work with ESCC and their project team to implement the new financial system and ensure that the Fund is able to record all relevant information to create its accounts and perform budget monitoring. Continue to develop contribution monitoring and reconciliation in conjunction with the roll out of i-Connect. Carry out a review of existing internal controls against the requirements of any new Code of Practice produced by The Pensions Regulator.
Investment advice	Investment monitoring	Provide reporting on the performance of the Fund on a strategic asset allocation level and individual mandate basis. Develop our understanding of the costs that the Fund incurs within its investments via the cost transparency initiative Monitor the costs of the investments are in line with the agreements that the Fund has entered. To meet with all the Fund's investment manager to ensure we are aware of how they are managing the Fund's assets and that they are investing in line with the expectations of the Fund when appointed.

Theme	Tasks	2023/24 activity
	Implementation of strategic allocation changes Review investment strategy Develop the Fund's Environmental Social Governance (ESG) credentials	Challenge investment managers on holdings and stewardship activity to evidence managers activities are in line with the Funds SIRP and expected RI activities. Implement strategic changes previously agreed which have not yet been enacted. With a focus on the liquid credit changes and developing the private credit and inflation linked property investments. Develop a plan to implement any changes to the investment strategy decided upon during the year. Review effectiveness of the current strategy at the strategy meeting with a look at the results from the valuation to ensure consistency with the revised Funding Strategy Statement. Build on the submission provided to UK Stewardship Code with a view to the Fund becoming and maintaining signatory status. Reporting of Fund Activities to Principle of Responsible Investment (PRI) as part of requirements of being a signatory. Annual review of the ESG credentials of all managers and develop appropriate analytic metrics to monitor the Fund. Collate quarterly analysis of fossil fuel exposure and voting & engagement records. Undertake an annual review of the carbon footprint of the Fund and to assess the transition position of the investments. Continue to develop the Funds reporting in line with Taskforce for Climate related Financial Disclosures (TCFD) requirements including scenario analysis
ACCESS	Joint Committee support Review of ACCESS support unit (ASU)	Providing support to the Fund's representatives to attend the joint committee of ACCESS so that they are able to positively contribute to the decision making of ACCESS. A 3rd party review of the ASU is planned for this year to identify strengths and weaknesses within the ACCESS Pool activities. Support the appointment of a consultant to carry out the review. Officers to support the contractor in obtaining evidence and provide opinion on the pools activities and governance.

Theme	Tasks	2023/24 activity
	Officer working group, section 151 group and representation on sub-groups	Implementation of any amendments to the operation of the ASU including the re-procurement of the ACS operator and illiquid implementation allocators or managers. Support the implementation of the ACCESS business plan and S151 approval of business plan and budget. Monitoring the listed assets offering from ACCESS looking at how the operator of the ACS is performing and the performance of the ACCESS passive manager. Support the completion of the launch of the original contracted 35 sub-funds. Consider the need for further sub-funds including sustainable offerings. Develop plan for implementing the non-listed asset pooling options. Monitoring of the performance of the implementation advisor. Monitoring any pooled non-listed asset solutions that are being run by ACCESS. Assess and consider how the Fund will transition the property allocation to the new Real Estate manager on the ACCESS pool. Rolling program of engagement with the investment managers on the ACCESS platform. To develop consistency across ACCESS Funds and to implement best practice. Support the review and development of the ACCESS voting policy and how this is administered by investment managers. Support discussions in consideration of LAPFF membership and submission of a stewardship code for the pool.
Administration	Member Data Data Improvement	Management of data submitted through i-Connect, forms, MSS and other input sources. Ensuring task lists are managed effectively and KPI's achieved. Roll out the i-Connect employer interface module to all remaining employers to simplify data submission and validation Development of timeline for i-Connect file submissions including management of the submissions to ensure the uploads can be spread over the month for the work load to be managed effectively. Assess the team structure and individual workloads on the development of i-Connect as a primary source of data into the Fund to ensure the staff are used effectively.

Theme	Tasks	2023/24 activity
		Update policies and procedures with process mapping. Identifying areas where data within the pension system can be improved and developing plan of redress. Full roll out of new Key Performance Indicators (KPIs) through utilisation of Altair Insights. Annual Benefit Statements produced by statutory deadline ensuring any enhancements to the member experience are made where possible. Ensuring the data is up to date to be able to provide an accurate statement to Members.
	Data projects	Complete the project work through the redress of benefit calculations in relation to the Guaranteed Minimum Pension (GMP) Mortality and Address tracing Preparation for Pensions Dashboard
	Development of Robotics	Investigation of and development of robotics to automate processes and provide improved functionality.
	Employer training	Continued rollout of the employer toolkit and roll out of training to employers.

Report to: Pension Committee

Date of meeting: 22 February 2023

By: Chief Finance Officer

Title: Pension Fund Risk Register

Purpose: To consider the Pension Fund Risk Register

RECOMMENDATIONS

The Pension Committee is recommended to review and note this report

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 The definition of risk A1, Pension Service Delivery, has been updated to better reflect the nature of the risk.

3.2 The trigger points for risk G2, Committee/Board Member, have been updated to reflect that vacancies in the Pension Board can take longer to fill than planned on occasion.

3.3 The likelihood of risk G4, Governance and Compliance, has been increased. This is due to the potentially significant changes to the membership of the Board in the forthcoming calendar year. A large number of personnel changes would increase the likelihood of the

Board not being in a position to meet its statutory obligations due to a reduction of knowledge and understanding during the induction period.

3.4 The likelihood and impact on risk I4, Investment pooling, have been increased moving this to a red risk. This is due to a number of small factors cumulatively leading to a higher rating including the current market environment which will make the transition of illiquid assets to the pool more difficult leading to potentially higher costs or longer transition plans than the Fund; the ongoing delay in consultation and guidance from central government on pooling; the uncertainty around the Link Fund Solutions company buy out, which could impact the operation of the Authorised Contractual Scheme (ACS), noting the investments are held by the depositary, so are secure; the impact on officer resources with the upcoming procurement of the operator in line with the contract period and resource requirements of other pool work and activities.

3.5 The risk triggers for risk I1, Funding risk – poor investment returns, and have been updated to add additional possible triggers.

4 Conclusion

4.1 The Pension Committee is recommended to review and note the Pension Fund Risk Register.

IAN GUTSELL
Chief Finance Officer

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Summary Post Mitigation Risk scores

Reference	Strategic Risk	Feb-22	Jun-22	Sep-22	Nov-22	Feb-23	Change from November
Employer							
E1	Contributions Funding Failure to collect contributions from employers in line with Funding strategy requirements and Rates and Adjustment Certificate	4	4	4	4	4	↔
E2	Employer data Employers fail to provide accurate and timely data to the PAT team	9	9	9	12	12	↔
E3	Employer Covenant Delay in employers agreeing Admission Agreement, risk of insufficient security	4	4	4	4	4	↔
Administration							
A1	Pensions service Delivery Inadequate delivery of Pensions Administration	6	6	6	6	6	↔
A2	Regulatory Change Risk that new benefit structures can not be set up correctly or in time	6	6	6	6	6	↔
A3	Production of Statutory member returns Risk of failure to produce ABS, annual allowance and event reports	6	6	10	10	10	↔
A5	Transfer Scams Failure to comply with CETV anti scam checks	2	2	2	2	2	↔
A7	MBOS Project Failure to deliver the new ERP system to effectively deliver for Pension Fund accounting and payroll requirements	3	3	3	3	3	↔
Governance							
G1	Key Person risk Risk of loss of key / senior staff resulting in lost knowledge and skills within the Pensions Team	4	4	4	4	4	↔
G2	Committee / Board Member Lack of decision making caused by loss of Pension Committee/Pension Board members or insufficient knowledge and skills of members	6	6	6	9	9	↔
G3	Cyber Security Risk of Loss of data or systems breaches through cyber attacks	8	8	8	8	8	↔
G4	Governance and Compliance Inadequate governance arrangements and controls to discharge powers & duties	3	3	3	3	6	↑
G5	Data Breach Failure to comply with General Data Protection Regulations	4	4	4	4	4	↔
G6	Fraud Internal and External fraud risk	3	6	6	4	4	↔
Investment/Funding							
I1	Funding risk - poor investment returns Risk that investment strategy fails to result in performance required to meet the needs of the Funding strategy discount rate	4	4	4	4	4	↔
I2	Changes to International Trade The changing of Regulations and International Trading relationships along with the trading environment, impact on investments in affected businesses	4	4	4	4	4	↔
I3	Regulatory risk Failure to comply with regulations, legislation and guidance from an accounting and investment perspective	2	2	2	2	2	↔
I4	Investment Pooling Inability to comply with government direction on pooling, insufficient subfunds to implement investment strategy, poor management of the pool	6	6	6	6	12	↑
I5	Funding risk - higher inflation Risk of inflation leading to increased liabilities, lower asset returns and a funding gap	2	6	6	6	6	↔
I6	Environmental, Social and Governance Risk of EGS factors within Investment strategy, underlying holdings and implementations of investment decisions	4	4	4	4	4	↔
I7	Climate change Risk to assets and liabilities associated with Climate Change	4	4	4	4	4	↔
I8	Liquidity Insufficient cash to pay benefits as they fall due	4	4	4	4	4	↔

Ref	Strategic Risks	Pre-mitigati on RAG	Risk Control / Response	Post-mitigati on RAG	Risk Owner
Employer Risk					
E1	Contributions Funding Failure to collect contributions from employers in line with Funding strategy requirements and Rates and Adjustment Certificate	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, 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 undertaken helps identify employers most likely to have financial difficulties. Engagement with those posing most risk is ongoing •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	4	Head of Pensions
E2	Employer data Employers fail to provide accurate and timely data to the PAT team	12	•Administration Strategy approved in operation from January 2021 after consultation with employers •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. Data is also cleansed where appropriate as part of other projects •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 Further Red level risk responses - This risk is currently ranked as a red risk due to recent failure by one large employer to provide data to the Fund. A plan has been proposed with the employer to resolve the data issues and produce statutory returns for effected members. S151 has met with the employers CFO to address and the Fund will help the employer over the coming months. The employer has been reported to the regulator. The Fund will work closely with other employers and in particular with large employer iconnect onboarding the engagement and i-connect team will be able to manage expectations based on knowledge of how bad the data matching can be and programme required to resolve	12	Head of Pensions
E3	Employer Covenant Delay in employers agreeing Admission Agreement, risk of insufficient security	6	•Full suite of admission agreements in place to ensure the Fund can provide comprehensive admission agreements at the outset of negotiations in line with the risk sharing arrangements agreed with the letting employer. New templates have been 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 of new admission agreements •The Fund will 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 is comprehensive and enforceable. However, the functionality is not yet sufficient to make the processes easier for letting employers and contractors •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 •Officers meet regularly 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 •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 •Admissions in progress are reported quarterly to Board and Committee to ensure awareness of status	4	Head of Pensions
Administration					
A1	Pensions service Delivery The scheme is not administered correctly resulting in the wrong benefits being paid or benefits not being paid, including the result of poor data	9	•The PAT team is an in-house provision since December 2020 and enables the management team to have complete control over service delivery •Annual internal audit report on the administration of pensions including regular reporting and monitoring of "red" recommendations to ensure the service is acting in line with best practice. The Fund has received reasonable assurance since bring inhouse •Quarterly Reports to Pension Board and Committee on areas of work and KPIs •New service level KPI's now reportable within the Administration software •Awareness of the Pension Regulator Guidance by all team members, with training provided at team meetings or through provision of courses •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 tasks completed as planned and to a high standard. PAT staff also add tasks as appropriate. •Checklists in place and all activity impacting members recorded on member records for other teams members to access •All tasks are peer reviewed. Constant monitoring / checking by team managers and senior officers for more junior staff members •In house risk logs covering projects •SAP / Altair reconciliation monthly to ensure pension payment records complete and correct •Task management systems built into Altair to ensure activity is completed and monitored •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 •Pensions Admin working group in place to discuss service delivery issues on a regular basis	6	Head of Pensions Administration
A2	Regulatory Change Risk that new benefit structures can not be set up correctly or in time	9	•Projects and/or working groups in place to deal with current regulatory benefit changes •Attendance at networks and officer groups to stay on top of upcoming changes in regulation •Reports to Pension Board and Committee to ensure knowledge is shared to decision makers •Oversight via Pension Admin Working Group	6	Head of Pensions Administration
A3	Production of Statutory member returns Risk of failure to produce ABS, annual allowance and event reports	15	•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 throughout the year. Currently many leavers are not being notified until year-end. This will also cleanse data relating to Annual Allowance •Structure of Pensions team includes Employer Engagement team to support Pensions Administration Team 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 Further Red level risk responses - This risk is currently ranked as a red risk due to recent breaches in this area due to failure from one employer to provide data to the Fund. A plan has been proposed with the employer to resolve the data issues and produce statutory returns for effected members. S151 has met with the employers CFO to address and the Fund will help the employer over the coming months. The employer has been reported to the regulator.	10	Head of Pensions Administration
A5	Transfer Scams Failure to comply with CETV anti scam checks	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	2	Head of Pensions Administration
A7	MBOS Project Failure to deliver the new ERP system to effectively deliver for Pension Fund accounting and payroll requirements	6	•Officers are part of the project roll out and involved in testing. Needs of the Pension Fund are therefore being considered •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 •Heywoods paid to produce a scheme specific payroll data output report for transfer to Oracle	3	Head of Pensions
Governance					

G1	Key Person risk Risk of loss of key / senior staff resulting in lost knowledge and skills with in the Pensions Team	12	•Diversified staff / team •Attendance at pension officers' user groups to network and exchange information •Procedural notes which include 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 •Recruitment ongoing to provide cover for key people	4	Head of Pensions / Head of Pensions Administration
G2	Committee / Board Member Lack of decision making caused by loss of Pension Committee/Pension Board members or insufficient knowledge and skills of members	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 cycles •Training plans in place for new members	9	Head of Pensions
G3	Cyber Security Risk of Loss of data or systems breaches through cyber attacks	16	• ICT defence - in-depth approach. • Utilising firewalls, passwords and ICT control procedures including system access and account deletion protocols. Network activity is monitored to identify security threats. • Email and content scanners • Using anti-malware which is regularly updated, together with other protective software • 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 in development • Engagement with ICT to understand and receive reports on monitoring for successful cyber attacks. Cyber training is provided to all staff around techniques and methods used to launch cyber attacks	8	Head of Pensions
G4	Governance and Compliance Inadequate governance arrangements and controls to discharge powers & duties	9	•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	6	Head of Pensions
G5	Data Breach Failure to comply with General Data Protection Regulations	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 were completed •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	4	Head of Pensions
G6	Fraud Internal and External fraud risk	12	•Quarterly review of log in credentials •Senior officers have sight of bank account •Senior officers are signatories to bank account •Multiple sign off needed to make payment •Mortality checks, Tell us once and NFI data •Contract in place with a third party to support with mortality and address training	4	Head of Pensions

Investment/Funding					
11	Funding risk - poor investment returns Risk that investment strategy fails to result in performance required to meet the needs of the Funding strategy discount rate	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. Officers 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	4	Head of Pensions
12	Changes to International Trade The changing of Regulations and International Trading relationships along with the trading environment, impact on investments in affected businesses	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	4	Head of Pensions
13	Regulatory risk Failure to comply with regulations, legislation and guidance from an accounting and investment perspective	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	2	Head of Pensions
14	Investment Pooling Inability to comply with government direction on pooling, insufficient subfunds to implement investment strategy, poor management of the pool	16	•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 Further Red level risk responses Risk rating increased due to a cumulation of various smaller factors relating to the operator Link Fund Solutions going through a potential sale process, the market conditions around transitioning of illiquid assets onto possible ACCESS solutions in the near term, a delay in government guidance and a number of projects and work that will require a draw resources to implement. The Fund will work with the ACCESS pool and participating Funds to work through market conditions and uncertainty around the anticipated government pooling consultation and help ensure the business plan and actions stay on track with a drive to increase investment on the ACCESS pool where possible. Fund officers are on a number of working groups to drive projects forward.	12	Head of Pensions
15	Funding risk - higher inflation Risk of inflation leading to increased liabilities, lower asset returns and a funding gap	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 in the medium term. To be considered as part of the strategy review day •Quarterly monitoring of funding position helps identify risk early •2022 Triennial Valuation currently underway - inflation models used to estimate the average inflation across a 20 year time horizon, including consideration of the current high inflation environment	6	Head of Pensions
16	Environmental, Social and Governance Risk of EGS factors within Investment strategy not being properly considered affecting underlying holdings and implementations of investment decisions	6	•Statement of Responsible Investment Principles outline investment beliefs within ESG, implementation of decisions and monitoring of EGS factors •Investment Working Group and ESG working group consolidated into a single group to ensure ESG is in the heart of all investment decisions •Trim unconscious exposure to companies with poor ESG rating through removal of traditional index funds ensuring active managers have a strong conviction in the underlying companies including on ESG matters and less traditional passive indexes / smart beta funds have robust screening processes in place to ensure ESG principles are taken into account •Tracking of the portfolio as underweight in fossil fuel exposure to benchmarks •Production of annual reports on the carbon footprint of the Fund and review of managers from ESG perspective including transition pathway of underlying companies •2020 Stewardship code submission in process •Membership of collaborative groups to help drive policy change •Challenging managers on their holdings with regard ESG issues •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 •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	4	Head of Pensions
17	Climate change Risk to assets and liabilities associated with Climate Change	12	•Statement of Responsible Investment Principles (SRIP) outlines investment beliefs including Climate Risk. The Fund take the SRIP into account for implementation of decisions and monitoring of investment managers, carbon emissions and climate risk to the Fund •Investment Working Group and ESG working group consolidated into a single group to ensure ESG is in the heart of all investment decisions •Restructuring of the equity portfolio removed structural exposure to fossil fuel companies to avoid high risk companies from a climate perspective •The Fund are able to exploit opportunities from the low energy transition by investing in climate impact funds and resource efficient companies •The Fund has trimmed unconscious exposure to companies with high Carbon emission, poor energy transition plans and or fossil fuel companies, through removal of traditional index funds •Member of Institutional Investors group on climate change (IIGCC), the Fund also expects its managers to be IIGCC members •The Fund carries out annual carbon footprinting to better understand the carbon exposure and energy transition plans within the portfolio. Additionally, the Fund carries out ESG impact assessment of all investment managers which includes a climate score. •Signatory to UN PRI with first planned submission in 2023 (as no 2022 submission window) •Commitment to report TCFD's with a first attempt published in the 2021 Annual Report •The Fund has planned for climate scenario modelling which will help better understand this risk and allow further consider approaches in tackling these risks •Where exposed to fossil fuels, the Fund uses its vote to drive engagement and improved practices. 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. Managers have escalation plans for when engagement is not effective which includes disinvesting from the high carbon or fossil fuel company. •Focus on Climate change through training to committee and officers •Focus on Climate Change in decision making and strategy changes •Immaterial impact to the Fund value from direct exposure to fossil fuel companies in the instance of carbon taxes, valuation falls or stranded assets due to the underweight, very low exposure to this sector and no structural allocation of these companies	4	Head of Pensions
18	Liquidity Insufficient cash to pay benefits as they fall due	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 •Cash Management strategy to be completed in 2022/23 •Cash Management internal audit completed in Q3 2022/23 and will be picked up in the 2023/24 IA plan for further review	4	Head of Pensions

Risk Register Risk Scores

The risk scores are calculated using the risk matrix below:

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

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Report to: **Pension Committee**

Date: **22 February 2023**

By: **Chief Finance Officer**

Title of report: **Investment Report**

Purpose of report: **This report provides Pension Committee with an update on the investment activities undertaken by the East Sussex Pension Fund.**

RECOMMENDATION

The Pension Committee are recommended to note this report

1. Background

1.1 Under the Local Government Pension Scheme (LGPS) Regulations, the Council is required to maintain a Pension Fund for its employees and other 'scheduled bodies' as defined in the Regulations. The Pension Committee is required to maintain an Investment Strategy Statement (ISS) to govern the Funds' investments and receives a quarterly investment monitoring report, from its investment consultant, Isio.

1.2 The ACCESS Joint Committee has been established as a result of the changes implemented in the 2016 LGPS Investment regulations to facilitate the arrangements relating to the collective investment vehicles, to allow the administering authorities to pool their respective investments. The ACCESS Joint Committee meets quarterly.

2. Investment Workplan

2.1 Appendix 1 shows a workplan which will act as a reference point of all actions agreed at Pension Committee meetings and the forward investment plan.

2.2 The main focus over the next 12 months is:

- review of the strategic asset allocation once the triennial valuation is complete;
- ongoing review into and undertaking of ESG analysis for the Fund including further investigation into climate scenarios.
- implementation of remaining investment strategy changes not yet implemented including private debt and inflation linked property; and
- Divestment implications report.

3. Quarterly Performance Report

3.1 The Quarterly Performance Report for Q4 2022 is attached as Appendix 2. Since the last reported position, the valuation of the Fund has decreased from £4.502bn as at 30 September 2022 to £4.496bn as at 31 December 2022 (a decrease of £0.006bn). This performance reflects a negative absolute return of -0.1% in the quarter to December. The Fund marginally underperformed its benchmark in the period by -0.2%.

3.2 Performance across the Funds mandates showed significant divergence in returns over the period, with the performance of illiquid assets beginning to reflect the public market falls of earlier in the year. This was also evident in the Funds fixed income mandates as the interest rate curve steepened, and long-dated inflation expectations fell, with inflation-linked bonds significantly underperforming other fixed income mandates.

3.3 Longview and Atlas provided strong absolute returns (5.3% and 9.3% respectively) and relative (3.5% and 7.7%) returns for the quarter with Schroders performing well relative to the benchmark at 6% but in absolute terms was one of the lower returns for the Fund - 8.1%.

