



PENSION BOARD

THURSDAY, 8 FEBRUARY 2024

10.00 AM, COUNTY HALL, LEWES

MEMBERSHIP - Ray Martin (Chair)
Tim Oliver, Trevor Redmond, Zoe O'Sullivan, Neil Simpson,
Councillor Andrew Wilson and Nigel Manvell

A G E N D A

1. Minutes of the meeting held on 2 November 2023 (*Pages 3 - 16*)
2. Apologies for absence
3. Disclosure of interests
4. Urgent items
Notification of any items which the Chair considers urgent and proposes to take at the appropriate part of the agenda.
5. Pension Committee Agenda (*Pages 17 - 20*)
6. Governance Report (*Pages 21 - 34*)
7. Governance Change Report (*Pages 35 - 42*)
8. Employer Engagement and Communications Report (*Pages 43 - 46*)
9. Pensions Administration Report (*Pages 47 - 56*)
10. East Sussex Pension Fund Draft Budget and Quarterly Budget report (*Pages 57 - 72*)
11. Internal Audit Strategy (*Pages 73 - 82*)
12. Additional Voluntary Contributions Report (*Pages 83 - 104*)
13. Pension Fund Risk Register (*Pages 105 - 116*)
14. Work Programme (*Pages 117 - 134*)
15. Any other non-exempt items previously notified under agenda item 4
16. Exclusion of the public and press
To consider excluding the public and press from the meeting for the remaining agenda item on the grounds that if the public and press were present there would be disclosure to them of exempt information as specified in paragraph 3 of Part 1 of the Local Government Act 1972 (as amended), namely information relating to the financial or business affairs of any particular person (including the authority holding that information).
17. Governance Report - exempt report (*Pages 135 - 256*)
18. Pension Fund Breaches Log (*Pages 257 - 268*)

19. Employer Admissions and Cessations Report (*Pages 269 - 278*)
20. Any other exempt items previously notified under agenda item 4

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31 January 2024

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PENSION BOARD

MINUTES of a meeting of the Pension Board held at Remote Meeting via Microsoft Teams on 2 November 2023.

PRESENT Ray Martin, Councillor Andrew Wilson, Neil Simpson, Zoe O'Sullivan, Tim Oliver and Trevor Redmond

ALSO PRESENT Ian Gutsell, Chief Finance Officer
Sian Kunert, Head of Pensions
Michael Burton, Pensions Manager: Governance and Compliance
Russell Wood, Pensions Manager: Investment and Accounting
Paul Punter, Head of Pensions Administration
Dave Kellond, Compliance and Local Improvement Partner
Tim Hillman, Pensions Manager: Employer Engagement
Georgina Seligmann, Governance and Democracy Manager
Cllr Paul Redstone
Cllr Gerard Fox
Cllr Taylor
Cllr Hollidge

76. MINUTES OF THE MEETING HELD ON 6 SEPTEMBER 2023

76.1 The Board agreed the notes of the previous meeting held on 06 September 2023 as a correct record.

77. APOLOGIES FOR ABSENCE

77.1 No apologies were received.

77.2 Ray Martin (RM) welcomed Trevor Redmond as a new member of the Board.

78. DISCLOSURE OF INTERESTS

78.1 There were no disclosures of interest.

79. URGENT ITEMS

79.1 There were no urgent items.

80. PENSION COMMITTEE AGENDA

80.1 The Board considered a report containing the draft agenda for the Pension Committee meeting due to be held on 16 November 2023 and noted that:

- The Carbon footprint performance information is still outstanding
- The substantive item for the November meeting is to address the signing of the accounts and agree the annual report.
- Board members will receive a summary of the Pension Committee as part of this item at future meetings.

80.2 The Board RESOLVED to note the agenda.

81. GOVERNANCE REPORT

81.1 The Board considered a report providing an update on various governance workstreams completed and changes affecting LGPS and the ESPF.

81.2 Michael Burton (MB) drew the Board's attention to the following:

- More information has been received regarding McCloud post publication of the report sent to the Board. Officers are adopting a flexible approach and working through the data; there are significant gaps in data and some issues with formatting where data has been received and therefore implementation of the remedy is not yet possible and will take some time to resolve.
- The LGA has provided some suggested wording for members as a notification is required by Christmas, work is in progress for the required individual communications and officers are working hard to identify which pieces of work can be progressed. The McCloud remedy is not expected to impact many members but it will be a significant piece of work to resolve matters.
- Teachers with excess service contracts may be entitled to remedy through the LGPS, this would require back dated contributions. More information is expected in the New Year and officers will update the Board accordingly.