3.4 Despite negative returns over recent quarters, longer term returns at Fund level remain strong, with equity assets adding significant value over the last decade, and unhedged exposure also having benefited from the depreciation in Sterling.

4. UK Stewardship Code Submission

4.1 At its meeting in November 2022 Committee were informed that the Fund had submitted its UK Stewardship Code report to the Financial Reporting Council (FRC). The expectation was that we would receive the FRC verdict in February.

4.2 The FRC confirmed in January that they would update the list of signatories on the FRC website at 10am on Wednesday, 15 February. At the time of writing, this deadline has not passed but update will be provided at the meeting.

5. Competition and Markets Authority's (CMA) Investment Consultancy and Fiduciary Management Market Investigation Order 2019

5.1 With effect from 10 December 2019, the East Sussex Pension Fund is required to comply with the CMA Investment Consultancy and Fiduciary Management Market Investigation Order 2019 and set strategic objectives for its investment consultant. This was brought in by the CMA investigation into the investment consultancy and fiduciary market, with the aim for Committees to better assess and evaluate the quality of their investment consultant. It is Part 7 of the order which requires trustees to set strategic objectives for their investment consultant. Specifically, Part 7 states:

“Pension Scheme Trustees must not enter into a contract with an Investment Consultancy Provider for the provision of Investment Consultancy Services or continue to obtain Investment Consultancy Services from an Investment Consultancy Provider unless the Pension Scheme Trustees have set Strategic Objectives for the Investment Consultancy Provider.”

5.2 The Committee have previously agreed strategic objectives which were updated at the March 21 Committee meeting after the appointment of ISIO (Appendix 3), which were prepared with reference to the Pensions Regulator's guidance, combining a mixture of quantitative and qualitative measures.

5.3 The Fund is required to confirm that they have complied with the requirements over the last 12 months and had objectives in place. This must be re-confirmed on an annual basis. The Fund must submit a 'compliance statement' and 'certificate' stating that they have complied with the CMA requirement by 7 January annually. This was provided to the CMA on 4 January 2023.

5.4 If the Committee are aware of any failure on their own part to comply with any part of the Order, they must report such non-compliance to the CMA within 14 days of becoming aware of the failure to comply and provide a brief description of the steps taken to address the failure.

6. IFM infrastructure investment

6.1 The Fund was made aware on 29 November 2022 that the capital call for the full £230m commitment to IFM would take place on the 3 January 2023 following the implementation of the investment strategy to increase infrastructure investment. Upon this confirmation the Fund discussed with advisors and Investment Managers the best approach to cover the commitment.

6.2 As this capital call was due to take place just after the Christmas period it was agreed that to ensure that Funds were available to cover this call that money was called back from managers prior to the week preceding Christmas due to liquidity issues during this week. Payment to IFM was successfully made by the prescribed deadline bringing the Funds infrastructure allocation up to 11%.

7. ACCESS Update

7.1 Since December 2016 the East Sussex Pension Fund has been working with 10 other administering authorities through the investment pooling arrangement called ACCESS. On the 31 December 2022 there was £23.1bn invested in the authorised contractual scheme (ACS) with a further £9.4bn invested in the UBS passive ACCESS governance arrangements. East Sussex had a total of £2.3bn in ACCESS governed investments, £1.9bn across six ACS sub-funds and a further £0.3bn through the UBS passive arrangement.

7.2 The formal Joint Committee was held on 5 December 2022 the following items are highlighted:

- It was agreed that the proposed 2023/24 Business Plan (Appendix 4) should be recommended to ACCESS Authorities
- The Joint Committee accepted the recommended 2023/24 budget to support the business plan from Section 151 Officers (totalling £1.559m or £142k per council).

8. Conclusion and reasons for recommendation

8.1 Investments are regularly monitored to ensure that the Fund's strategic asset allocation set out in the Fund's Investment Strategy Statement (ISS) is being complied with and to keep the Committee informed of any significant concerns with the investment managers, retained to implement the Fund's strategic asset allocation.

IAN GUTSELL
Chief Finance Officer

Contact Officer: Russell Wood, Pensions Manager Investments and Accounting

Email: Russell.Wood@eastsussex.gov.uk

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12 month workplan

Notes:

PRI are not accepting submissions in 2022, next submission date Jan-Mar 2023



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East Sussex Pension Fund

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Isio Investment Advisory

isio.

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Appendices

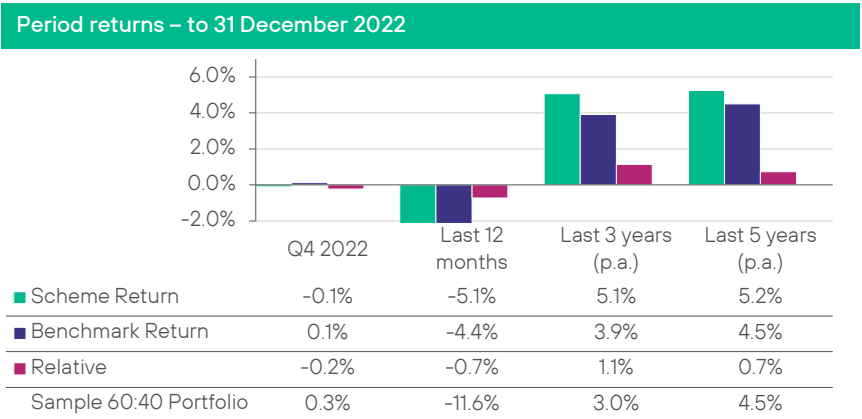
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- Appendix 1: Market Background: Global Equity, Absolute Return, Real Assets, Credit & Yields
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Highlights

Executive Summary – 31 December 2022

Access Pool Fund		Q4 2022 Performance			Value at Quarter End	
		Fund	Benchmark	Relative	30-Sep-22	31-Dec-22
Yes	UBS Osmosis – Sustainable Equity	1.7%	1.9%	-0.2%	£221.0m	£224.7m
Yes	Longview - Global Equity	5.3%	1.9%	+3.5%	£506.6m	£533.5m
No	WHEB – Sustainable Equity	3.7%	1.9%	+1.9%	£205.7m	£213.4m
No	Wellington – Sustainable Equity	-0.7%	1.9%	-2.5%	£221.1m	£219.7m
No	Storebrand – Sustainable Equity	1.3%	1.9%	-0.6%	£470.6m	£476.7m
Yes	Baillie Gifford – Global Equity	1.3%	1.9%	-0.6%	£176.7m	£179.0m
No	Harbourvest – Private Equity ^{1,2}	-8.6%	2.3%	-10.9%	£198.9m	£180.0m
No	Adams Street – Private Equity ^{1,2}	-9.7%	2.3%	-12.0%	£216.7m	£201.0m
Yes	Newton – Absolute Return	3.3%	1.4%	+1.9%	£469.2m	£343.8m
Yes	Ruffer - Absolute Return	1.2%	1.4%	-0.2%	£539.8m	£485.3m
No	Schroders – Property	-8.1%	-14.1%	+6.0%	£404.1m	£369.1m
No	UBS – Infrastructure ²	-7.7%	3.2%	-10.9%	£39.0m	£36.5m
No	Pantheon – Infrastructure ²	-6.7%	3.2%	-9.8%	£87.8m	£87.8m
No	M&G – Infrastructure ²	-0.1%	3.2%	-3.2%	£45.7m	£50.9m
No	ATLAS – Listed Infrastructure	9.3%	1.6%	+7.7%	£86.7m	£94.8m
No	M&G – Real Estate Debt ²	-1.4%	1.8%	-3.2%	£36.6m	£35.2m
Yes	M&G – Diversified Credit	1.6%	1.6%	+0.0%	£283.4m	£287.9m
Yes	M&G - Corporate Bonds	7.0%	6.4%	+0.6%	£112.2m	£120.1m
Yes	UBS - Over 5 Year Index-linked Gilts	-7.6%	-7.5%	-0.1%	£96.6m	£89.3m
Total Assets		-0.1%	0.1%	-0.2%	£4,502m	£4,496m



Commentary

- The Fund’s assets delivered a small negative absolute return over the quarter, underperforming the benchmark by 0.2%.
- The Fund’s illiquid holdings in private equity and infrastructure – which had performed strongly over 2022 to-date – fell materially, as lagged private market valuations began to be adjusted to reflect the wider market environment.
- There was material divergence in the performance of fixed income assets, as the interest rate curve steepened, and long-dated inflation expectations fell.
- Despite negative returns over recent quarters, longer term returns at Fund level remain strong, with equity assets adding significant value over the last decade, and unhedged exposure also having benefited from the depreciation in Sterling.

The asset portfolio delivered a marginally negative return of -0.1% over Q4, marginally underperforming the benchmark by 0.2%.

There was significant divergence in mandate returns over the period, with the performance of illiquid assets beginning to reflect the public market falls of earlier in the year.

There was material divergence in the performance of fixed income assets, as the interest rate curve steepened, and long-dated inflation expectations fell, with inflation-linked bonds significantly underperforming.

Note: Sample 60:40 portfolio consists of 60% allocation to MSCI ACWI and a 40% allocation to a bond portfolio split 20% in BofA Merrill Lynch Global Corporate Index, and 10% in FTSE Gilts (all maturities) and FTSE Index Linked Gilts (all maturities) respectively, with all portfolio returns unhedged in GBP terms.

Notes: Totals may not sum precisely due to rounding. All returns are net of fees. Unless stated otherwise, all performance figures and objectives provided by Northern Trust as at 31 December 2022. Fund Total value includes cash held with Northern Trust. ¹ Valuation and performance information as at 30 September 2022. ² Valuations shown are either 3m or 6m lagged and adjusted for distributions / drawdowns and currency movements. **Source:** Investment Managers, Northern Trust, Isio calculations.

Manager Performance – 31 December 2022

Fund	Q4 2022 Performance			1 Year Performance			3 Year Performance			5 Year Performance		
	Fund	Benchmark	Relative	Fund	Objective	Relative	Fund	Objective	Relative	Fund	Objective	Relative
UBS Osmosis – Sustainable Equity	1.7%	1.9%	-0.2%	-	-	-	-	-	-	-	-	-
Longview - Global Equity	5.3%	1.9%	+3.5%	2.3%	-7.8%	+10.2%	6.9%	8.4%	-1.4%	8.6%	8.3%	+0.3%
WHEB - Sustainable Equity	3.7%	1.9%	+1.9%	-16.9%	-7.8%	-9.1%	-	-	-	-	-	-
Wellington – Sustainable Equity	-0.7%	1.9%	-2.5%	-12.6%	-8.1%	-4.5%	-	-	-	-	-	-
Storebrand – Sustainable Equity	1.3%	1.9%	-0.6%	-11.4%	-7.8%	-3.5%	-	-	-	-	-	-
Baillie Gifford – Global Equity	1.3%	1.9%	-0.6%	-20.6%	-8.1%	-12.5%	-	-	-	-	-	-
Harbourvest – Private Equity ¹	-8.6%	2.3%	-10.9%	11.2%	-6.6%	+17.8%	27.1%	8.9%	+18.2%	21.8%	9.0%	+12.7%
Adams Street – Private Equity ¹	-9.7%	2.3%	-12.0%	5.3%	-6.6%	+11.9%	27.4%	8.9%	+18.5%	22.3%	9.0%	+13.3%
Newton – Absolute Return	3.3%	1.4%	+1.9%	-6.8%	4.4%	-11.1%	1.6%	3.3%	-1.7%	3.4%	3.0%	+0.4%
Prudential – Absolute Return	1.2%	1.4%	-0.2%	5.4%	4.4%	+1.1%	10.1%	3.4%	+6.7%	6.5%	3.0%	+3.5%
Schroders – Property	-8.1%	-14.1%	+6.0%	-3.1%	-9.5%	+6.4%	4.0%	2.2%	+1.8%	4.0%	2.9%	+1.1%
UBS – Infrastructure	-7.7%	3.2%	-10.9%	26.9%	12.5%	+14.4%	3.5%	7.4%	-3.9%	2.3%	5.5%	-3.1%
Pantheon – Infrastructure ¹	-6.7%	3.2%	-9.8%	27.1%	12.5%	+14.6%	16.7%	7.4%	+9.3%	-	-	-
M&G – Infrastructure	-0.1%	3.2%	-3.2%	8.5%	12.5%	-4.1%	8.5%	7.4%	+1.0%	-	-	-
ATLAS – Listed Infrastructure	9.3%	1.6%	+7.7%	7.4%	6.9%	+0.4%	-	-	-	-	-	-
M&G – Real Estate Debt	-1.4%	1.8%	-3.2%	-2.8%	5.9%	-8.7%	1.6%	4.9%	-3.3%	-	-	-
M&G – Diversified Credit	1.6%	1.6%	+0.0%	-0.5%	4.9%	-5.4%	2.9%	3.8%	-0.9%	2.8%	3.5%	-0.6%
M&G – Corporate Bonds	7.0%	6.4%	+0.6%	-26.2%	-26.4%	+0.2%	-7.1%	-7.8%	+0.8%	-2.3%	-2.9%	+0.6%
UBS – Over 5 Year Index-linked Gilts	-7.6%	-7.5%	-0.1%	-38.1%	-38.0%	-0.1%	-10.2%	-10.1%	-0.0%	-	-	-
Total Assets	-0.1%	0.1%	-0.2%	-5.1%	-4.4%	-0.7%	5.1%	3.9%	1.1%	5.2%	4.5%	0.7%

Notes: Totals may not sum precisely due to rounding. All returns are net of fees. Unless stated otherwise, all performance figures and objectives provided by Northern Trust as at 31 December 2022.

¹ Valuation and performance information as at 30 September 2022.

Source: Investment Managers, Northern Trust, Isio calculations.

The table shows manager performance over the short, medium and long-term.

The sustainable active public equity mandates have continued to struggle relative to their benchmarks over the last 12 months, whilst the active mandate from Longview outperforming over this period.

The private equity mandates have delivered very strong performance over the 1, 3 and 5 year periods; however we expect there to be a lag in valuation write downs relative to public markets in the near term.

Looking Forward

Key issues		
Item	Action points / Considerations	Status
Overall Investment Strategy Page 270	Infrastructure Equity Implementation Following the Committee's agreement at the Q1 2022 meeting to appoint IFM to manage the Fund's Infrastructure Equity mandate, the Fund has successfully onboarded with the full capital allocation drawn down following the end of Q4 2022 in January 2023.	
	Liquid Fixed Income Manager Selection At the Q1 2022 Committee meeting, Isio presented a paper detailing the proposed implementation approach for selection of the manager to manage the agreed increased allocation to fixed income. The Officers have now reached agreement on a preferred choice of manager and are due to arrange implementation once the fund is available on the ACCESS platform.	
	Illiquid Fixed Income Allocation The Officers and IWG group have requested Isio consider the options available to the Fund in relation to implementing the strategic allocation to illiquid fixed income. Isio will prepare a briefing paper in early 2023 to further consider this allocation.	
	Strategy re-test - Following the shift in market regime to a higher interest rate environment over 2022, Isio prepared a short paper on the potential opportunity within the Index-Linked Gilts market. The yield triggers to exploit this opportunity, should it occur again, have been agreed by the Committee. UBS are due to come back to Officers with a monitoring and implementation proposal for the allocation. - Isio will prepare a further paper on the broader strategic allocation of the Fund and the appropriateness in the current market environment, for the July strategy day.	 
	Engagement vs Divestment of Fossil Fuels Isio have been working with the Committee to determine a scope for a paper covering the broad merits of engagement vs divestment in fossil fuels, with specific reference to the Fund's circumstances and available options. The findings of which are due to be presented at the July meeting.	
Investment Managers	Isio continue to work with UBS to improve the level of information they are able to provide in relation to their infrastructure funds on an ongoing basis.	

Summary

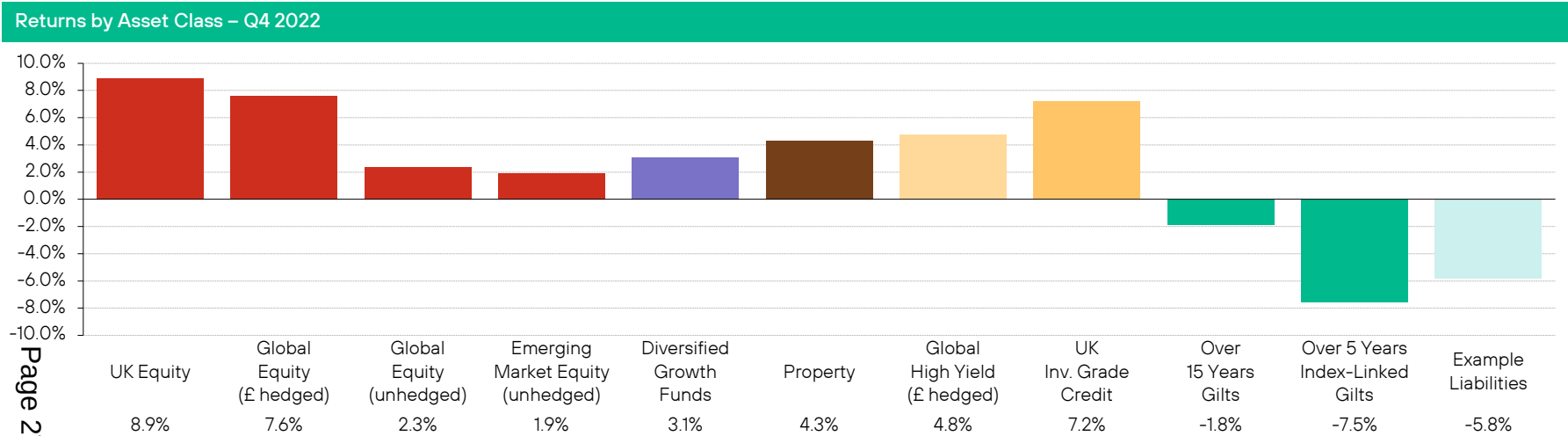
This page sets out the main action / discussion points.

Status key

-  Action
-  Decision
-  Discussion
-  Information only

Market Background

Market Background – Overview Q4 2022



Key Upcoming Events

- The dates for the Bank of England’s Monetary Policy Committee (MPC) announcements in Q1 2023 are 2 February and 23 March.
- The dates for the US Federal Reserve’s Federal Open Market Committee (FOMC) announcements in Q1 2023 are 1 February and 22 March.

Commentary

- Growth assets achieved strong gains as investor sentiment improved over the quarter, with UK Equity performing particularly well following the September political crisis.
- In the US, the emergence of stronger than expected corporate earnings combined with indications that the pace of policy tightening would slow, which led to positive performance in certain sectors of the equity markets.
- US and European investment grade and high yield credit generated positive returns and outperformed government bonds over the quarter, as credit spreads tightened globally as risk sentiment improved.
- Volatility in UK government bond markets contributed to the reversal of many of the policies announced in September’s ‘mini-budget’, and the appointment of Rishi Sunak as the country’s new prime minister. Gilt yields and interest rate expectations subsequently stabilised, and domestically focused areas of the UK equity market benefitted from the improved outlook. The Bank of England took the decision to slow the pace of interest rate hikes, which also supported these areas.

Summary

Q4 saw markets perform positively after a year of significant devaluations. Despite the gains made over the quarter, investors remain concerned around the prospects of high inflation, slowing growth, and the potential for aggressive monetary policy to cause a recession.

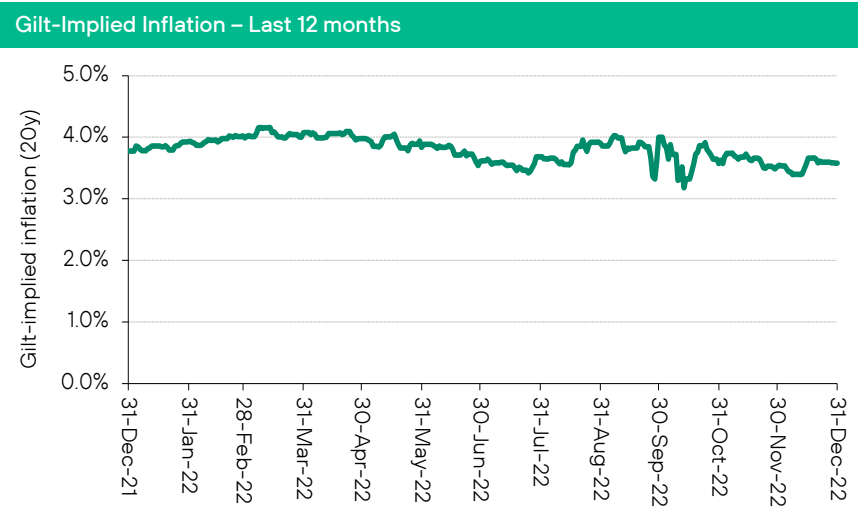
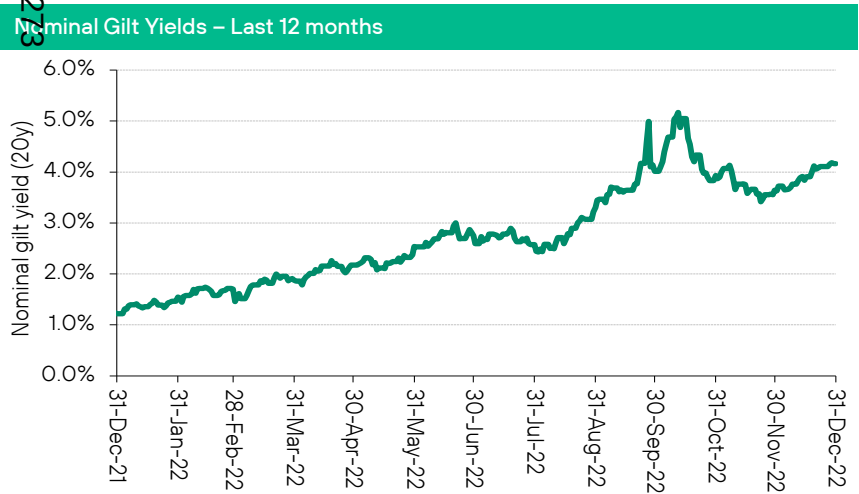
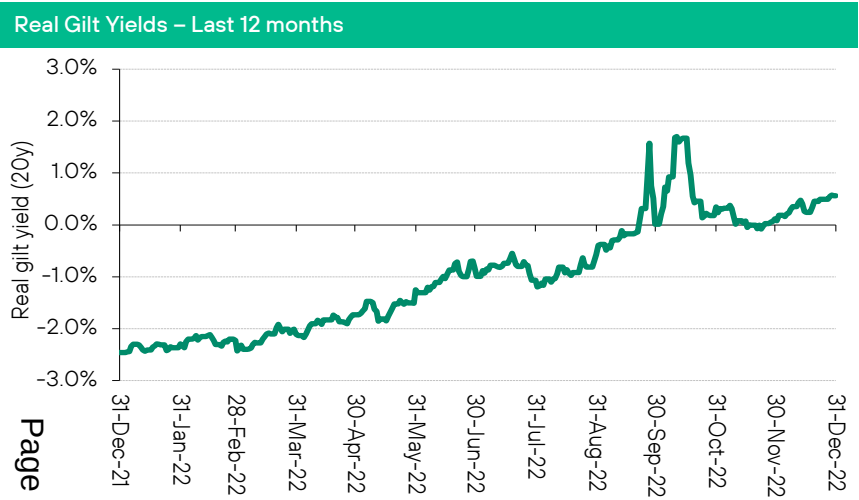
Major central banks reiterated plans to tighten monetary policy despite indications that inflation might fall earlier than expected. As markets priced this in, gilt yields increased, and correspondingly prices fell toward the end of Q4.

The US Federal Reserve raised rates twice during the quarter, ending at 4.5%. The Bank of England also announced two rate hikes, bringing the UK interest rate to 3.5% at the end of Q4.

Hedged global equities outperformed unhedged over the period, as the pound strengthened against other major currencies.

Notes: Please see the ‘Explanation of Market Background’ appendix for details of the returns representing each asset class.
Sources: Refinitiv, DGF investment managers, Isio calculations.
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Market Background – Yields



- Example Liabilities
- The liabilities for an example DB pension scheme decreased by c.5.8% over the quarter. This can be broken down into the following components:
 - c. 5.7% decrease, due to the increase in real yields;
 - c. 1.0% decrease, due to the increase in nominal yields; and
 - c. 0.9% increase due to the “unwinding” effect (also known as “interest” on the liabilities).
 - The liabilities for an example DB pension scheme decreased by c.33.7% over the last 12 months.

These charts show yield movements at the 20-year tenor over the past year.

The “Example Liabilities” indicate how a typical scheme’s past-service liabilities may have moved.

Gilt Yield and Implied Inflation Changes

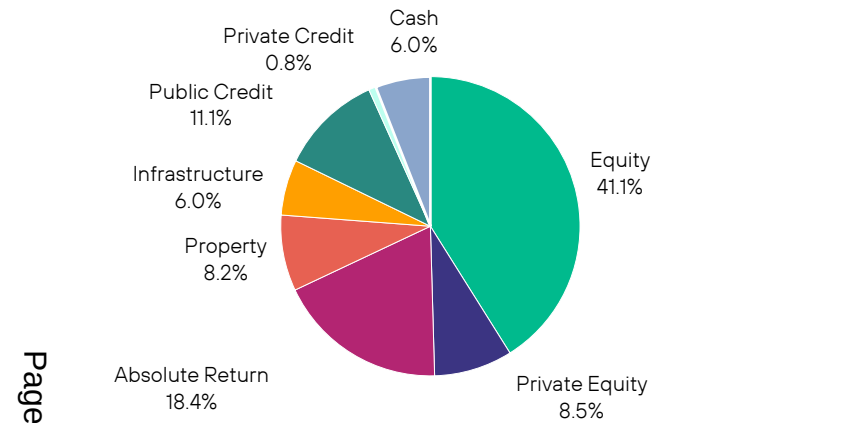
<u>20-year Real Gilt Yield</u>	
October	0.33%
November	-0.23%
December	0.44%
Quarter	0.55%
<u>20-year Nominal Gilt Yield</u>	
October	-0.08%
November	-0.29%
December	0.52%
Quarter	0.15%
<u>20-year Gilt-Implied Inflation</u>	
October	-0.43%
November	-0.05%
December	0.06%
Quarter	-0.42%

Notes: Please see the ‘Explanation of Market Background’ appendix for details of the example liabilities. Monthly yield changes may not sum to quarterly changes, due to rounding. Zero coupon rates are shown.
Sources: Bank of England, Isio calculations.
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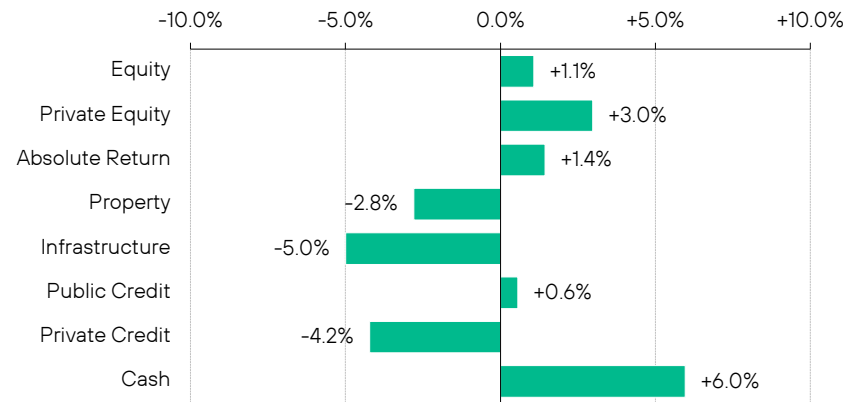
Strategy Overview

Asset Allocation – at 31 December 2022

Asset Allocation – 31 December 2022

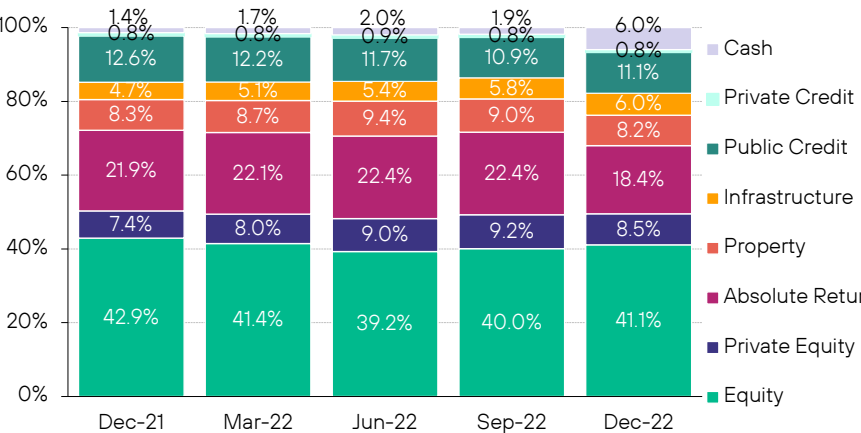


Assets Relative to Benchmark – 31 December 2022



Note: Totals may not sum due to rounding.
Source: Investment managers, Isio calculations.

Asset Allocation Changes Since 31 December 2021



Commentary

- As at December 2022, the Fund's asset allocation remained off-benchmark relative to the target asset allocation; though steps are being taken to address this through continued implementation of the agreed target investment strategy.
- The absolute return, equity and cash allocations continue to be overweight; while the property, infrastructure and private credit allocations remain underweight.
- Private equity also remains overweight, following strong performance over the medium term, relative to other growth asset classes; albeit this has come down since last quarter following the valuation write downs.
- The allocations will be brought more closely in line with the strategic benchmark as the new mandates are agreed and implemented going forward. More specifically:
 - The commitment to infrastructure equity (c. 5% of Fund assets) was being held in cash as at 31 December 2022 and due to be drawn in early January 2023.
 - A commitment to private credit is expected to be made over Q2/Q3 2023, with capital drawn into the chosen fund over the following 12-18 months.
 - For property, the Committee continue to explore the implementation options available to them with the view to progressing this allocation over 2023.

Summary

As at December 2022, the Fund's asset allocation was off-benchmark following strategic changes to the Fund's asset allocation agreed by the Committee but which are yet to be implemented.

Allocations will be brought more closely in-line to the revised benchmark as managers for the new mandates are agreed and implemented over the coming quarters.

Total Assets

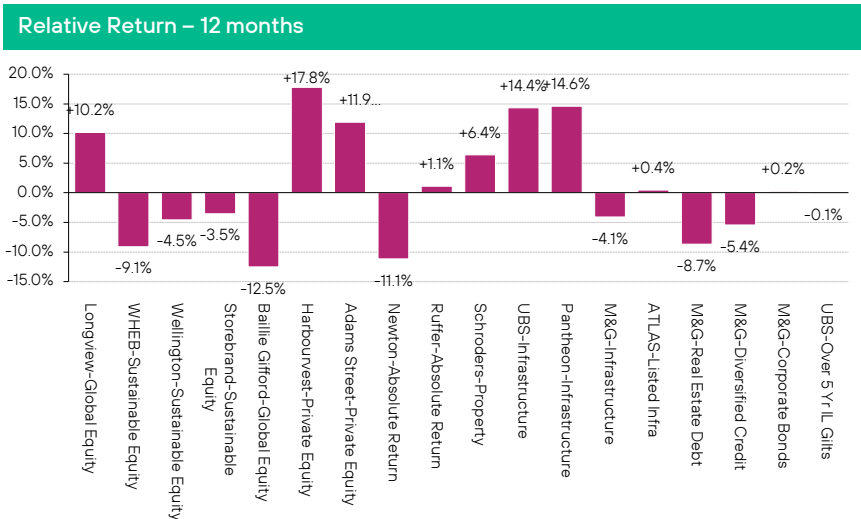
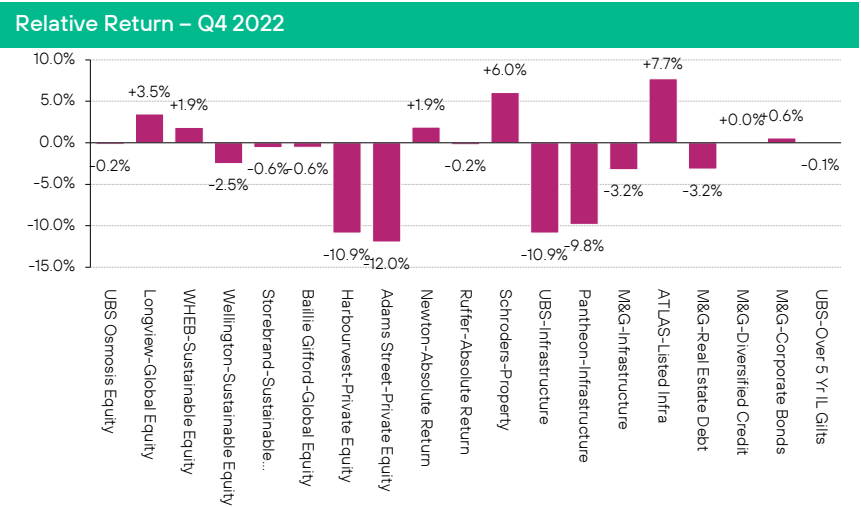
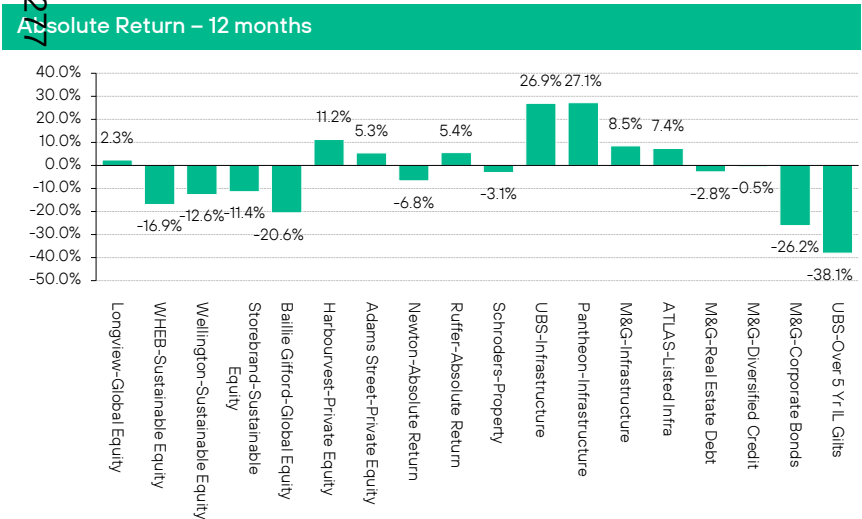
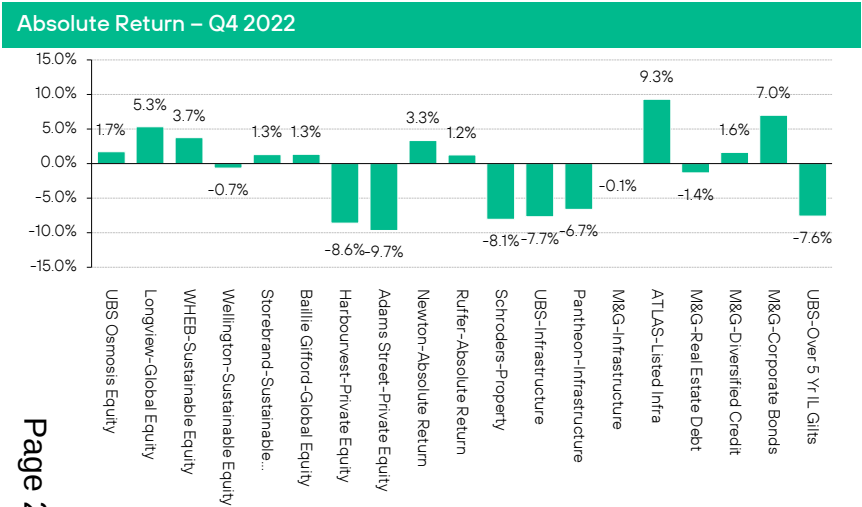
Start of quarter £4,502m
End of quarter £4,496m

Agreed Target Allocation

Equity	40.0%
Private Equity	5.5%
Absolute Return	17.0%
Balanced Property	7.0%
Inflation-Linked Property	4.0%
Infrastructure	11.0%
Public (Diversified) Credit	10.5%
Private Credit	5.0%

Investment Managers

Performance Summary – to 31 December 2022



Summary

The Fund's mandates delivered mixed absolute performance over Q4, with private equity funds delivering the most notable negative returns as valuations were marked to market on a lagged basis relative to public markets.

The Fund's listed equity and liquid credit mandates produced positive contributions within the portfolio over Q4 in terms of absolute return levels.

A mixed relative performance was outlined from Q4's results with private equity and infrastructure mandates being the largest detractors within the portfolio following strong performance in recent quarters.

The Schroders property fund, although posted a significantly negative absolute return over Q4 posted a significantly positive relative return over the period.

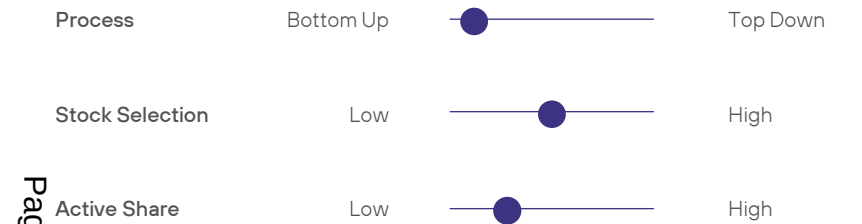
Note: Returns net of fees. 12 month relative and absolute returns are not available for the UBS Osmosis mandate as it was inception post 30 September 2021.

Source: Investment Managers, Northern Trust, Isio calculations.

UBS / Osmosis – Sustainable Equity

Overview

The Fund adopts an optimised, smart beta approach, investing in global equities with the aim of approximating the performance and risk profile of the index, with an explicit incorporation of ESG and climate-related risks.



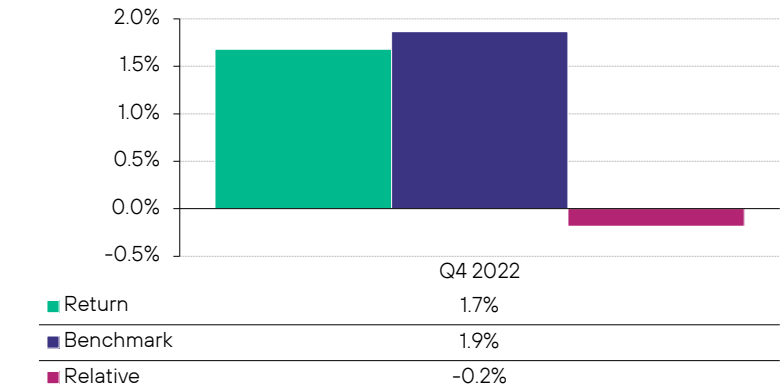
Key area	Comments
Key contributors/detractors	- Strongest contributors were Gilead Sciences (Health Care), Nucor and Freeport-McMoran (Materials). - Key detractors were Exxon Mobil (Energy), Chevron (Energy) and Merck & Co (Health Care) – all negative active weights.
Portfolio positioning	- Liberty Sirius XM (communications) and IGO Limited (materials) were added to the portfolio. - US Material firms Ecolab and Flavours & Fragrances were sold. - The overall sector and country weights have remained similar to the previous quarter, maintaining the targeted tight factor exposures to the MSCI World benchmark.
Outlook	Low active risk means that future active returns will continue to be low, with relative performance driven by fossil fuel returns and the success of the resource efficiency signal.

Note: Totals may not sum due to rounding. Performance quoted net of fees. Performance shown since inception of the Fund's investment on 3 March 2022.

Source: Investment manager, Northern Trust, Isio calculations.

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Performance to 31 December 2022



Metrics	Current Quarter	Last Quarter	View/change
Stocks (no.)	550	601	Large change, but in line with quant process
12m turnover	24%	24%	Remained constant
Active share	52%	48%	Low, in line with expectations
Top 3 sectors	Information Technology (22%), Health Care (16%), Financials (13%).		
Top 3 stocks	Apple Inc (5%), Microsoft Corp (4%), UnitedHealth Group Inc (2%).		
Top 3 regions	North America (72%), Europe (18%), Asia (10%).		

Mandate: ESG Focused Global Equities

Current Value: £224.7m

Current Weighting: 5.0%

Inception: March 2022

Benchmark: MSCI World NR

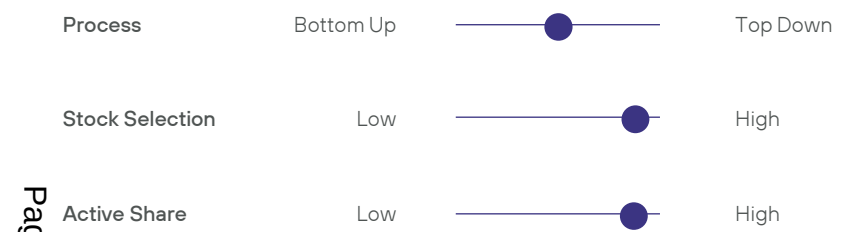
Objective: Achieve superior risk-adjusted returns by targeting maximum resource efficiency exposure while maintaining a tight tracking error to the MSCI World.

Pooled: Via Access Pool

Longview - Global Equity

Overview

The strategy utilises a bottom-up approach to invest in 30-35 high quality global companies which have strong business fundamentals and a market capitalisation greater than \$5 billion.



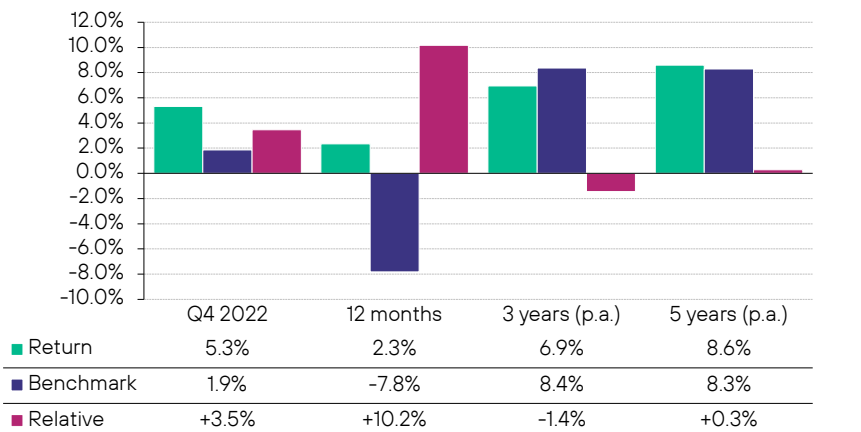
Key area	Comments
Key contributors/detractors	- The Fund outperformed both its benchmark and the broad 'quality' style over the period, with returns particularly driven by significant multiple expansion across the portfolio. - Stock selection was the primary driver of relative performance (compared to sector allocation); this is positive given the Fund's 'bottom-up' investment process.
Portfolio positioning	- The lack of exposure to the Energy and Materials sectors has continued to weigh on longer term relative performance. - No new positions were added to the portfolio and the only sale completed was Fidelity National Information Services (based on perceived deterioration in the business fundamentals).
Outlook	Longview anticipates continued market volatility but notes that the full economic impact of interest rate rises is currently unclear. The manager continues to focus on firms which can grow cash flows sustainably, and navigate current uncertainty.