81.3 The Board considered the funding report, introduced by SK who drew the Board's attention to the following:

- The report will be included on a quarterly basis to enable the Board to have better oversight of the funding position and how it feeds into the wider strategy and position. The report rolls forward market information from the valuation date every quarter to monitor the current funding position.
- There has been much volatility since March 22, investment returns are lower than expected however liabilities have also fallen and so the current funding position is the same as in March.
- At the next valuation the assumptions will be reconsidered, the mortality rate is currently falling so the Fund's liabilities may drop as a result.

81.4 Neil Simpson (NS) queried why there is no reference in the report that the real discount rate has changed, or to explain how that influences the liabilities and would welcome further information about what assumptions have changed and why, along with a view of liquidity of the Fund.

81.5 Officers confirmed that they would make training available to Board Members on actuarial matters and associated reports and that discussions at Pension Committee would be better summarised.

81.6 The Board congratulated the team on the 2023 LAPF Investment Award for Best LGPS Governance.

81.7 The Board RESOLVED to note the report.

82. EMPLOYER ENGAGEMENT AND COMMUNICATIONS REPORT

82.1 The Board considered an update on employer engagement activities and communication tasks that directly affect the East Sussex Pension Fund; activities have included website improvements and branding revisions to written communications to members; this information has also been fed through the Communications Working Group.

82.2 Tim Hillman (TH) drew the Board's attention to the following:

- The team are still working through the i-Connect queries from the ABS project and other end of year queries. The team are at different stages with onboarding individual employers with 123 employers onboarded and good progress is being made with those remaining. Officers have a number of lessons learnt from the employers already onboarded and can better pre-empt issues.
- ES College Group have changed their structure for managing the payroll which led to a backlog of submissions and are now back on track.
- The team are working with B&H CC on the March 23 file and are hoping to support the employer to resolve the outstanding issues soon. Training has been delivered to support key personnel.
- University of Brighton should be onboarded by early 2024.
- Training and information sessions have been delivered, via the Corporate Training team, to ESCC staff and positive feedback has been received from attendees. This is then planned for roll out to other employers.
- There is an Employer forum at the end of November and Board members are welcome to attend and should contact TH if they have not received an invitation.
- The employer contribution data has changed post publication; there were 2 late payments in July and 3 in August. These are not the same employers however

late payments tend to be due to a change in personnel in the smaller employers' teams.

82.3 The Board RESOLVED to note the report.

83. PENSIONS ADMINISTRATION REPORT

83.1 The Board considered a report providing an update on matters relating to Pensions Administration activities and Paul Punter (PP) drew the Board's attention to the following points:

- PAT performance numbers are 88% which is lower than the target at 95% with the impact of completing the B&H CC work now being felt. Lower performance figures are expected for the next quarter with various projects requiring resources including GMP and McCloud.
- The printing and postage project went live in September and has been progressing well.
- The team had to process over 2000 new starters following a large volume of data from one employer in August and there is still some way to go to process these. The prioritisation of tasks is key to ensure queries are responded to and issues addressed appropriately. Performance of retirement figures is at target.
- Projects; now below 400 outstanding ABSs and the Administration working group have oversight of project.
- The Members self-service requires some attention, the new version will be built from Quarter 1 2024, the login process will be more secure in order to strengthen data protection.
- Information regarding AVCs will be available at the next meeting as the data requires verification.

83.2 NS asked if these issues and the volume of work are likely to be more permanent or whether things will improve in time.

83.3 PP assured the Board that once one-off projects had been implemented there will be more resource available to respond to issues and that overtime had been offered and key appointments had been made. Automated resource will also be coming online which will be welcomed by the team and will add value.

83.4 RM confirmed that the Board would support extra resource being allocated to the team if required.

83.5 RM noted that the report included the number of the other types of pension top ups.

83.6 PP outlined the 50/50 scheme available to members and highlighted the 3 year auto-enrolment review that leads to members opting for the scheme more than once. There are 217 current members who have opted into the 50/50 scheme. The scheme is actively promoted to employers as they are the ones who have to receive the request from their employees.