Note: Totals may not sum due to rounding. Performance quoted net of fees.

Source: Investment manager, Northern Trust, Isio calculations.

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Performance to 31 December 2022



Metrics	Current Quarter	Last Quarter	View/change
Stocks (no.)	32	33	In line with expectations
12m turnover	22%	21%	Low relative to peers
Active share	91%	91%	High relative to peers
Top 3 sectors	Health Care (26%), Financials (24%), IT (14%)		
Top 3 stocks	TJX Companies (4%), HCA Healthcare (4%), State Street (4%)		
Top 3 regions	US (83%), UK (8%), Netherlands (6%)		

Mandate: Active Global Equities

Current Value: £533.5m

Current Weighting: 11.9%

Inception: April 2013

Objective: Outperform benchmark by 3% (gross) p.a. over rolling 3 year periods.

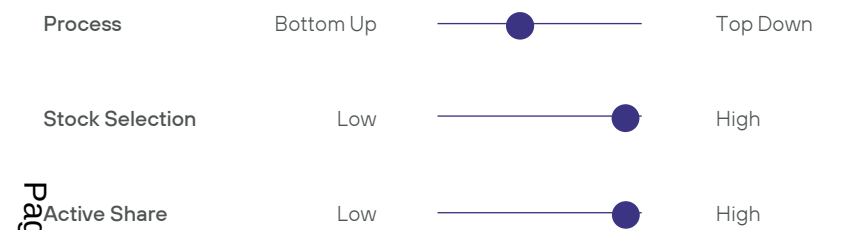
Benchmark: MSCI ACWI

Pooled: Via Access Pool

WHEB – Sustainable Equity

Overview

The Fund utilises an unconstrained global equity approach which focuses on investing in companies capitalising on opportunities created by the transition to healthy, low carbon and sustainable economies, across nine broad sustainability themes.



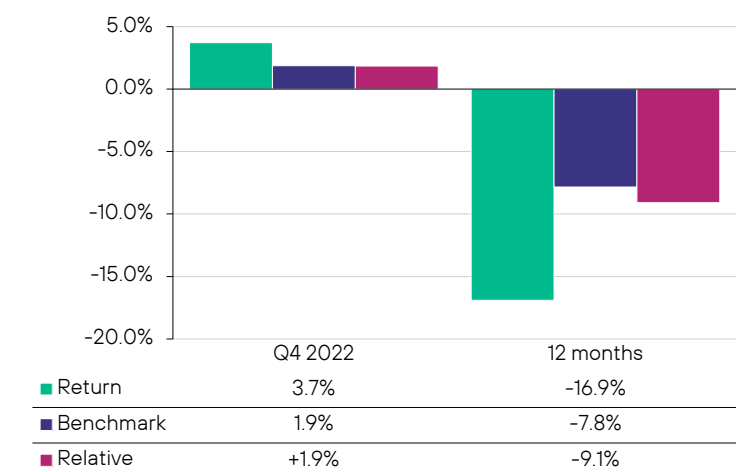
Key area	Comments
Key contributors/detractors	- Outperformance came despite a difficult quarter for high growth firms; however the healthcare sector did perform well. - The Cleaner Energy and Sustainable Transport themes added particular value; while lack of exposure to large technology stocks Tesla, Amazon and Apple aided relative returns.
Portfolio positioning	1 new addition in Lonza (pharmaceutical and biotech manufacturing). 2 exits: Kion (automation and software solutions for supply chain optimisation) and, Centene (health insurance services).
Outlook	- WHEB are optimistic about the prospects for renewable energy in light of the issues exposed by the war in Ukraine. - With the mandate's higher active share, we expect it to continue to deliver relative return volatility.

Note: Totals may not sum due to rounding. Performance quoted net of fees.

Source: Investment manager, Northern Trust, Isio calculations.

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Performance to 31 December 2022



Metrics	Current Quarter	Last Quarter	View/change
Stocks (no.)	41	42	Relatively concentrated
12m turnover*	42%	44%	Further detail on right
Active share	97%	97%	High relative to peers
Top 3 sectors	Healthcare (32%), IT (28%), Industrials (22%)		
Top 3 stocks	Thermo Fisher Scientific (3%), Globus Medical (3%), Danaher (3%)		
Top 3 regions	North America (64%), Western Europe (19%), Japan (7%)		

Mandate: ESG focused Global Equity

Current Value: £213.4m

Current Weighting: 4.7%

Inception: December 2020

Benchmark: MSCI World Total Return Net GBP

Objective: To achieve capital growth over the medium to longer term.

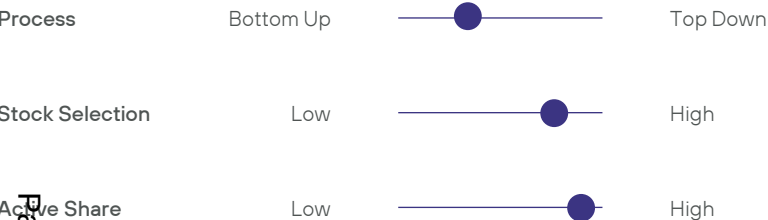
Pooled: No

***12m turnover:** The manager has confirmed that the higher turnover is as a result of the higher market volatility, which led to more upgrades and downgrades and ad hoc redemptions, which resulted in higher trading activity. They expect it to come down in future.

Wellington – Sustainable Equity

Overview

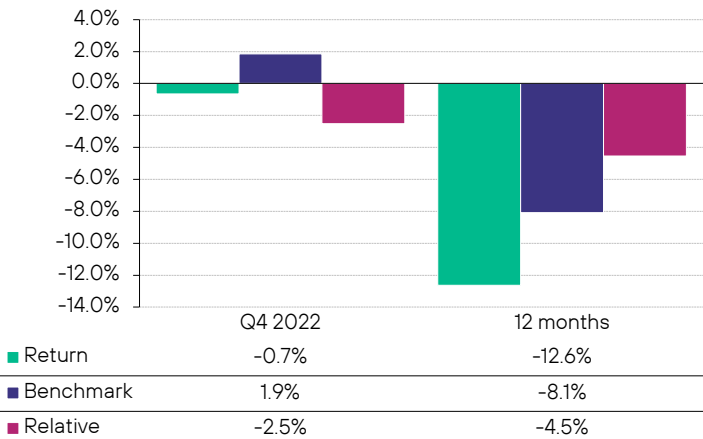
The Fund aims to invest in innovative companies whose core products and services addresses the world’s major social and environmental challenges. Wellington choose stocks from the universe list which has been derived from a number of sources such as internal and field research, company meetings, conferences or third party research.



Key area	Comments
Key contributors/detractors	- Underperformance can be partially attributed to stock selection in industrials and financials, with the portfolio's holdings in those sectors underperforming their peers. - The portfolio's style footprint (c. 37% of total active risk) also weighed on performance, with the portfolio's smaller average company size and overweight position in fast growing stocks detrimental given market conditions.
Portfolio positioning	- Wellington completed full sales of Boston Properties, Ball and Nexity over the period, as well as adding Autodesk. 46% of active risk remains driven by stock specific factors. - Wellington have increased exposure to Resource Efficiency and Alternative Energy, based on the belief that they have become more important, following the recent energy crisis.
Outlook	The Fund is likely to continue to struggle in relative terms if high growth and/or small stocks underperform.

Source: Investment manager, Northern Trust, Isio calculations.

Performance to 31 December 2022



Metrics	Current Quarter	Last Quarter	View/change
Stocks (no.)	68	67	High end of 50-70 range
12m turnover	17%	21%	In line with expectations
Active share	98%	99%	High, in line with expectations
Top 3 sectors	Industrials (24%), IT (21%), Healthcare (21%),		
Top 3 stocks	Boston Scientific (4%), Agilent Technologies (3%), Danaher (3%)		
Top 3 regions	North America (63%), Emerging Markets (16%), Europe ex UK (14%)		

Mandate: Global Impact Equities

Current Value: £219.7m

Current Weighting: 4.9%

Inception: December 2020

Benchmark: MSCI AC World

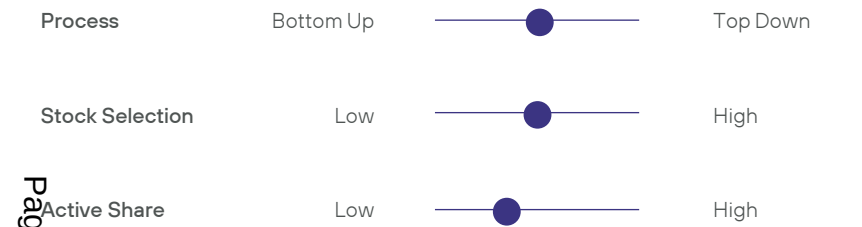
Objective: To outperform the MSCI All Country World Index over the long-term.

Pooled: No

Storebrand – Sustainable Equity

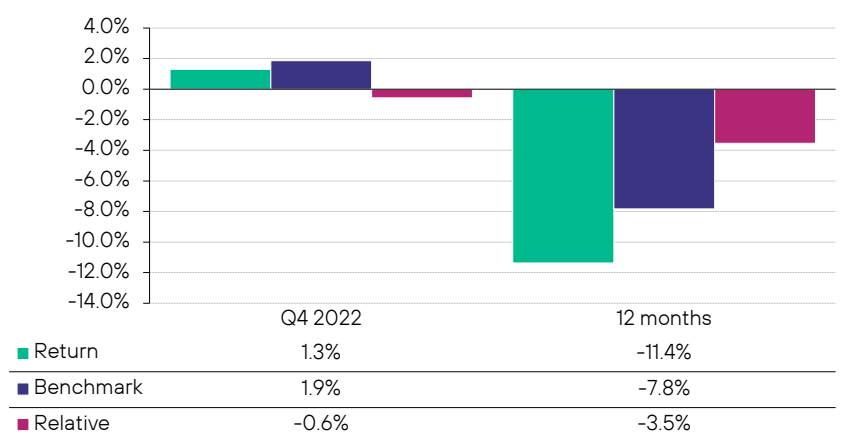
Overview

The Fund adopts an optimised, smart beta approach, investing in global equities with the aim of approximating the performance and risk profile of the index, with an explicit incorporation of ESG and climate-related risks.



Key area	Comments
Key contributors/detractors	- The Fund's fossil fuel screen contributed negatively to relative returns during the fourth quarter, detracting 0.6%. Applying the Storebrand Standard exclusion list (including controversial weapons) also detracted 0.6% from performance. - The rest of the portfolio (which overweights companies with Science Based Targets, a lower carbon footprint, and high green revenues) returned 0.6%, in relative terms, partly offsetting the impact of the exclusions.
Portfolio positioning	The portfolio continues to have a low active share, with low expected active returns relative to the benchmark.
Outlook	Store brand is working on carbon intensity data and implementing change into how this information is used in portfolio construction.

Performance to 31 December 2022



Metrics	Current Quarter	Last Quarter	View/change
Stocks (no.)	685	685	Stable
12m turnover	TBC	14%	TBC
Active share	45%	44%	Slight increase
Top 3 sectors	IT (23%), Health Care (15%), Industrials (14%)		
Top 3 stocks	Apple (4%), Microsoft (4%), Amazon (2%)		
Top 3 regions	United States (66%), Japan (7%), Canada (4%)		

Mandate: ESG Focused Global Equities

Current Value: £476.7m

Current Weighting: 10.6%

Inception: December 2020

Benchmark: MSCI World NR

Objective: Reproduce risk-return profile of the MSCI World Index

Pooled: No

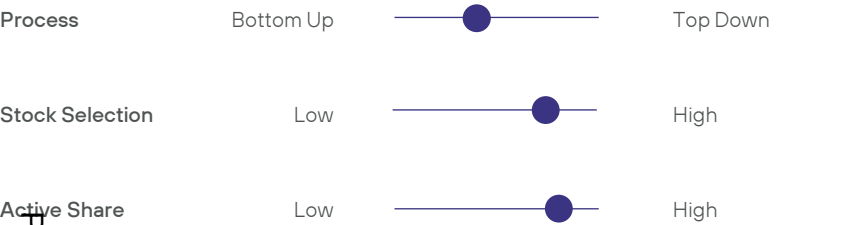
Note: Totals may not sum due to rounding. Performance quoted net of fees.

Source: Investment manager, Northern Trust, Isio calculations.

Baillie Gifford – Global Equity

Overview

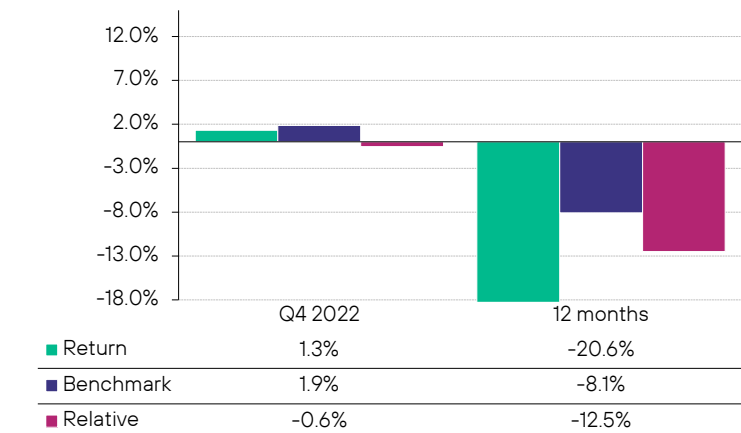
The Fund utilises an unconstrained global equity approach which focuses on investing in companies displaying above average earnings growth and sustainable competitive advantages in their respective industries, whilst aligning to the UN Paris Agreement climate commitments.



Key area	Comments
Key contributors/detractors	- The performance of the core Global Alpha Fund was positive and broadly in line with benchmark over Q4; however the Paris Aligned version suffered from its additional exclusions. - The market rotation out of growth equities has also been a significant headwind for fund relative performance over the short term.
Portfolio positioning / transactions	- BG have reduced exposure to very early-stage, loss-making companies shifted towards compounder stocks. - In Q4, BG made two new purchase (Eaton and Entegris) and three complete sales (Oscar Health, Ubisoft and VK Co Ltd).
Outlook	- Despite the challenging macroeconomic outlook, BG remain confident that the portfolio is well positioned. - The challenging market environment presents opportunity in growth stocks.

Note: Totals may not sum due to rounding. Performance quoted net of fees. The Fund switched into the Paris-aligned version of the Global Alpha Fund over Q2 2022 and performance is combined.
Source: Investment manager, Northern Trust, Isio calculations.

Performance to 31 December 2022



Metrics	Current Quarter	Last Quarter	View/change
Stocks (no.)	87	88	Broadly unchanged
12m turnover	17%	19%	In line with expectation
Active share	87%	86%	In line with expectation
Top 3 sectors	Financials (19%), Healthcare (19%), Consumer Disc. (19%),		
Top 3 stocks	Elevance Health (5%), Prosus (4%), Microsoft (3%),		
Top 3 regions	North America (60%), Europe ex UK (17%), Emerging Markets (9%)		

Mandate: Global Equities
Current Value: £179.0m
Current Weighting: 4.0%
Inception: August 2021
Benchmark: MSCI AC World Index (GBP)
Objective: Outperform benchmark by 2.0% p.a. (net of fees) over rolling 5-year periods
Pooled: Via Access Pool

Harbourvest – Private Equity

Overview

HarbourVest manage a global private equity portfolio for the Fund, invested globally across a range of subclasses (buyout, venture, debt/credit, among others).

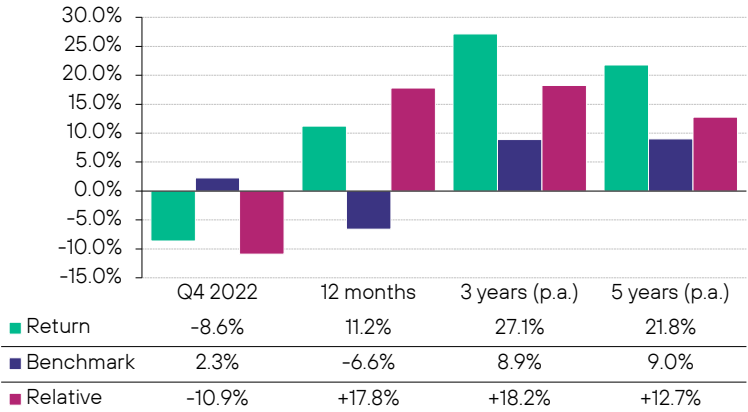
Style	Multiple: Buyout, venture, credit
Stage	Multiple: Primary, secondary
Access	Fund-of-Funds
Vintage Year	Multiple: 2004-2021
Regional Focus	Global

Key area	Comments (3 month lagged)
Performance	- Deal and exit volume trended downwards across private equity over the second half of 2022, as general partners reacted to the macro-economic uncertainty present. - The portfolio produced negative returns over the quarter as private valuations were marked down; however long term performance remains very strong.
Developments over quarter	Several funds distributed proceeds back to investors during Q3, with the most sizeable distributions coming from HIPEP VII Partnership and Fund IX Cayman Buyout.
Outlook	HarbourVest have not provided specific outlook for the portfolio. However we believe that broad private equity markets may continue to see write-downs in valuations (and thus return compression) over the coming months as private markets adjust to higher central bank interest rates.

Source: Investment manager, Northern Trust, Isio calculations.

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Performance to 31 December 2022



Metrics (3m lag)	Current Quarter	Last Quarter	View/change
IRR (net)	11.0%	11.2%	As expected
Capital Deployed/Raised	66%	63%	Slight increase
DPI	1.0x	1.0x	No change
TVPI	1.8x	1.8x	No change
Top 3 subclasses	Venture (50%), Buyout (49%), Credit (1%)		
Top 3 regions	North America (58%), Europe (24%), Asia (16%)		

Mandate: Private Equity
Current Value: £180.0m
Current Weighting: 4.0%
Inception: January 2003
Benchmark: MSCI World +1.5%
Objective: MSCI World +3.0%
Pooled: No

Adams Street – Private Equity

Overview

Adams Street manage a global private equity portfolio for the Fund, combining Partnerships and Co-investments, invested globally across a range of subclasses (buyout, venture, energy, debt/credit, among others).

Style	Multiple: Buyout, venture, debt
Stage	Multiple: Primary, secondary, co-investment
Access	Fund-of-Funds
Vintage Year	Multiple: 2003-2021
Regional Focus	Global

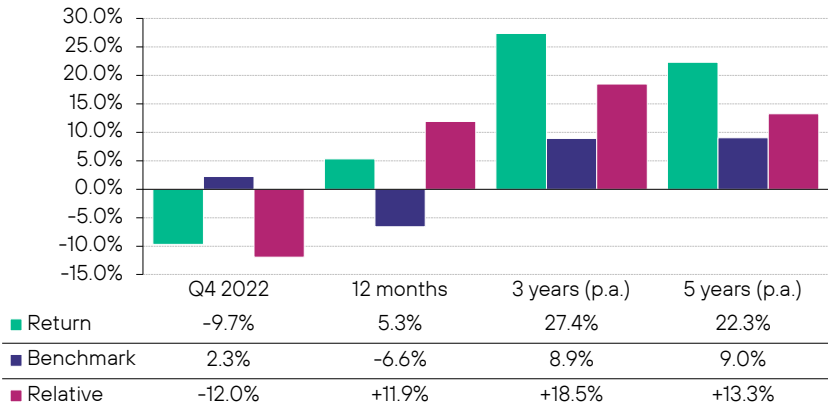
Key area	Comments (3 month lagged)
Performance	Similarly to previous quarter, there was a small reduction in IRR and multiples, which is in line with expectations given ongoing market volatility.
Developments over quarter	- No significant developments over the quarter c. \$8.1m in distributions over Q3 c. \$14.8m capital called over Q3
Outlook	Adams Street have highlighted that private market valuations have yet to fall materially, despite public market movements; they do note that slower price discovery is normal given the nature of the asset class, and that a lower valuation environment would be an attractive prospect for their underlying managers going forward.

Note: Totals may not sum due to rounding. Performance quoted net of fees.

Source: Investment manager, Northern Trust, Isio calculations.

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Performance to 31 December 2022



Metrics (3m lag)	Current Quarter	Last Quarter	View/change
IRR (net)	12.1%	12.3%	Slight reduction
Capital Deployed/Raised	77%	75%	Slight increase
DPI	1.1x	1.1x	Unchanged
TVPI	1.9x	1.9x	Unchanged
Top 3 subclasses (Partnerships)	Venture (47%), Buyout (47%), Other (6%)		
Top 3 regions (Partnerships)	United States (66%), Western Europe (19%), Asia (11%)		

Mandate: Private Equity

Current Value: £201.0m

Current Weighting: 4.5%

Inception: March 2003

Benchmark: MSCI World +1.5%

Objective: MSCI World +3.0%

Pooled: No

Newton – Absolute Return

Overview

The Fund aims to generate returns by investing in a wide universe of global securities. The Fund allocates between return seeking, and risk reducing positions, dynamically changing asset allocations over time in order to add value. The primary aim is to deliver positive risk adjusted returns in all market economic environments.

Target Return

Low

High

Return Drivers

Market beta

Active management

Diversification

Low

High

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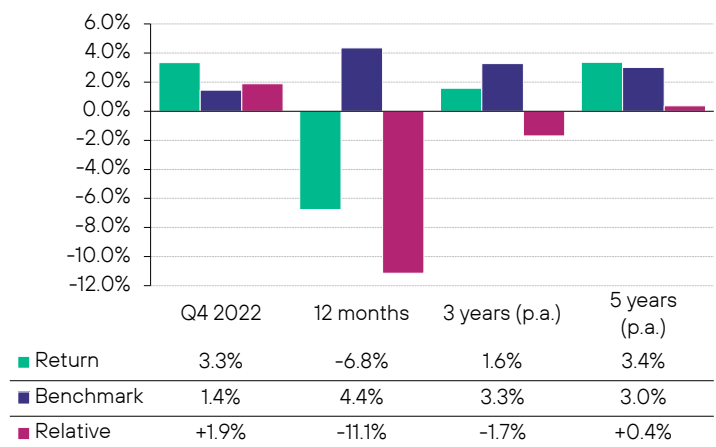
Key area	Comments
Key contributors/detractors	- Equities were the main driver of positive return, with returns aided by positive stock selection as well as tilting towards certain regions such as the US and Europe. - Credit exposure was also positive as investor sentiment increased at the prospect that inflation may have peaked.
Portfolio positioning	Newton believe that there are further risks in the short term and therefore took the opportunity to trim their equity exposure. The team also added some exposure within credit, sighting that valuations are now more attractive.
Outlook	The Fund remains cautiously positioned in what they see as a challenging market environment. However they expect that volatility should create opportunities to purchase assets at significant discounts to fair market value.

Note: Totals may not sum due to rounding. Performance quoted net of fees.

Source: Investment manager, Northern Trust, Isio calculations.

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Performance to 31 December 2022



Metrics	Current Quarter	Last Quarter	View/change
Correlation to equity (1 year)	59%	63%	In line with expectations
Volatility (1 year)	6.5%	7.7%	In line with expectations
Top 3 asset-classes	Equities (37%), Alternatives (19%), Corporate Bonds (12%)		
Equity sector breakdown	Healthcare (6.6%), Financials (6.1%), Consumer Discretionary (5.1%),		

Mandate: Diversified Growth Fund

Current Value: £343.8m

Current Weighting: 10.4%

Inception: April 2010

Benchmark: 3 Month LIBOR+2.5%

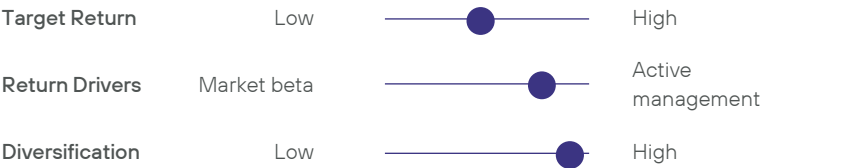
Objective: 3-month LIBOR + 4% p.a. (gross) over rolling 5 years

Pooled: Via Access Pool

Ruffer – Absolute Return

Overview

The Fund has two investment aims; to deliver positive returns in any rolling twelve month period and ahead of the risk-free rate. The strategy has a strong focus on capital preservation, the core investment objective of the Fund.



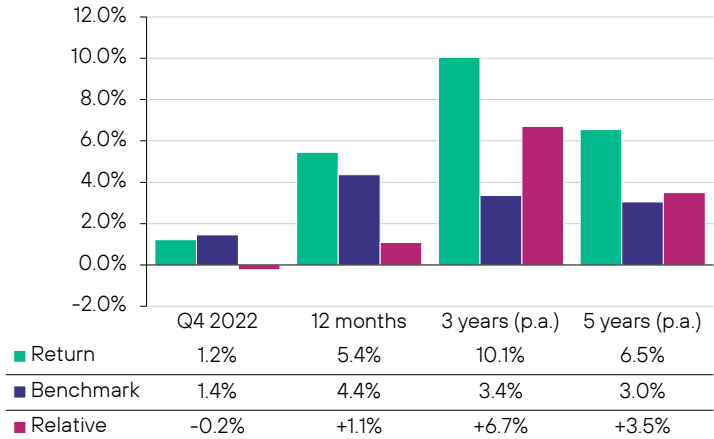
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Key area	Comments
Key contributors/detractors	- Equity holdings to energy and industrial companies were beneficial as these stocks continued to perform well relative to the broad market.. - Japanese interest rate options which rise in value as government bond yields rise, added value as a change in policy led to an increase in yields.
Portfolio positioning	- Equity protection strategies were cut at the start of Q4 following sharp falls in markets over Q3. - Ruffer increased exposure to long-dated inflation linked bonds and reduced US dollar exposure.
Outlook	- Believe inflation will fall over the short-term but expect this to be temporary and inflationary pressures persist. - Expect the Fed will have to increase rates further which they believe will lead to further pressure on equity markets.

Note: Totals may not sum due to rounding. Performance quoted net of fees.
Source: Investment manager, Northern Trust, Isio calculations.

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Performance to 31 December 2022



Metrics	Current Quarter	Last Quarter	View/change
Correlation to equity (1 year)	31%	27%	Lower than expected
Volatility (1 year)	6.2%	6.3%	In line with expectations
Top 3 asset-classes	Short-dated bonds (40.1%), Index linked gilts (18.3%) Cash (10.9%)		
Top 3 currency	US inflation-linked bonds (1.2%), UK Equities (0.9%), Japanese interest rate options (0.6%)		

Mandate: Diversified Growth Fund

Current Value: £485.3m

Current Weighting: 12.0%

Inception: April 2010

Benchmark: 3-month LIBOR + 2.5%

Objective: 3-month LIBOR + 4% p.a. (gross) over rolling 5 years

Pooled: Via Access Pool

Schroders - Property

Overview

The Schroders Property Fund is a medium risk balanced property fund investing across the retail, offices, industrials and alternative property sectors.

Expected volatility

Low

High

Lease Length

Short

Long

Shape of outcomes

0% Contractual

100% Contractual

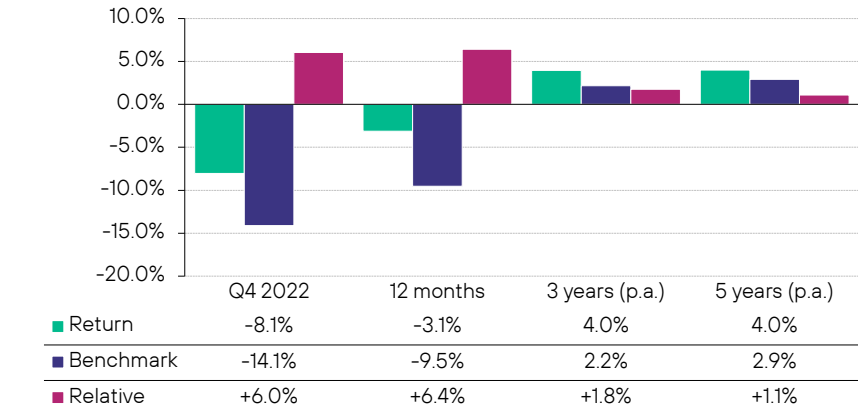
Diversification

Low

High

Key area	Comments
Key contributors / detractors	- Outperformance was in line with expectations, given the defensive nature of the portfolio relative to benchmark. - Opportunistic funds (+1.0%), value add holdings (+0.6%) and cash (+0.5%) made positive contributions, which were partially offset by the contribution from core funds (-0.7%). - The Local Retail Fund was the strongest contributor, while the Schroders Special Situations Fund and UNITE UK Student Accommodation Fund also aided relative performance.
Portfolio positioning	The Portfolio is structured with downside protection provided via the defensive holding in convenience retail. There is an overweight to alternative sectors and underweight to retail and office sectors.
Outlook	Schroders expects property values to continue to decline in H1 2023 as economic conditions worsen before stabilising. We would expect the portfolio to continue to outperform in this scenario, given its defensive nature.

Performance to 31 December 2022



Metrics	Current Quarter	Last Quarter	View/Change
Net acquisitions / (Sales)	(£7.5m)	(£0.4m)	Increase
Cash yield	3.3%	3.1%	Increased yield as valuations fall
No of assets	18	18	No change
Top 3 sectors	Industrial, Alternatives (via student accommodation, social supported housing, retirement living and care homes) and Regional Offices.		

Note: Totals may not sum due to rounding. Performance quoted net of fees
Source: Investment manager, Northern Trust, Isio calculations.

Mandate: Balanced Property
Current Value: £369.1m
Current Weighting: 8.2%
Inception: December 2009
Benchmark: IPD All Balanced Fund Index
Objective: Outperform benchmark by 0.75% p.a. (net) over rolling 3 years
Pooled: No

UBS - Infrastructure

Overview

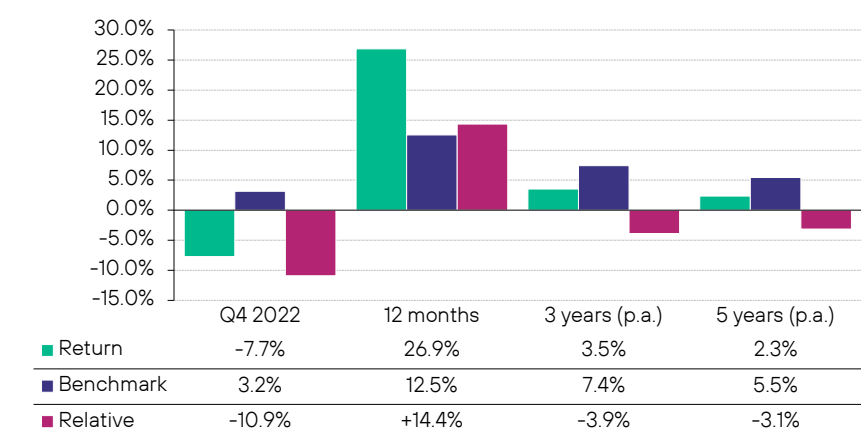
The fund provides investors with access to a diversified portfolio across Fund I and Fund III infrastructure assets. Fund I remains in the value realisation phase and is paying capital back to Investors, whilst Fund III is in its investment phase and continues to draw capital for investment.



Key area	Comments (3m lag)
Portfolio positioning	Below target performance continued by Fund I, with both revenue and operating profit in the large holding Southern Water (SW) coming in below its budget, as well as an unrealised loss on Saubermacher.
Outlook	- Fund III continues to draw down the committed capital, having drawn \$130.7m of the total \$185.0m committed. - Fund III has now begun distributing as well, having distributed \$36.6m during the quarter.

Note: Totals may not sum due to rounding. Performance quoted net of fees. SI is since inception.
Source: Investment manager, Northern Trust, Isio calculations.

Performance to 31 December 2022



Metrics (3m lag)	Current Quarter	Last Quarter	View/Change
Net SI return (Fund I)	2.9%	1.9%	+1.0%
Net SI return (Fund III)	19.4%	18.1%	+1.3%
Total value to paid-in (Fund I)	1.27x	1.14x	Slight Increase in line with expectation
Total value to paid-in (Fund III)	1.28x	1.27x	Slight Increase in line with expectation
Top 3 sectors (Fund I current quarter)	Power generation (55%), Water (23%), Wastewater (15%)		

Mandate: Infrastructure

Current Value: £36.5m

Current Weighting: 0.8%

Inception: January 2008

Benchmark: CPI + 2%

Objective: CPI + 3%

Pooled: No

Notable Actions

The UBS infrastructure funds should be monitored closely going forward given weak historical performance. Isio have engaged UBS to present a summary of the additional monitoring they are able to provide. UBS have discussed with Officers and are in the process of implementation.

Pantheon - Infrastructure

Overview

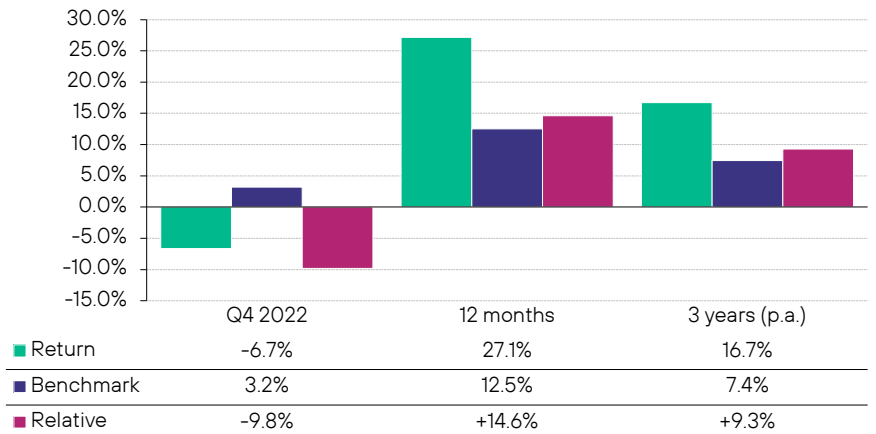
The fund provides investors with access to a diversified portfolio of infrastructure assets. It focuses on investments which provide a contracted or regulated income stream, which enables the Fund to generate robust cash yields which are inflation-linked, making it attractive to pension scheme investors.



Key area	Comments (3 month lag)
Key contributors/detractors	- At 30 September, Vantage Datacenters had the highest IRR of the largest 20 underlying assets (50%); a number of Pantheon's other large holdings also have IRRs upwards of 20%. GIP Gemini Fund I has the lowest figure (-5.0%). - The programme has performed very strongly since inception, with co-investments, secondaries and primaries producing a combined Programme IRR of 12.3%.
Portfolio positioning	The portfolio continues to allocate capital, with \$7m commitments drawn down over the period.
Outlook	- The Fund has \$117.0m committed, and \$23.1m undrawn. The manager is regularly taking advantage of market opportunities. - The assets in the portfolio with highest inflation linkage are expected to continue to perform strongly going forward.

Note: Totals may not sum due to rounding. Performance quoted net of fees. Manager data is lagged by one quarter.
Source: Investment manager, Northern Trust, Isio calculations.

Performance to 31 December 2022



Metrics (3m lag)	Current Quarter	Last Quarter	View/change
Cash yield	16.1%	17.3%	-1.2%
Net acquisitions/sales	\$22.4	-\$57.2	\$79.6
Average discount rate	2.96%	2.96%	0.0%
Number of assets	45	45	0
Top 3 sectors	Digital, Transport and Logistics, Renewables / Efficiency		

Mandate: Infrastructure

Current Value: £87.8m

Current Weighting: 2.0%

Inception: May 2018

Benchmark: CPI + 2.5%

Objective: CPI + 3%

Pooled: No

M&G - Infrastructure

Overview

The fund provides investors with access to a diversified portfolio, Brownfield III and Greenfield II, infrastructure assets. It focuses on investments which provide a contracted or regulated income stream, which enables the Fund to generate robust cash yields which are inflation-linked, making it attractive to pension scheme investors.

Expected volatility

Low

High

Lease Length

Short

Long

Shape of outcomes

0% Contractual

100% Contractual

Diversification

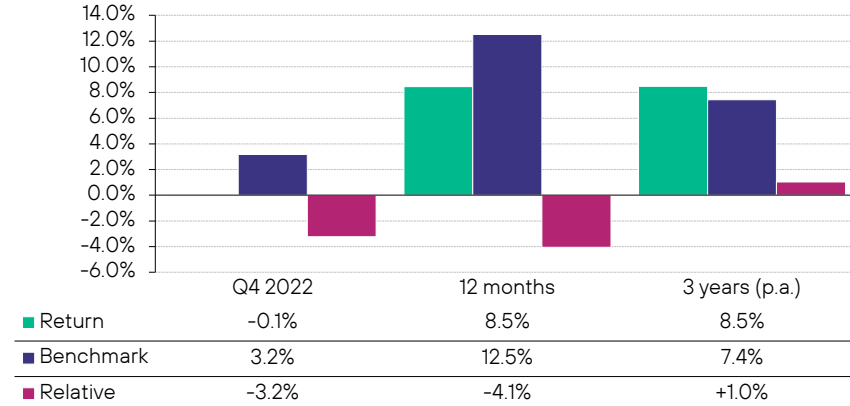
Low

High

Key area	Comments (3 month lag)
Key contributors/detractors	- Q3 performance was relatively muted for both funds. - The Brownfield fund returned 1.1% over the quarter; this came despite negative performance from Neos, whose EBITTDA was c. 34% behind budget year to-date. - Greenfield returned 2.6%, with higher multiples on Fibrus, Zenobe and Speed Connect Austria only partially offset by a fall on Ogi.
Portfolio positioning	- The Greenfield fund is making progress on deployment, and is expected to continue to draw capital over the near term. The team closed on its seventh asset, Gridserve. - As at 30 Sep, the net IRR of Brownfield III stood at 7.9%, with 83% of available commitments allocated.
Outlook	Both funds are expected to continue to draw capital over the coming quarters.

Note: Totals may not sum due to rounding. Performance quoted net of fees
Source: Investment manager, Northern Trust, Isio calculations. Manager information has a one quarter lag.
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Performance to 31 December 2022



Metrics (3m lag)	Brownfield	Greenfield
Portfolio Value to current paid in capital	1.2x	1.5x
Number of assets	6 investments	7 investments
Top sectors	Transport, Fibre Telecoms, Energy and Utilities	Telecoms and Energy Transition

Mandate: Infrastructure

Current Value: £50.9m

Current Weighting: 1.1%

Inception: October 2018

Benchmark: CPI + 2.5%

Objective: CPI + 3%

Pooled: No

Atlas - Listed Infrastructure

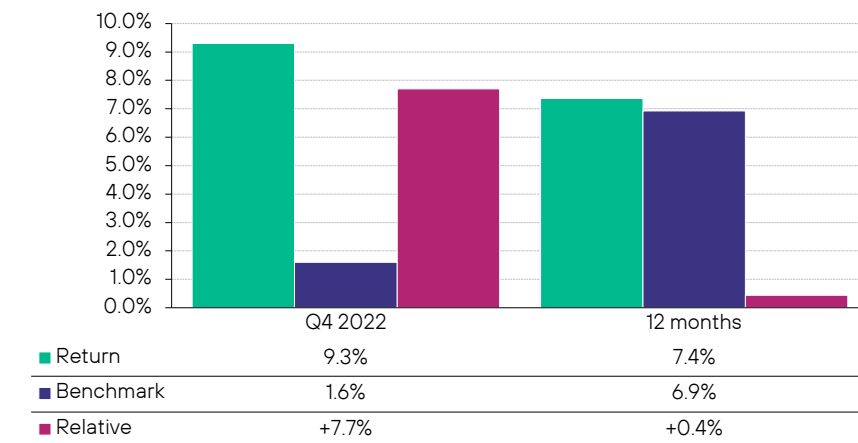
Overview

The fund provides investors with access to a diversified portfolio of brownfield and greenfield infrastructure assets. It focuses on investments which provide a contracted or regulated income stream, which enables the Fund to generate robust cash yields which are inflation-linked, making it attractive to pension scheme investors.



Key area	Comments
Key contributors/detractors	- The fund outperformed, with North American stock selection in the Electric and Rail sectors adding value. - At a stock level, there were also strong positive returns from holdings in Enel (European Utilities), Allete (US Electric Utilities) and United Utilities (UK Water). - Cellnext (European Towers) and Getlink (European Rail) were key detractors.
Portfolio positioning	Atlas took a position in Portland (US Electric Utilities) and exited from PG&E (US Electric Utilities); the manager also increased positions in Edison (US Electric Utilities) and Terna (Italian Utilities), and reduced a holding in Asia Pac Toll Roads.
Outlook	Atlas have made changes to the portfolio with the aim of reducing GDP sensitive exposure and risk of loss (whilst aiming to maintain inflation protection).

Performance to 31 December 2022



Metrics	Current Quarter	Last Quarter	View/change
Cash yield	4.5%	4.4%	Within expectations
Net acquisitions/sales	1 new position established / 2 positions increased/ 1 position exited and 2 reduced.	3 new positions established/ 2 positions increased/ 1 position exited and 2 reduced.	Within expectations
Number of individual positions in portfolio	22	22	Within expectations
Top 3 sectors	Electric utilities (39%), Communications (15%) and Airports (14%)		

Mandate: Global Infrastructure Equity

Current Value: £94.8m

Current Weighting: 2.1%

Inception: December 2020

Benchmark: FTSE Developed Core 50/50 Infrastructure Index

Objective: CPI + 5%

Pooled: No

Note: Totals may not sum due to rounding. Performance quoted net of fees. Cash yield is Prospective portfolio yield, pre cash, pre withholding

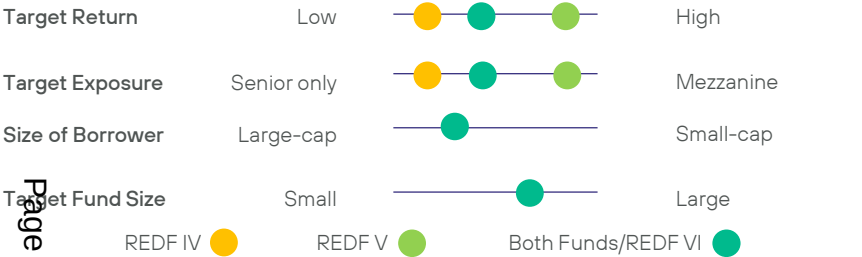
Source: Investment manager, Northern Trust, Isio calculations.

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M&G – Real Estate Debt

Overview

The Funds directly originate private loans that are secured by commercial real estate. REDF VI invests directly in whole loans, while REDF IV and V obtain senior and junior exposure, respectively. The Funds are UK and Europe focused but have scope to invest in the US. The Funds' investment periods ended in June 2021 and reinvestment periods ended December 2022. Wind up is expected in December 2027.