83.7 Tim Oliver (TO) highlighted that although the member contributions are lower the employer continues to pay the full contribution rate which could impact the employers, though was assured that in the long run the valuation process would allow for the lower benefits being accrued.

83.8 The Board RESOLVED to note the report.

84. INTERNAL AUDIT REPORT

84.1 The Board considered the internal audit report presented by Danny Simpson (DS) and noted that although the levels of assurance has been issued as “Reasonable” due to the methods of assurance for employers making contributions being lacking however this is a pensions wide challenge and not unique to ESPF and if there is any shortfall in contributions overall, the contribution rates are adjusted as required through the triennial valuation process.

84.2 NS queried Reasonable Assurance as the evidence is not routinely collected and asked whether the ESCC internal audit is impacted as the audit covers external employers.

84.3 DS assured the Board that the contribution rates are correct, what is hard to see is what individual employers do to assure the contribution rates. The Fund is entitled to review the resources of assurance which has formed the basis of the audit but acknowledged there are some limitations. Auditing is on behalf of the Fund not the external employers.

84.4 TO offered detail of the process from an Employer perspective and highlighted the benefits of the data i-Connect produces.

84.5 The Board RESOLVED to note the report.

85. EAST SUSSEX PENSION FUND QUARTER 2 BUDGET MONITORING REPORT

85.1 The Board considered a report on the Quarter 2 forecasted financial outturn of the East Sussex Pension Fund (ESPF) for the 2023/24 financial year introduced by Russell Wood.

85.2 The forecast outturn at the second quarter of 2023/24 is £4.309m, an reduction of £0.154m from the approved budget mainly due to staff charges where vacancies remained open and some project delays and overspend.

85.3 The Board noted the good position and that investment fees have been removed from this budget.

85.4 The Board RESOLVED to note the report

86. ANNUAL REPORT

86.1 Annual Report Requirements - Local authorities are responsible for administering a pension fund (acting as scheme manager) and forming part of the Local Government Pension Scheme (LGPS). Each LA is required by the LGPS Regulations to publish a pension fund annual report. The publication of the annual report is separate from the authorities' own statutory accounts and contains financials statements in respect of the Pension Fund. Authorities are required to publish the annual report by 1 December. The annual report will be

presented to Committee for approval at its meeting on 16 November 2023.

86.2 The Board considered the draft report and opinion from Grant Thornton noting that the missing data will be updated and compiled for the Pension Committee meeting. The Audit Committee will receive the final report at their meeting of 24 November 2023.

86.3 The Audit was positive for the team and officers have not been made aware of any concerns at this stage.

86.4 The Board RESOLVED to note the report.

87. TRAINING REPORT

87.1 The Board received an update report on training needs, opportunities undertaken and planned events, introduced by MB, and noted the following points:

- There was a positive report from IT regarding the measures and processes the Fund has in place to manage Cyber security, a separate training meeting will be held on this.
- Training for new board members encouraged. Knowledge and Skills survey has not been completed by all Board or Committee members.
- Procurement cessations and admissions training need identified is coming in December and scheme actuary training needed to reflect the discussion at item 80.

87.2 NS highlighted that completing the assessments is really important especially as there are new board members and asked that the Chair of Pensions Committee emphasises the importance of completing the survey with Committee members.

87.3 TO highlighted that he felt the survey is quite onerous and hard to navigate.

87.4 Cllr Fox (GF) acknowledged that the survey is a complicated process but that it becomes more manageable over time and will reiterate the request at the next Committee meeting.

87.5 SK acknowledged that the survey is complex and confirmed that officers will support new members with the process so that explanations can be provided as required and Zoe O'Sullivan (ZO) confirmed that the embedded links to materials had been very helpful.

87.6 RM asked if officers could call members upon receipt of the survey to ensure they have all the required information to complete it and to offer to take them through it

87.7 The Pension Board RESOLVED to:

- 1) note the outcome of the self-assessment knowledge and skills survey;
- 2) note the training made available in the last year;
- 3) note the type of events planned for the year ahead;
- 4) identify areas Board members would like training on as a priority.