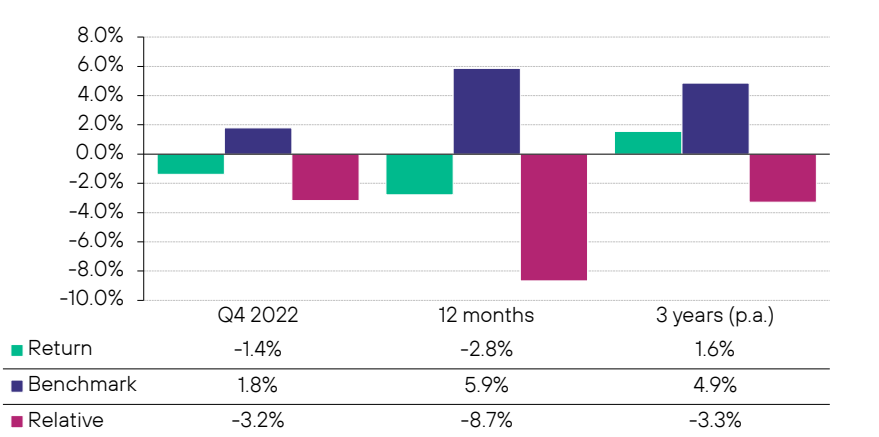
Key area	Comments
Capital Deployment	Project Londinium (office and student accommodation) was repaid in full (£38.5m).
Minor/Major Watchlist Names	- Project Charlie (Minor): Loan is in compliance, so was automatically extended to 2024. M&G are working with the sponsor on refinancing the asset. - Project Carlton (Minor): Refurbishment was required, which has gone over budget and delayed completion. Business plan being reviewed but residential presales and retail lets are strong. - Project Genesis (Major): Shopping centre occupancy is increasing. Tenant is being sought for the office space converted from legacy Debenhams unit. Sponsor injecting £3-4m to improve layout. Not looking to invest more REDF money.
Outlook	M&G are comfortable with sponsor interest coverage and the potential knock-on impacts to refinancing following a review, given the increase in interest rates over 2022.

Note: Totals may not sum due to rounding. Performance quoted net of fees.

Source: Investment manager, Northern Trust, Isio calculations.

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Performance to 31 December 2022



(IV / V / VI)	Q3 2022	Q2 2022	View/change
IRR (gross projected)	3.8% / 11.9% / 6.3%	3.3% / 11.7% / 5.9%	Increase because of higher base rate on floating debt
Total capital invested	118% / 104% / 105%	118% / 104% / 105%	No change
Total Positions	32 / 17 / 56	33 / 17 / 57	Small decrease, relatively stable
Watchlist	3 / 3 / 3	2 / 2 / 2	Increase
Top 3 sectors	REDF IV: Office (25%), Residential (23%), Retail (19%) REDF V: Retail (44%), Office (22%), Student accom. (14%) REDF VI: Office (32%), Retail (29%), Residential (15%)		
Phase	Distribution period – due to end December 2027		

Mandate: Private Debt

Current Value: £35.2m

Current Weighting: 0.8%

Inception: April 2019

Benchmark: Benchmark: 3m LIBOR +4%

Objective: Objective: 3m LIBOR +5%

Pooled: No

Notable Developments

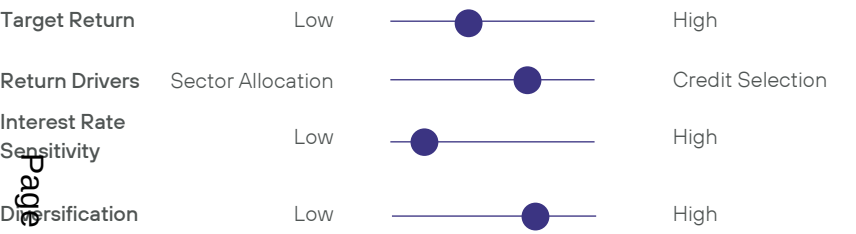
•We downgraded the Funds to Partially Meets Criteria in mid-2021 following the resignation of four senior members within M&G's Real Estate Debt business in April 2021.

•M&G plc have announced that Andrea Rossi (previously CEO of AXA IM) has been appointed CEO, replacing John Foley. We are continuing to monitor the situation with regards to stability in the leadership following the change in CEO and other senior departures

M&G – Diversified Credit

Overview

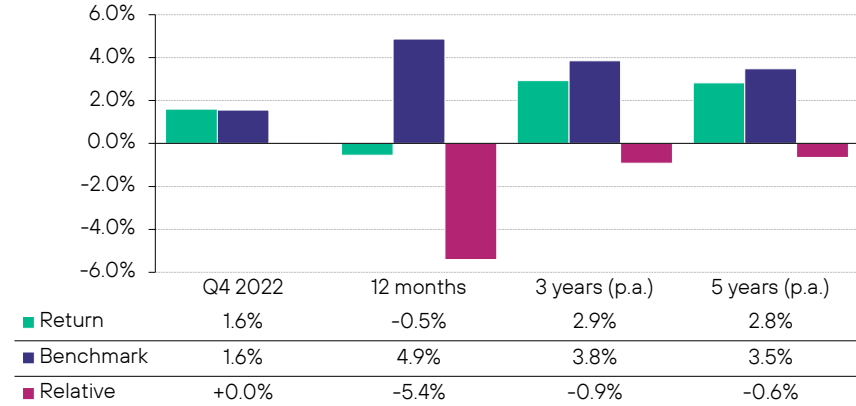
The Fund aims to take advantage of diversified opportunities in public credit markets, such as investment grade bonds, high yield bonds, leveraged loans and asset backed securities. M&G will seek to protect capital when the Fund is not being adequately compensated for taking risk. Currency and interest rate risks are typically hedged out of the portfolio.



Key area	Comments
Key contributors/detractors	- M&G captured some of the wider market recovery in Q4, with returns mainly driven by corporate bonds (+3.6%). - Amidst a Q4 market rally Q4, 12 month performance was strong vs peers as a result of M&G's low duration approach.
Portfolio positioning	- M&G increased their allocation to financials by c.2% over Q4 as they consider large banks to be well capitalised and more profitable in a higher interest rate environment. - M&G took profits on higher risk positions as they rallied, reducing their allocation to high yield bonds. - Cash levels remain high (c.22%) to help meet redemptions, with M&G using derivatives to maintain market exposure.
Outlook	M&G continue to seek attractive entry points in credit markets and currently favour European credit valuations over the US as the latter rallied by more over Q4.

Note: Totals may not sum due to rounding. Performance quoted net of fees.
Source: Investment manager, Northern Trust, Isio calculations.

Performance to 31 December 2022



Metrics	Current Quarter	Last Quarter	View/change
Yield	6.8%	6.6%	Slight increase
Average credit rating	BBB+	BBB+	No change
Modified duration (years)	-0.05	-0.15	No significant change
Spread duration (years)	3.8	3.7	No significant change
Number of issuers	416	437	No significant change

Mandate: Multi Asset Credit

Current Value: £287.9m

Current Weighting: 6.4%

Inception: November 2009

Benchmark: 3 Month Libor +3%

Objective: 3 Month Libor +5% (gross)

Pooled: Via Access Pool

M&G - Corporate Bonds

Overview

The Fund invests in a variety of UK Corporate Bonds, including but not limited to Industrial, Financial, Sovereign and Utility bonds.



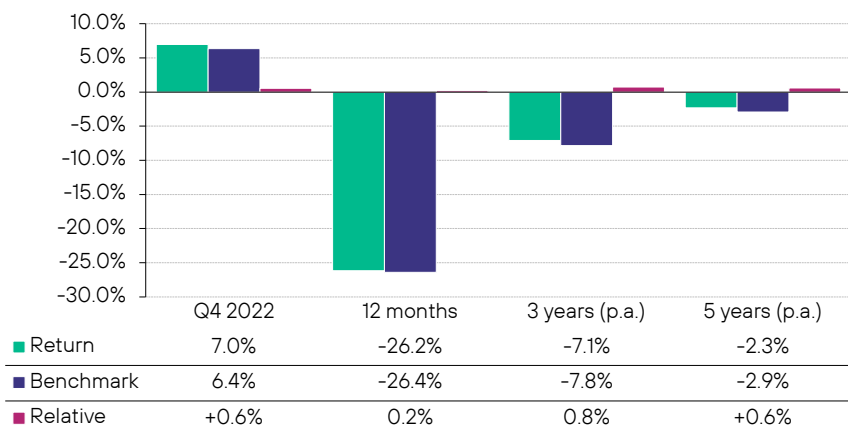
Key area	Comments
Key contributors/detractors	- Utilities were the strongest contributor, with both active positioning and security selection contributing. - Industrials detracted from performance.
Portfolio positioning	- The manager selectively added risk into the portfolio across a range of sectors; however M&G have retained an underweight position in credit spread duration relative to the benchmark. - The Fund's interest rate exposure remains similar to that of the benchmark.
Outlook	- M&G note that there is some slowing of inflationary pressure, but major economies continue to experience persistent high inflation levels relative to their targets. - M&G are seeing selective opportunities to add exposure in current markets.

Note: Totals may not sum due to rounding. Performance quoted net of fees

Source: Investment manager, Northern Trust, Isio calculations.

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Performance to 31 December 2022



Metrics	Current Quarter	Last Quarter	View/change
Yield	6.1%	6.6%	In line with expectations
Average credit rating	BBB	A	Minor reduction, due to increase in BBB and reduction in A rated bonds, within reason
Modified duration	9.4	9.3	In line with expectations

Mandate: Corporate Bonds

Current Value: £120.1m

Current Weighting: 2.7%

Inception: December 1996

Benchmark: Benchmark: - 50% iBoxx Non-Gilts Over 15Y - 50% iBoxx Non-Gilts

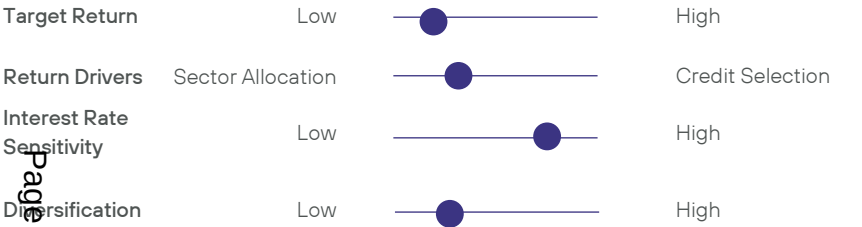
Objective: Outperform benchmark by 0.8% p.a. (gross)

Pooled: Via Access Pool

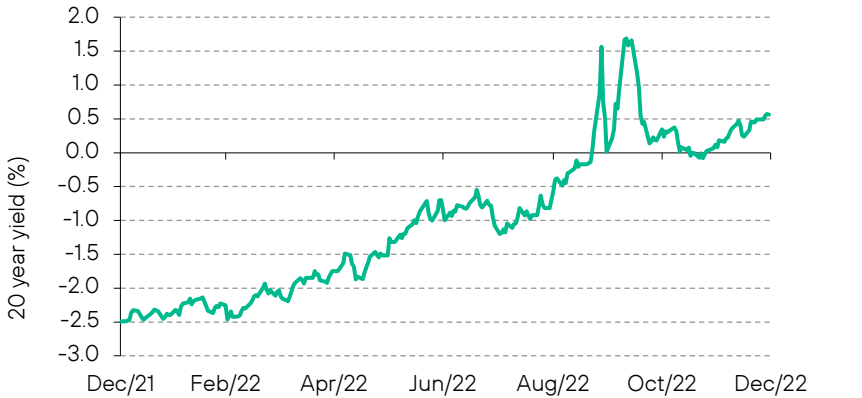
UBS – Over 5 Year Index-linked Gilts

Overview

The Fund has defensive characteristics, providing the Fund with protection against the impact of both interest rates and inflation expectations on the value placed on the liabilities.

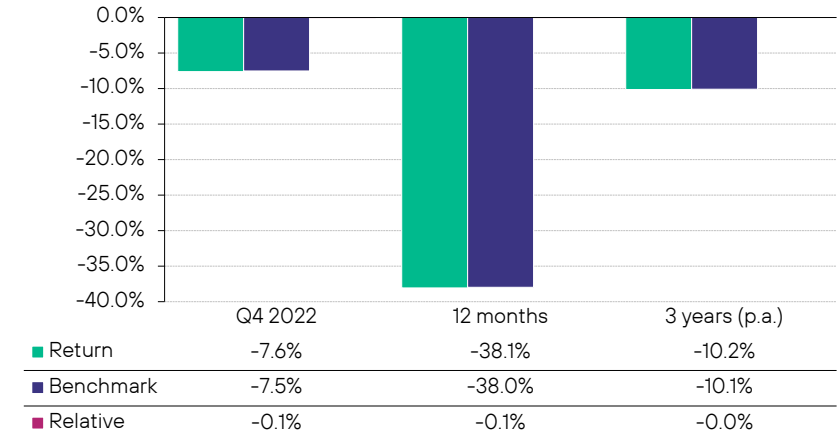


Real Gilt Yields – Last 12 months



Note: Totals may not sum due to rounding. Performance quoted net of fees.
Source: Investment manager, Northern Trust, Isio calculations.

Performance to 31 December 2022



Mandate: Index Linked Gilts
Current Value: £89.3m
Current Weighting: 2.0%
Inception: February 2018
Benchmark: FTSE Index- Linked Gilts Over 5 Years
Objective: Match benchmark
Pooled: Via Access Pool

Appendices

A1: Market Background: Global Equity, Absolute Return, Real Assets, Credit & Yields

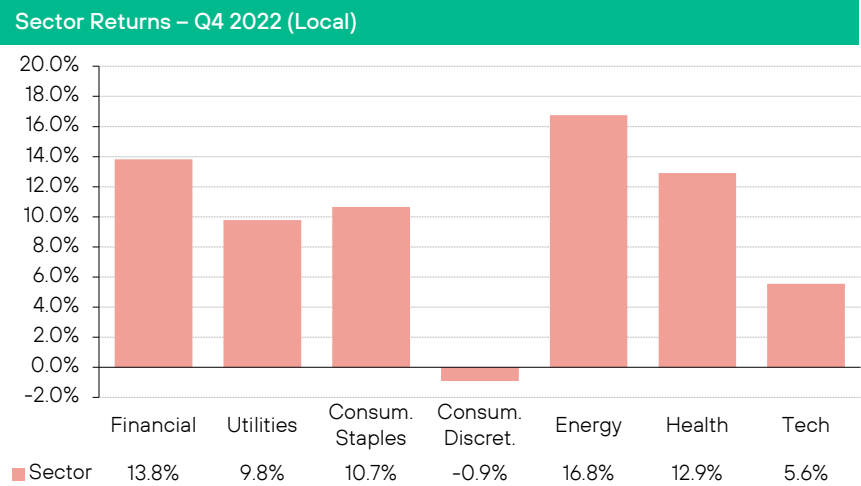
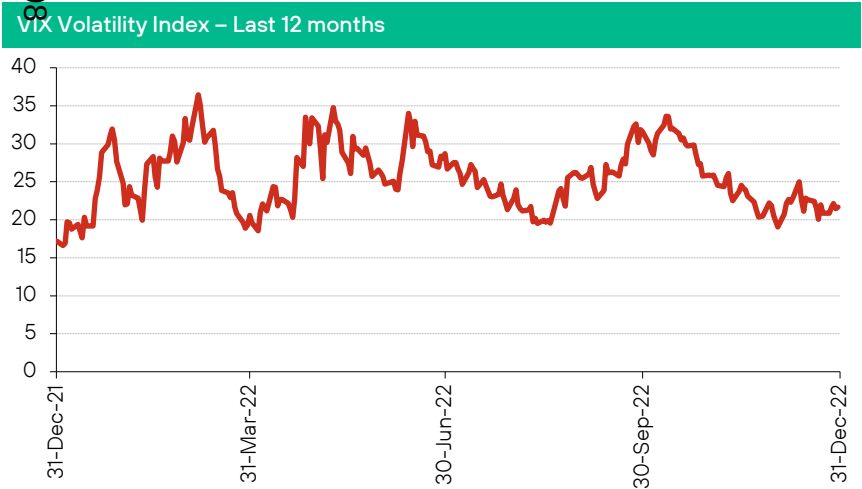
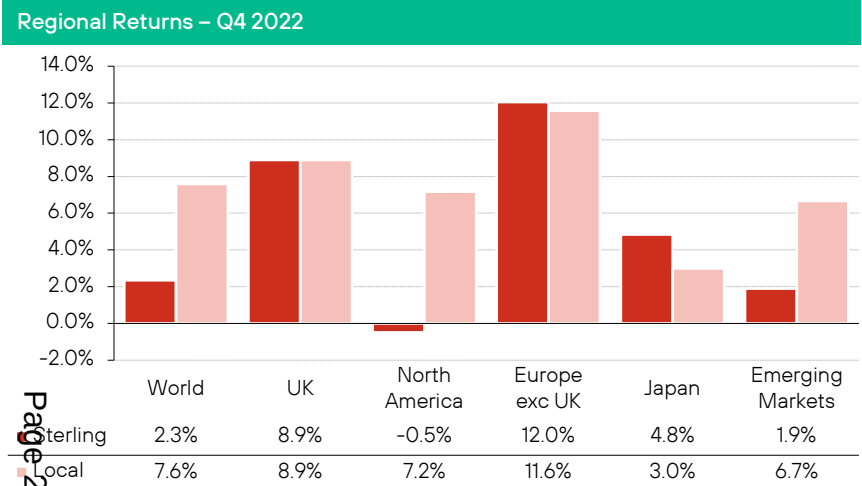
A2: Explanation of Market Background

A3: How to Read the Fund Manager Pages

A4: Disclaimers

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Market Background – Global Equity



- Commentary
- Equity markets in major regions provided positive returns over the quarter, based on the expectation that global inflationary pressures have peaked.
 - European equities outperformed, with the impact of rising energy costs beginning to abate, in part being driven by milder than expected weather conditions. US equity performance was also strong as investor sentiment improved following robust corporate earnings announcements. However, US equities suffered in Sterling terms due to the US dollar depreciating relative to global currencies.
 - UK equities rose following a volatile Q3 driven by the UK Government's September mini-budget statement. The appointment of a new Prime Minister and Chancellor in Q4 provided positive assertions to investors that the UK would adopt a fiscally prudent approach to managing the country's finances.
 - Emerging markets followed the uptrend of global equity markets, providing positive returns with performance being underpinned by a weakening US dollar and China's relaxation of Covid regulations.

Summary

Global equity markets rose over Q4, largely underpinned by improved investor sentiment. This was due to the notion that US inflation has peaked and there may be potential for a moderation in future interest rate hikes.

European equities outperformed over the period due to energy cost pressures being alleviated within the Eurozone.

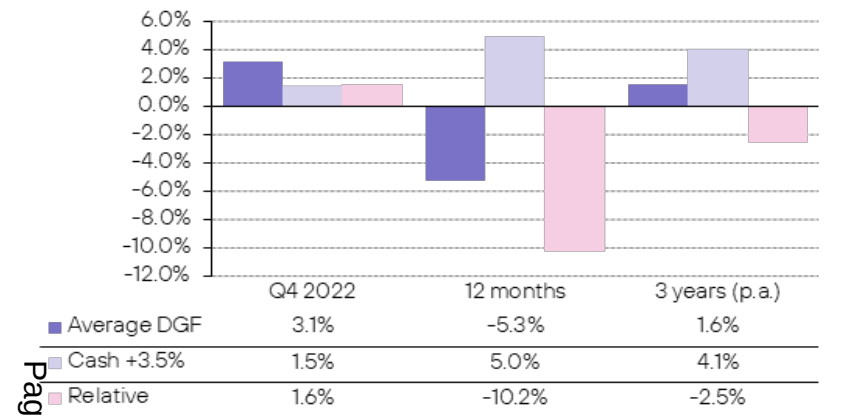
Following an extremely volatile Q3, UK equities provided positive returns after the appointment of a new Prime Minister and the reversal of the 'mini budget.'

Notes: Please see the 'Explanation of Market Background' appendix for details of the underlying indices. Please note that sector returns are based on local USD pricing.

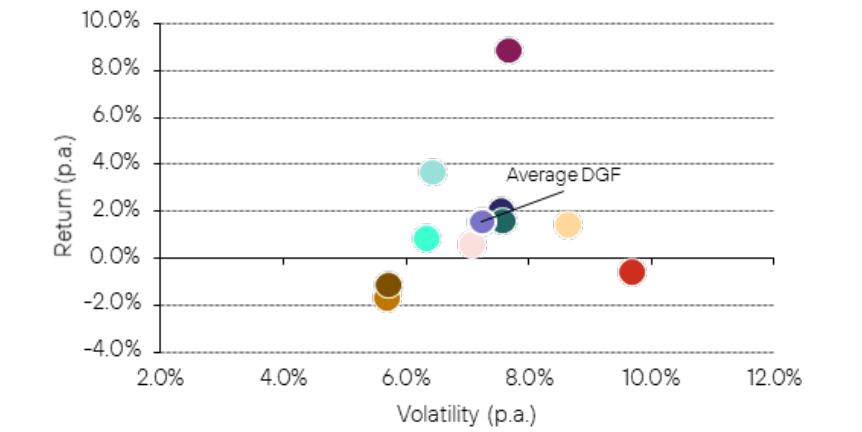
Sources: Refinitiv.