88. PENSION FUND RISK REGISTER

88.1 The Board considered the updated risk register presented by SK.

88.2 The Board considered the following risks:

- Risk G3: Cyber security risk has been heightened to a red risk post mitigation. This is to ensure the Pension Fund reporting is aligned to the wider Council. The National Cyber Security Centre (NCSC) has highlighted the substantial risk to British web infrastructure, with elevated levels of Cyber Crime being reported against all areas of government, particularly in light of the current Ukrainian situation. Cyber attacks are growing more frequent, sophisticated, and damaging when they succeed. The risk mitigation commentary has also been updated to reflect the findings of an extensive review of the systems used by the Pension Team. No material weaknesses were identified with some minor suggestions on improvements that can be made and these recommendations are being acted upon.
- Risks G2 and G4: these risks have been reduced in their severity, these risks relate to Governance. In February 2023 the risk scores were increased due to the uncertainty caused by a significant number of expected vacancies on the Pension Board. As these positions are now filled it is recommended the risk levels be returned to previous levels.
- Risk I4 – Officers recommended the risk level be reduced to an amber risk. There has been progress in relation to ACCESS pool and an Operator has now been put in place.

88.3 NS noted that the cyber risk remains high despite the mitigations and asked for further information and along with further information about the Business Continuity Plan.

88.4 SK set out that despite the mitigations the risk will always remain high due to the likelihood of a public sector cyber-attack and therefore it is appropriate to bring the Fund's risk in line with ESCC. The Business Continuity Plan in progress, review from IT was awaited before finalising the plan and this will now be incorporated. The report considered third party interactions. A standalone session is suggested for the board and the committee on Cyber security to better understand the risks and the mitigation.

88.5 The Board RESOLVED to note the report.

89. WORK PROGRAMME

89.1 The Board considered the report on the work programme, introduced by SK, who highlighted the following points:

- The programme will be updated to reflect the discussion about the Pension Committee item.
- There are a number of policies to consider at the June meeting so Officers will try to bring some forward to the February meeting if possible

- The training attended is set out along with the training the Board have been invited to and the Board should advise SK if they have attended further training.
- The Scheme Advisory Board did not recommend that the Scheme Manager role should be separated from LA control but did pass on the report for comment and changes to DHLUC, however there have not been any recommended changes though some elements of the recommendations did appear in the pooling consultations. There is current consideration on whether the accounts should be removed from the LA accounts and an update will be provided when more is known.
- Ill Health insurance review and prudence level will come to a future meeting.

89.2 The Board RESOLVED to note the work programme.

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

90.1 There were no items.

91. EXCLUSION OF THE PUBLIC AND PRESS

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

92. GOVERNANCE REPORT

92.1 The Board considered the exempt Governance report.

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

92.3 The Board RESOLVED to note the report.

93. PENSION FUND BREACHES LOG

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

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

93.3 The Board RESOLVED to note the report.

94. EMPLOYER ADMISSIONS AND CESSATIONS REPORT

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

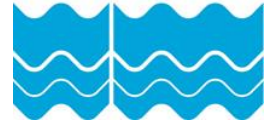
94.2 A summary of the discussion is set out in an exempt minute.

94.3 The Board RESOLVED to agree the actions set out in the exempt minute.

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PENSION COMMITTEE

THURSDAY, 22 FEBRUARY 2024

10.00 AM COUNCIL CHAMBER, COUNTY HALL, LEWES

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

A G E N D A

1. Minutes
2. Apologies for absence
3. Disclosure of Interests
Disclosures by all Members present of personal interests in matters on the agenda, the nature of any interest and whether the Members regard the interest as prejudicial under the terms of the Code of Conduct.
4. Urgent items
Notification of items which the Chair considers to be urgent and proposes to take at the appropriate part of the agenda.
5. Pension Board Minutes
6. Governance Report
7. Governance Changes
8. Pensions Administration report
9. Q3 Budget Monitoring Report and 2024/25 Business Plan and Budget
10. Internal Audit reports
11. AVC Report
12. Risk Register
13. Investment Report
14. Work programme
15. Any other non-exempt items previously notified under agenda item 4
16. Exclusion of the public and press
To consider excluding the public and press from the meeting for the remaining agenda item on the grounds that if the public and press were present there would be disclosure to them of exempt information as specified in paragraph 3 of Part 1 of the Local Government Act 1972 (as amended), namely information relating to the financial or business affairs of any particular person (including the authority holding that information).