Market Background – Absolute Return

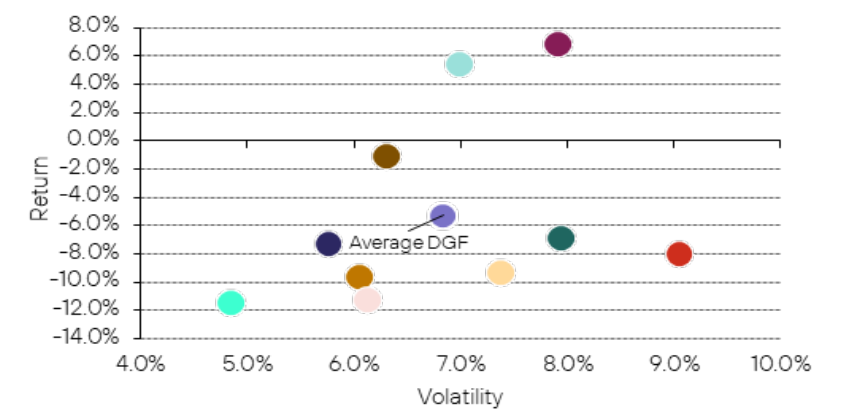
Sample Manager Average Returns– Q4 2022



Sample Manager Returns and Volatility – 3 Years (p.a.)



Sample Manager Returns and Volatility – 12 months



Commentary

- The average Absolute Return Fund outperformed the 'cash plus' target over Q4 2022, as asset values began to recover some of the losses experienced earlier in the year. The longer term performance numbers for most Absolute Return Fund remain below that of the absolute return performance objective.
- Most broad equity markets offered positive returns for the first period this year, as investor sentiment improved over hopes that inflation has peaked. Performance was also aided by the tightening of credit spreads across most major economies.
- Returns over the longer term have suffered from the sell-off over 2022 with managers finding it difficult to source positive returns from most asset classes. Whilst the broad market backdrop posed significant challenges, some managers fared better than others in terms of providing downside protection.
- The majority of managers remain aware of geopolitical tensions, as well as the impact of economic policy, as inflation continues to be of concern to most global economies.

Within our sample of managers we have incorporated the performance of ten Absolute Return Funds with various manager styles, aiming to give a balanced view of the market.

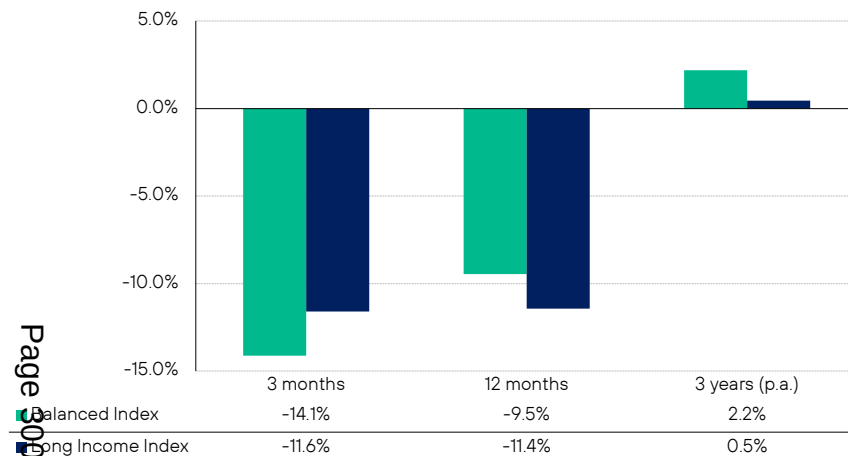
Notes: Please see the 'Explanation of Market Background' appendix for details of the underlying indices. All returns quoted are net of management fees.

Sources: Investment Managers, Isio calculations

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Market Background – Real Assets

UK Commercial Property – Balanced and Long Lease

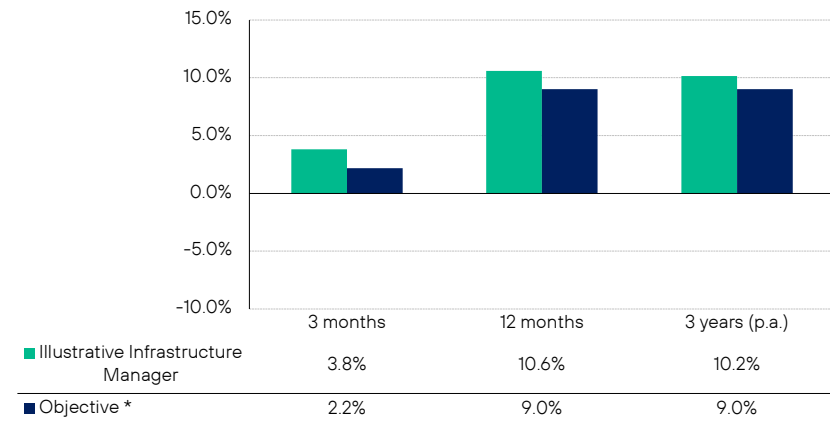


Commentary

- Commercial property returns were materially negative on the back of significant valuation declines, this followed the c.4% decline experienced in Q3 2022 for both the core balanced and long income markets.
- The main drivers were rising interest rates negatively impacting valuations (and the cost of debt) across the market, as well as concerns that a recessionary environment will negatively impact occupier demand and rental prices. These factors combined resulting in falling investor appetite
- Given valuation falls, the index* yield rose from 4.2% in Q2 2022 to 5.0% in Nov 2022.
- Long lease property outperformed balanced property over Q4 largely due lower exposure to the industrials sector on average (particularly the more cyclical areas such as factories, plants and warehouses), which underperformed given expectations of weakness in consumer demand, as well as a higher average exposure to the alternatives sector (pubs, hotels etc.), which performed relatively better.
- The aftermath of the mini-budget resulted in a wave of property redemptions requests in late Q3 and Q4 2022 with the anticipation of more to come. As a result, some managers deferred redemption requests in an effort to protect value for investors.

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Global Core Infrastructure



- Objective: 9.0% p.a. net of all fees over the long term, ranging between 8%-12% depending on market cycle stage.

Commentary

- Infrastructure performed strongly over the quarter, on an absolute basis and relative to other real asset classes e.g. UK commercial property, on the back of declining energy prices, stronger than expected global economic data and continued elevated inflation levels..
- The continued recovery in the travel sector post the COVID-19 period led to the transportation sector outperforming, with strong pent-up demand and optimism as travel restrictions continued to be lifted. Toll road valuations held up, evidenced with recent market transactions indicating strong investor demand for high quality revenue generating investments with an element of cyclical demand (core plus investments).
- Data centres, while performing well, lagged other sectors as healthy quarterly earnings were outweighed by concerns that higher interest rates may affect the 2023 earnings in these sectors specifically.
- Global fuel supply issues continue to present a challenging environment for the midstream (transportation, storage, and wholesale marketing) energy operators. However, assets focused on the energy transition appear to be better placed.

Summary

UK Commercial Property

After a strong first half of 2022, commercial property performance was negative in Q3 and significantly down in Q4 2022. Valuation declines were driven by rising interest rates, the rising cost of debt, as well as concerns that a recessionary environment will negatively impact occupier demand and rental prices.

Recent falls in retail sales, house prices, consumer spending are showing signs the UK is in or heading into a recession..

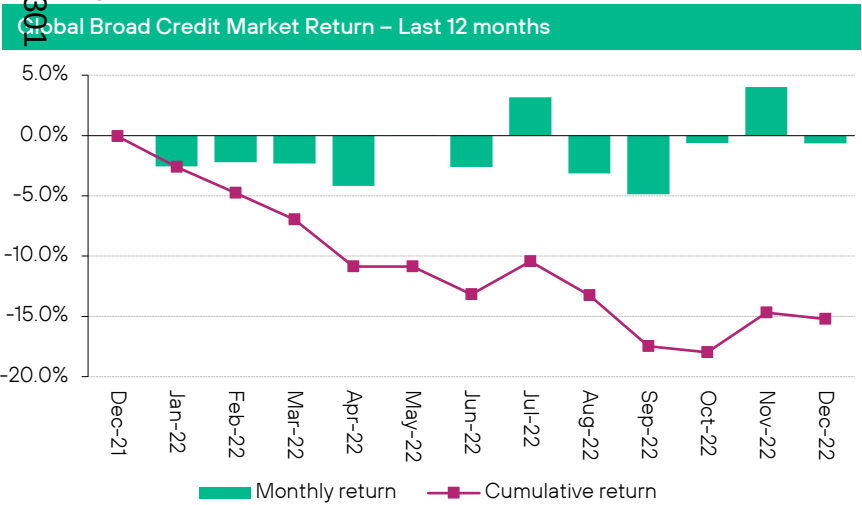
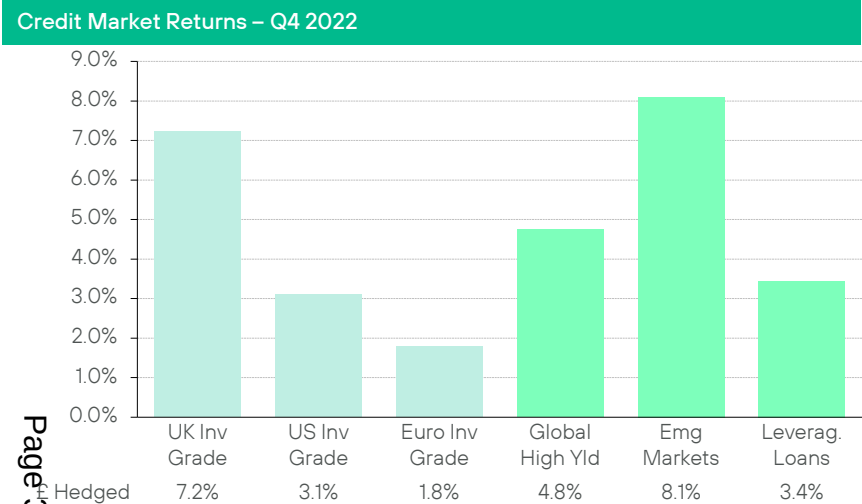
Given the correlation to GDP, we expect capital values for property sectors to continue to come under pressure in the near-term, having fallen by 10-20% in the second half of 2022., ahead of stabilising in late Q1 or early Q2 2023.

Infrastructure

Infrastructure performed positively in Q4 as a number of headwinds over the majority of 2022 (e.g. high energy prices and weakening economic data) calmed somewhat in Q4. 12 month performance continues to be strong.

In the coming months and quarters, we remain cautious that infrastructure could come under pressure due to the impact of lagged valuations. We believe a focus on a prudent approach targeting assets that are well underwritten, with high inflation linkage in revenues and low levels of leverage will serve investors well.

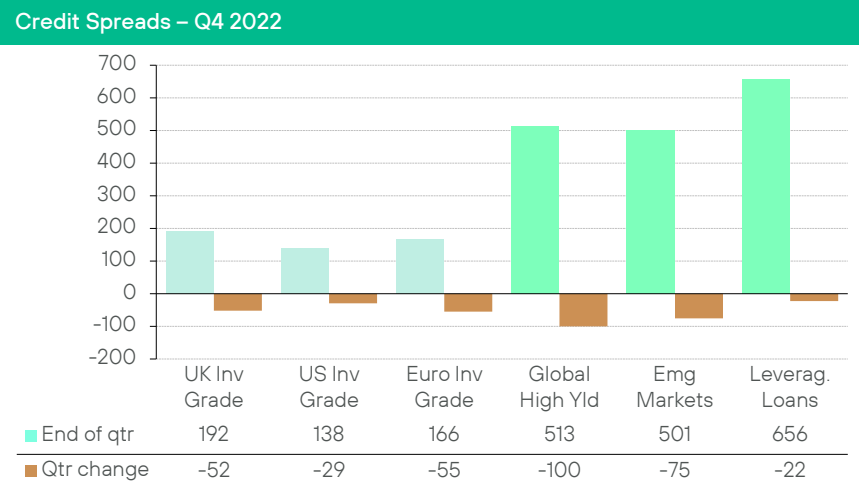
Market Background – Credit



Notes: Please see the 'Explanation of Market Background' appendix for details on the underlying indices shown. Credit spreads are shown in basis points (100bps = 1%) and correspond to the incremental yield available on corporate bonds above government bonds of a similar maturity. Floating rate assets have reduced interest rate sensitivity than fixed rate and are therefore less exposed to rising interest rates.

Sources: Thomson Reuters, PIMCO, Fidelity.

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Commentary

Despite expectations of a recession in 2023, credit returns were positive in Q4 as global inflation began to show some signs of moderating. This led to suggestions from central banks that future rate rises might be slower than those seen in 2022, which in turn led to falling government bond yields, thus supporting corporate credit valuations.

- **Investment grade ('IG') bonds** generated positive returns, benefitting from their interest rate sensitivity over a period when government bond yields fell.
- **High yield ('HY') bonds** also produced positive returns, their first positive quarter in 2022. Supported by low new issuance, both US and European markets performed well, primarily due to central bank messaging and improving economic data.
- **Emerging market ('EM') debt** recorded strong positive returns, largely driven by improved investor sentiment on the back of the re-opening of China's economy. EM debt also outperformed broader credit markets amid Q4's recovery due to its greater cyclicity and longer duration, which were both rewarded during the quarter.

Summary

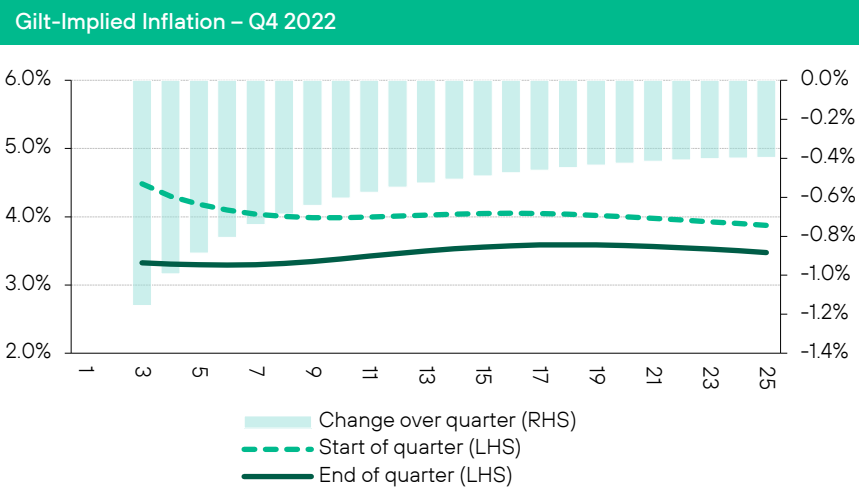
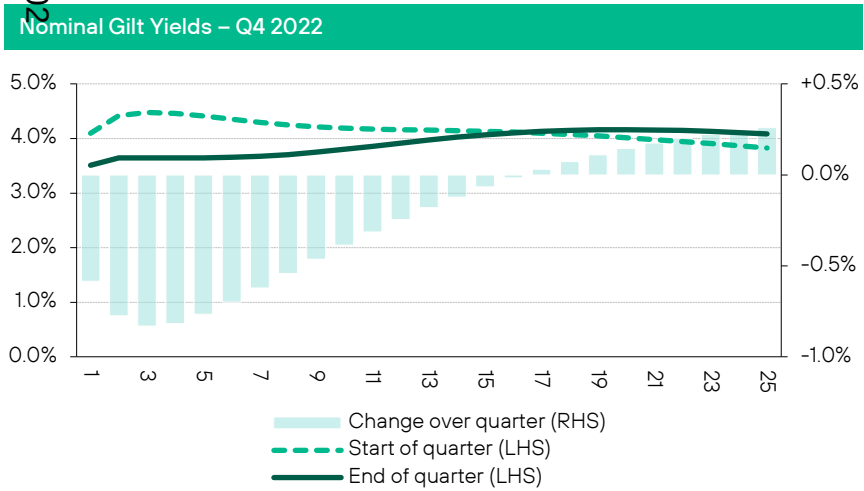
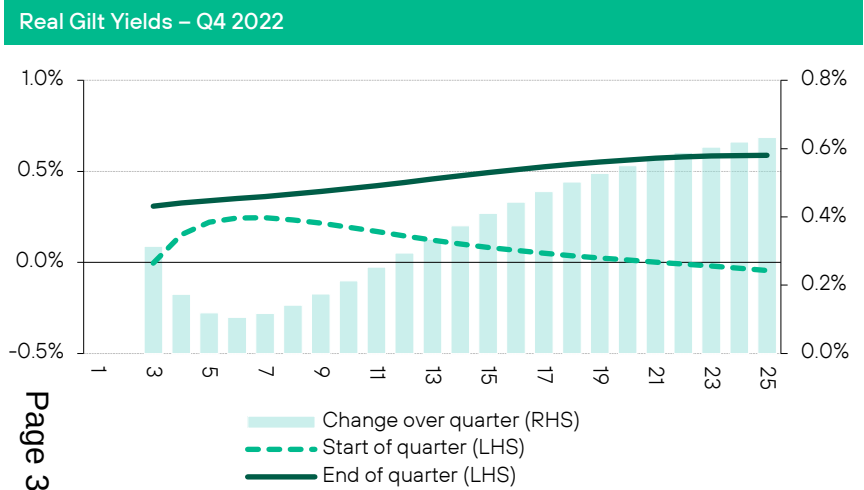
Credit markets delivered positive returns over Q4 as government bond yields fell. In the UK, gilt yields in particular fell from elevated levels following the 'mini-budget' announcement, initially due to the Bank of England's intervention in the gilt market.

Rishi Sunak became the new Prime Minister following Liz Truss' resignation, signalling the reversal of the 'mini-budget' proposals and allowing gilt yields to stabilise somewhat.

Signs of inflation peaking and softer central bank messaging contributed to global government bond yields falling. Gilts outperformed other developed market government bonds, which in turn helped UK IG outperform US and Euro IG.

The recovery in loans lagged the high yield market over the quarter given the floating rate nature of loans. This meant they were less exposed to the movements in yields, which helped fixed rate assets – such as high yield – to outperform.

Market Background – Yields



- Commentary
- Long-dated (20-year) yields at the quarter-end were:
 - Real gilt yield: 0.6%
 - Nominal gilt yield: 4.2%
 - Gilt-implied inflation expectation: 3.6%

These curves show gilt yields and inflation expectations at varying time horizons. The horizontal axis represents the number of years.

Explanation of Market Background

Market Background – Overview

- Returns by Asset Class – The market indices underlying this chart are as follows:
 - UK Equity: FTSE All-Share
 - Global Equity: FTSE World (Unhedged and Hedged)
 - Emerging Market Equity: MSCI Emerging Markets
 - Absolute Return Funds: mean of a sample of managers
 - Property: IPD Monthly UK
 - Global High Yield: BoAML Global High Yield (GBP Hedged)
 - UK Inv. Grade Credit: BoAML Sterling Non-Gilt
 - Over 15 Years Gilts: FTSE Over 15 Year Gilt
 - Over 5 Years Index-Linked Gilts: FTSE Over 5 Year Index-Linked Gilt
 - Example Liabilities: a simplified calculation illustrating how a typical pension scheme’s past-service liabilities may have moved

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Market Background – Global Equity

- Regional Returns – The market indices underlying this chart are as follows:
 - World: FTSE World
 - UK: FTSE All Share
 - North America: FTSE North America
 - Europe ex UK: FTSE Europe ex UK
 - Japan: FTSE Japan
 - Emg Mkts: MSCI Emerging Markets
- Sector Returns – The market indices underlying this chart are the relevant sectors from the MSCI All-Countries index.
- VIX Volatility Index – This is a forward-looking indicator. It represents the expected range of movement (in percentage terms) in the S&P 500 index (i.e. US equities in dollar terms) over the next year, at a 68% confidence level. It is calculated using options prices over a 30-day horizon.

This glossary explains the components of the Market Background charts in Appendix 1.

All returns are in Sterling terms, unhedged, unless otherwise stated. Where “hedged” returns are quoted, these are local currency returns (i.e. any costs and imprecisions in hedging are assumed to be negligible).

Explanation of Market Background (cont.)

Market Background – Absolute Return

- **Absolute Return Funds** – Due to the lack of a market index for Absolute Return, we illustrate the performance of this by showing the returns of 10 of the largest funds by assets under management. Specifically:
 - Aberdeen Standard Global Absolute Return Strategies
 - Aviva Multi-Strategy Target Return
 - Baillie Gifford Diversified Growth
 - BlackRock Dynamic Diversified Growth
 - Invesco Perpetual Global Targeted Returns
 - L&G Diversified
 - Newton Real Return
 - Nordea Stable Return
 - Ruffer Absolute Return
 - Schroder Diversified Growth
- The 'Average Absolute Return Fund' performance is an equally-weighted average of the sample of 10 managers' performance figures.
- Returns are shown net of each manager's standard fee. While every effort has been taken to select vehicles with institutional/clean fee structures, the impact may not necessarily reflect any particular client's fee arrangements.
- Volatility is calculated by annualising the volatility of daily returns.
- As clients have specific selection criteria, the managers listed here may not meet any given client's criteria.
- Absolute Return encompass a range of investment approaches, return targets, and risk profiles. Consequently, different managers' returns are not necessarily a like-for-like comparison.

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Market Background – Real Assets

- **Real Assets** – The market indices underlying these charts are:
 - Core UK Property: IPD Monthly UK Index
 - Long Lease UK Property: IPD Long Income Property Fund Index

This glossary explains the components of the Market Background charts in Appendix 1.

All returns are in Sterling terms, unhedged, unless otherwise stated. Where "hedged" returns are quoted, these are local currency returns (i.e. any costs and imprecisions in hedging are assumed to be negligible).

Explanation of Market Background (cont.)

Market Background – Credit

- Sector Returns and Credit Spreads – The market indices underlying this chart are as follows:
 - UK Inv Grade: BoAML Sterling Non-Gilt
 - US Inv Grade: BoAML US Corporate (GBP Hedged)
 - Euro Inv Grade: BoAML Euro Corporate (GBP Hedged)
 - Global High Yield: BoAML Global High Yield (GBP Hedged)
 - Emerging Markets: JP Morgan EMBI Global (GBP Hedged)
 - Leveraged Loans: S&P/LSTA US Leveraged Loan Equity (GBP Hedged)
- Global broad credit market return – The market index underlying this chart is the BoAML Global Broad Market Corporate Index (GBP Hedged):
 - The Global Broad Market Index tracks the performance of investment grade public debt issued in the major domestic and eurobond markets, including 'global' bonds.
 - Qualifying bonds must have at least one year remaining term to maturity and a fixed coupon schedule. Bonds must be rated investment grade and be domiciled in a country having an investment grade foreign currency long-term debt rating (based on a composite of Moody's and S&P).

Market Background – Yields

- Yields – Yields shown are annual yields (i.e. they have been converted from the "continuously compounded" basis quoted by the Bank of England).
- Example Liabilities – This illustrates how a typical scheme's past-service liabilities may have moved.
 - It is based on a simplified calculation assuming a scheme with duration 20 years and liabilities split 70% inflation-linked and 30% fixed.
 - Liability movement is calculated using yield changes and unwinding (short-term interest rate with no premium) only, with no accrual, outgo, or inflation experience.
 - A rise in yields equates to a fall in the calculated value of the liabilities (due to the higher discount rate at which the future cashflows are valued); conversely, a fall in yields means a rise in liabilities.

This glossary explains the components of the Market Background charts in Appendix 1.

All returns are in Sterling terms, unhedged, unless otherwise stated. Where "hedged" returns are quoted, these are local currency returns (i.e. any costs and imprecisions in hedging are assumed to be negligible).

How to Read the Fund Manager Pages

How to Read the “Overview” Section

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- Expected Volatility

Low

High
- This is a standard quantitative measure of our expectation of absolute annual volatility of the fund.
 - The measure ranges from 1% p.a. for the least volatile strategies (e.g. Cash) to 30% p.a. for the most volatile strategies (e.g. Emerging Markets Equity).
- Shape of Outcomes

0% Contractual

100% Contractual
- This is an Isio-specific measure of how “contractual” the expected return from the fund is.
 - The measure ranges from 0% for strategies that have no fixed return component and are instead based on a share of any profits (e.g. Global Equity) to 100% for strategies where the return in normal conditions is fixed and predictable (e.g. Corporate Bonds).
- Diversification

Low

High
- This Isio-specific measure shows how diversified we consider the fund to be, in terms of broad market risk drivers.
 - The measure ranges from “low” for mandates that invest in a single asset class that is concentrated in other respects, such as geography (e.g. European Direct Lending) to “high” for mandates that invest in a wide range of diversified asset classes (e.g. Diversified Growth Funds).

Manager Ratings

- We show two ratings for a manager:
- Research View:** This comprises our opinion of the manager as a whole, judged against the client’s specific selection criteria (which usually include ESG considerations). The possible ratings are:
- Meets Criteria
 - Partially Meets Criteria
 - Significantly Fails to Meet the Criteria
 - Not Evaluated
- ESG View:** This is a narrower opinion focusing specifically on the manager’s treatment of ESG (Environmental, Social, and Governance) issues. The possible ratings are:
- Green
 - Amber
 - Red
 - Not Evaluated

This page contains guidance on how to read the fund manager pages

Disclaimers

Performance, Opinions, and Estimated Liabilities

- This report sets out the past performance of various asset classes and fund managers. It should be noted that past performance is not a guide to the future.
- Our opinions (and comparison vs criteria) of the investment managers stated in this report are based on Isio’s research and are not a guarantee of future performance. These are valid at the time of this report but may change over time.
- Our opinions of investment products are based on information provided by the investment management firms and other sources. This report does not imply any guarantee as to the accuracy of that information and Isio cannot be held responsible for any inaccuracies therein. The opinions contained in this report do not constitute any guarantees as to the future stability of investment managers which may have an effect on the performance of funds.
- Funds that make use of derivatives are exposed to additional forms of risk and can result in losses greater than the amount of invested capital.
- The estimated liabilities (where quoted) have been “rolled forward” from the last actuarial valuation and/or funding update, by taking current bond yields and inflation expectations into account. The methodology underlying the actuarial assumptions (e.g. discount-rate premium, mortality, real salary growth etc.) is assumed to remain constant for this estimate. Due to the approximate nature of the calculations, the Fund’s actual experience and changes in future valuation assumptions may mean that the liabilities and funding position calculated at the next actuarial valuation (or funding update) could be significantly different from the quoted estimate.

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Addressee and Isio Relationships

- This report has been prepared for the sole benefit of the East Sussex County Council as Administering Authority of the East Sussex Pension Fund and based on their specific facts and circumstances and pursuant to the terms of Isio Group/Isio Services Ltd’s Services Contract. It should not be relied upon by any other person. Any person who chooses to rely on this report does so at their own risk. To the fullest extent permitted by law, Isio Group/Isio Services Ltd accepts no responsibility or liability to that party in connection with the Services.
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- The information contained within the report is available only to relevant persons, and any invitation, offer or agreement to purchase or otherwise acquire investments referred to within the report will be engaged in only with relevant persons. Any other person to whom this communication is directed, must not act upon it.
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Strategic Objectives for Isio as Investment Consultant as approved by Pensions Committee

East Sussex Pension Fund objectives and requirements from consultants	Investment Consultant objectives	Desired outcomes / measurement
• Ensure members' benefits are met as they fall due • Support a long term funding approach that is consistent with a stable and affordable contribution approach from the employers	• Advise on a suitable Strategic Asset Allocation and investment strategy. • Ensure the strategy is reviewed and amended to deliver the required investment returns from the Fund's investments in line with Funding Strategy statement. • Ensure Risk and return is assessed in all strategic investment decisions supporting the need for pension liabilities of the Fund to be met and support progress towards a long term steady state of funding • Deliver an investment approach that reflects the Fund's cashflow position, and likely evolution, and minimises the risk of forced disinvestment.	• Returns from the investment strategy over time are in line with or exceed the assumptions within the Funding Strategy Statement and the funding level remains within the expected range of outcomes • The Fund has sufficient cash flow to allow members benefits to be paid when due
• Ensure the Fund's approach is aligned with the objectives of pooling and associated guidance • Ensure cost efficient implementation of the Fund's investment strategy	• Advise on the cost efficient implementation of the Fund's investment strategy as required, taking into account the evolution of the ACCESS pool. • Provide clear information so that the Committee is able effectively to monitor the underlying strategies it is invested in. • Provide oversight and scrutiny of the ACCESS Investments. • Ensure transition costs are considered in manager or asset class changes	• Evolve performance monitoring and reporting to reflect the investment of assets through the ACCESS pool • Ensure a focus on key risk / return priorities • Challenge of any areas of poor performance highlighted and solutions identified

	Consider all associated costs when supporting the fund in manager selection or pool allocation decisions	
- Ensure the Fund's approach reflects relevant regulatory and legislative requirements - Ensure the Funds Responsible Investment policy is kept under review and is reflected in ongoing governance and decision making processes	- Ensure investment advice complies with relevant pensions regulations, legislation and supporting guidance. - Advise and support the Committee in developing the Committee's policies and beliefs, including those in relation to Responsible Investment. - Ensure investment advice reflects the Committee's policies and beliefs, including those in relation to Responsible Investment considerations.	- No instances of non-compliance with relevant regulations - Evidence that the Fund's investment arrangements are consistent in all respects with the Committee's set of investment beliefs - Committee very satisfied with level of support provided
Ensure the Fund's investment objectives are supported by an effective governance framework	- Provide relevant and timely advice. - Help the Committee develop knowledge and understanding by providing appropriate training and well structured reports with clear language and supported recommendations. - Assist with identifying topics where further training may be beneficial to the Committee	- All reports and advice delivered within prescribed timescales - Committee Knowledge and Understanding on investment matters increases or remains high - Committee are very satisfied with the value of money represented by the services provided



2023/24

Business Plan & Budget

Introduction

ACCESS has its origins in 2016 when eleven Local Government Pension Scheme (LGPS) Authorities agreed to begin working collectively to address the requirements of the Government's agenda for pooling LGPS investments.

The following strategic objectives are in place:

- enable the Councils to execute their fiduciary responsibilities to LGPS stakeholders, including scheme members and employers, as economically as possible;
- provide a range of asset types necessary to enable those participating Authorities to execute their locally-determined investment strategies as far as possible;
- enable the Councils to achieve the benefits of pooling investments, preserve the best aspects of what is currently done locally, and create the desired level of local decision making and control.

In order to achieve these objectives, the Councils have established a set of governing principles.

The governing principles are summarised below.

Collaborative	Risk management	Objective evidence based decisions
Equitable voice in governance	Professionalism	Equitable cost sharing
No unnecessary complexity	Evolution and innovation	Value for money

Implicit within the above principles is the democratic accountability and fiduciary duty of the Councils as Administering Authorities.

The Joint Committee recommends an annual strategic business plan to the Councils, following recommendations from Section 151 Officers and following input from the ACCESS Support Unit (ASU).

Context

During 2022/23 further progress took place in pooling active listed assets, and the Business As Usual (BAU) Evaluation continued. With Real Estate, the pool's first approach to illiquid assets was put in place. In partnership with Minerva, the pool's Environmental, Social and Governance / Responsible Investment guidelines were revised and updated.

Enhancements were made to the pool's online presence, and procurements undertaken for continued communications support to be in place and a third-party review of both objectives and the ACCESS Support Unit.

It is anticipated that 2023/24 will see key activities within the following themes:

Actively managed listed assets: further pooling active listed assets within the Authorised Contractual Scheme (ACS).

Scheduled BAU evaluation: preparation for, and the commencement of, the re-procurement of operator services in the penultimate year of the Operator Agreement.

Alternative / non-listed assets: work on the procurement of pooled asset solutions for private debt and private equity.

Passive assets: ongoing monitoring and engagement with UBS.

Governance: the continued application of appropriate forms of governance throughout ACCESS; the commencement of RI reporting support for the pool and the commencement of the second contract for communications support.

ACCESS Support Unit (ASU): the implementation of the outcomes of the external review of the ASU.

Business Plan

The Business Plan is proposed each year to the Councils by the Joint Committee on the basis of recommendations from the s151 Officer Group. The Joint Committee, on advice from the s151 Officer Group, determine a budget in order to deliver the annual Business Plan. Workstreams for the ASU are monitored at the Officer Working Group (OWG) and in turn reported to

the s151 Officer Group where key ACCESS business plan activity and deliverables for the fiscal year are considered.

Each theme within the business plan includes milestones planned for the year. The strategic nature of ACCESS's objectives means that a number of the 2023/24 milestones build on work previously undertaken and will in turn provide the foundation for further milestones in subsequent years.

The *Joint Committee* will receive updates on the milestones at each meeting.

Budget

A budget totalling **£1.559m** to support the business plan is included at the end of this paper.

Theme	Milestone	2023/24 activity
Actively managed listed assets	Launch of Tranche 6	Anticipated H1 2023
	Launch of Tranche 7a	Anticipated 2023/24
	Launch of Tranche 7b	Anticipated 2023/24
	Determine, approval & launch of Tranche 8 (if required)	Anticipated 2023/24
Scheduled BAU evaluation	2023/24 is the penultimate year of the Operator Agreement.	Preparation for, and the commencement of, the reprocurement of operator services.
Alternative / non-listed assets	Initial implementation of approach to pool illiquid assets	Work on the procurement of pooled asset solutions for private debt and private equity.
Passively managed assets	Ongoing monitoring of assets managed on a passive basis	Further engagement and exploration with UBS will continue throughout the year.

Theme	Milestone	2023/24 activity
Governance	Meetings and oversight	Arrangements will be made to support meetings of the Joint Committee. Meetings of s151 Officers will also be held.
	Operational protocols	The implementation of the outcomes of the third-party review of objectives.
	Engagement with HM Government Department for Levelling UP, Communities & Housing (DLUHC)	ACCESS will liaise with the Scheme Advisory Board as appropriate. Periodic reports will be provided to DLUHC as required. The Pool will actively participate with any Cabinet Officer / DLUHC pooling-related consultations.
	Joint Policies & guidelines	The procurement and commencement of RI reporting support for the pool. An annual review will be conducted of the pool's RI Guidelines. The pool's second Communications support contract will commence. Continued activity will take place on implementing the Communications plan.

Theme	Milestone	2023/24 activity
ACCESS Support Unit (ASU)	ACCESS Support Unit	The outcomes of the third-party review of the ASU will be implemented. An annual internal audit of the ASU will take place.

A separate risk register measures the risk of the strategic objectives and milestones not being achieved and the resultant impact.

Budget 2023/24

The budget for 2023/24 is detailed below.

	Agreed Budget 2022/2023 £	Actual Costs as at 31 Oct plus forecast 2022/2023 £	Proposed Budget 2023/24 £
ASU			
ASU Salaries (incl. on cost)	465,000	461,127	499,833
ASU Operational	23,000	19,852	23,000
ASU Host Authority Recharge	35,000	34,000	35,700
Technical Lead Recharge	45,000	34,063	40,000
ASU Total	568,000	549,042	598,533
Professional Costs			
<i>Internal Professional Costs</i>			
JC Secretariat	22,000	22,495	23,100
Procurement	60,000	77,000	145,000
<i>Internal Professional Costs</i>	82,000	99,495	168,100
<i>External Professional Costs</i>			
Strategic & Technical	546,000	445,895	602,000
Legal & Governance	170,000	169,750	190,400
<i>External Professional Costs</i>	716,000	615,645	792,400
Professional Costs Total	798,000	715,140	960,500
Total Costs	1,366,000	1,264,182	1,559,033
Cost Per Authority	124,182	114,926	141,730

Key budget assumptions

The full year effect of the ASU comprising of five full time officers.

The continuation of Technical Lead support at November 2022 levels.

Joint Committee Secretariat services remaining with Kent County Council for the duration of 2023/24.

Expenditure for a Procurement Lead Authority to deliver the following:

- procurement support for the provision of private debt and private equity pooled asset solutions; and
- any procurement requirements arising from the Scheduled BAU evaluation.

External professional costs cover a range of matters including:

- ongoing advice and project management support in relation to the Scheduled BAU evaluation;
- the required reporting associated with Responsible Investment guidance;
- pool communications; and
- ongoing advice in support of operational pool activity.

External legal advice.

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Report to: Pension Committee

Date of meeting: 22 February 2023

By: Chief Finance Officer

Title: Work Programme

Purpose: To note the Board and Committee work programme

RECOMMENDATION

The Pension Committee is recommended to consider and agree the work programme.

1 Background & Supporting information

1.1 The work programme contains the proposed agenda items for future Pension Board and Pension Committee meetings over the next year and beyond. It is included on the agenda for each Committee meeting.

1.2 The work programme also provides an update on other work going on outside the Board and Committee's main meetings, including working groups, upcoming training and a list of any information requested by the Board or Committee that is circulated via email.

1.3 This item also provides an opportunity for Members to reflect on any training they have attended since the last meeting.

2 Conclusion and reasons for recommendations

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

IAN GUTSELL
Chief Finance Officer

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Pension Board and Committee – Work Programme

Future Pension Board Agenda		
Item	Description	Author
Standing items (items that appear on each agenda)		
Pension 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 Manager – 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 Manager – 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
30 May 2023		
Governance and Compliance Statement	Annual Review of Governance and Compliance Statement	Governance and Compliance Pensions Manager
Additional Voluntary Contributions (AVC) Report	AVC update report on AVC offerings to members	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

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
Privacy Notice and Memorandum of Understanding	Annual review of Funds Privacy Notice (summary and full) and Memorandum of Understanding to check for any changes. This will be reported as a note in the governance report if no required changes.	Governance and Compliance Pensions Manager
Breaches Policy refresh	3 year review of the Breaches policy to ensure up to date and representing best practice	Governance and Compliance Pensions Manager
4 September 2023		
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
2 November 2023		
Employer Forum Agenda	Discussion on Pension Fund Employer Forum Agenda topics	Pensions Manager – Employer Engagement
Annual Training Plan	Report on Training completed in the year and training recommendations for the up-coming year	Head of Pensions
8 February 2024		

Business Plan and Budget 2024/25	Report to set the Budget for the Pension Fund for the Financial Year 2024/25 including the Business Plan with key deliverables for the year.	Head of Pensions
External Audit Plan for the East Sussex Pension Fund 2023/24	Draft External Audit Plan for 2023/24 Pension Fund Financial Statements	Head of Pensions

Actions requested by the Pensions Board

Subject Area	Detail	Status
Internal Audit reports	The Board requested that internal audit consider an audit of the common data sets provided to the Pensions Regulator	TBC
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.	Complete
Decision making	To revise the decision-making matrix (including a RACI model) and to circulate it for information.	Complete
Governance Committee – Committee Representation	Request a report for Governance Committee to consider the constitution of the Pension Committee for representation	Complete

Future Pension Committee Agenda		
Item	Description	Author
Standing items (items that appear on each agenda)		
Governance Report	A report on governance issues effecting the fund, developments in the LGPS, approval of policy amendments and McCloud working group update	Pensions Manager – 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
15 June 2023		
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 2022/23	Draft External Audit Plan for 2021/22 Pension Fund Financial Statements	Head of Pensions
Additional Voluntary Contributions (AVC) Report	AVC update report on AVC offerings to members	Head of Pensions
Privacy Notice and Memorandum of Understanding	Annual review of Funds Privacy Notice (summary and full) and Memorandum of Understanding to check for any changes. This will be reported as a note in the governance report if no required changes.	Governance and Compliance Pensions Manager
Breaches Policy refresh	3 year review of the Breaches policy to ensure up to date and representing best practice	Governance and Compliance Pensions Manager

Carbon Footprinting	A report on the carbon footprint of the portfolio of ESPF including whether investments are in line with transition pathways. (Note this may slip to September depending on supplier turnaround times)	Head of Pensions
20 July 2023 Investment Strategy review and training day (not a formal Committee meeting unless urgent decisions required)		
19 September 2023		
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
Investment Strategy Statement	Refresh of the Investment Strategy Statement following Strategy review day in July to formalise and approve the new strategy post triennial valuation	Head of Pensions
Stewardship Code submission for 2022	Second annual submission to FRC for Stewardship activities for calendar year 2022 prior to October submission date	Head of Pensions
16 November 2023		
Employer Forum Agenda	Discussion on Pension Fund Employer Forum Agenda topics	Pensions Manager – Employer Engagement

Annual Training Plan	Report on Training completed in the year and training recommendations for the up-coming year	Head of Pensions
22 February 2024		
Business Plan and Budget 2024/25	Report to set the Budget for the Pension Fund for the Financial Year 2024/25 including the Business Plan with key deliverables for the year.	Head of Pensions
External Audit Plan for the East Sussex Pension Fund 2023/24	Draft External Audit Plan for 2023/24 Pension Fund Financial Statements	Head of Pensions

Actions requested by the Committee		
Subject Area	Detail	Status
The case for Divestment and implications on Investment Strategy	Committee agreed in July 2022 to ask officers and the Fund's external advisers to conduct a piece of work concurrent with the completion of the triennial valuation which: 1. Assesses the fiduciary and legal consequences of fossil fuel divestment for the Fund; 2. Examines how such a move aligns with relevant guidance and advice; 3. Explores how practical an act it would be within the context of the ACCESS pool; and 4. Reviews evidence on the efficacy of such an approach in promoting the energy transition.	In progress - planned for discussion to aid the strategy review in July 2023, in advance of the September committee for investment strategy approval

Current working groups		
Title of working group	Detail and meetings since last Pensions Board and Committee meetings	Membership
Investment Implementation Working Group (IIWG)	The Investment Working Group and ESG working group have been amalgamated, as agreed at Pensions Committee 21 September 2020. The IIWG has an advisory role to oversee the implementation of decisions by the Pension Committee in relation to investment decisions and carry out detailed research and analysis for Pensions Committee. Recent IIWG meetings • 27 September 2022 (economic volatility) • 26 October 2022 (update on economic volatility, credit mandates)	William Bourne, Russell Wood, Sian Kunert, Representative from Investment Consultant Cllr Fox or substitute committee member is invited to attend
Administration Working Group	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 Recent meetings • 16 October 2022 Scheduled • 30 January 2023 • 20 March 2023 • 16 May 2023 • 4 July 2023 • 24 August 2023 • 9 October 2023 • 5 December 2023	Cllr Fox, Ray Martin, Neil Simpson, Paul Punter, Sian Kunert, Ian Gutsell

McCloud Working Group	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. A high-level impact assessment has been completed to identify those members of the scheme that will be affected by this ruling. 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. Recent meetings • 5 January 2023	Cllr Fox, Lynda Walker, Paul Punter, Sian Kunert, Dave Kellond, Mike Burton
Communications Working Group	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. Recent meetings • 9 November 2022 Scheduled meetings • 21 February 2023 – Summary accounts and ABS changes • 17 May 2023 • 12 September 2023 • 12 December 2023	Lynda Walker, Ray Martin, Cllr Druitt, Sian Kunert, Tim Hillman, Paul Linfield Note - All Board members invited to attend

Training and Development – attendance at recent events

Invited	Date	Topic	Committee	Board
New Mem	18-Oct	FUNDAMENTALS 2022 Day 1 – Legal Framework of the LGPS		Neil
C + O	16-Nov	SPS Local Authority Pension Investment & Current Issues - LGPS pools, funds and industry organisations	Cllr Redstone	
New Mem	22-Nov	FUNDAMENTALS 2022 -Day 2 – LGPS Investments		Neil
New Mem	20-Dec	FUNDAMENTALS 2022 Day 3 – Duties and Responsibilities		Neil

Highlighted items are Officers led training

For the period of October to the end of December the Board and Committee combined have been invited to 17 training events. This number includes 3 day Fundamentals training for new members,

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of the Local Government Act 1972.

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