17. Investment Report - exempt information
18. Governance Report - exempt information
19. East Sussex Pension Fund (ESPF) Breaches Log
20. Employer Admissions and Cessations
21. Any other exempt items previously notified under agenda item 4

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14 February 2024

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PENSION COMMITTEE

SUMMARY OF THE MINUTES: 16 NOVEMBER 2023

All members of the Committee were present.

GOVERNANCE

The Committee considered a report introduced by Michael Burton and resolved to note the Pension Board appointments, note the McCloud updated and the 2023 award for best LGPS Governance.

PENSIONS ADMIN

The Committee received a similar report to that presented at Board and noted the updates.

ANNUAL REPORT AND ACCOUNTS REPORT

The Committee considered a report and approved the Annual Report and Accounts 2022/23. The annual report will be published on 1 December 2023 and will include the policies when published. The Audit was positive for the team and the Committee noted the draft Independent Auditor's (Grant Thornton – GT) report to those charged with governance on Pension Fund Accounts 2022/23.

Q2 BUDGET MONITORING REPORT

The Committee received a similar report to that presented at Board and noted the update on the 2022/23 Quarter 2 Forecast Outturn Position and 2023/24 Outturn.

INTERNAL AUDIT REPORT

The Committee received a similar report to that presented at Board and noted the Internal Audit Report of the outcome of the Pension Fund - Collection of Contributions audit.

ANNUAL TRAINING PLAN

The Committee considered a similar report to that presented at Board and noted the update on training needs and planned events.

RISK REGISTER

The Committee considered and noted a report. The increased risk Cyber attack was discussed.

INVESTMENT

The Committee considered and noted an Investment Report from Officers and ISIO (Investment Advisers). It covered the investment workplan for the next 12 months.

Due to the timing of the November meeting the usual Quarterly Performance Report for Q3 2023 was not ready, so Isio provided a summarised version of the report for Pension Committee.

The quarters investment returns were disappointing, however the longer term returns at Fund level remain robust, with private equity assets adding significant value. The Fund is a long-term investor and short term volatility or negative performance is not unusual or concerning at this stage. UK equities performed well, largely driven by the energy market, with the sector benefitting from a rise in the oil price.

The Committee noted that the benchmark of the current asset allocation of the Fund has now been updated following the strategy day in July however more recent acquisitions are judged against a different benchmark which makes it hard judge performance consistently.

The Carbon Foot printing data was previously produced by a difficult company so it is very difficult to compare data however the Committee should have sight of it, the data is incorporated in the TCFD based reporting within the Annual Report. In future some analysis of the data will be provided with the report but hard to demonstrate the position of the Fund at this time.

WORK PROGRAM

The upcoming work program was noted.

EXEMPT ITEMS

A number of items were discussed under the Exempt part of the meeting which Board Members can have access to on request. These included the Funds allocation to Index Linked Gilts, information on the operator of the ACCESS Pool, additional exempt risks on the Risk Register, the Breaches Log and the Admissions and Cessations Report.

Report to: Pension Board

Date of meeting: 8 February 2024

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 Board is recommended to note this report.

1 Background

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

2 Legal and regulatory changes

2.1 In November 2023 there was a change in Pension Minister. The current Minister is Paul Maynard MP. He replaces Laura Trott MP. There has also been a change at the Department for Levelling Up, Housing and Communities with Simon Hoare MP taking on responsibility for the Local Government and replacing Lee Rowley MP.

2.2 The Pensions Regulator (TPR) has put the new General Code before Parliament. It is expected to come into force on 27 March 2024. TPR has made changes from the draft version which Officers have considered previously, and work is being carried out to assess the changes and determine what additional work is required to ensure compliance with the new Code.

3 Pension Board membership

3.1 Since the last meeting of the Pension Board, Officers were informed that Cllr Gajjar was unable to continue as the Employer Representative drawn from Brighton and Hove City Council (BHCC).

3.2 BHCC put forward Nigel Manvell, Chief Finance Officer as a replacement, which was approved by the Governance Committee on 23 January 2024.

4 Pension Committee training

4.1 In its meeting of November 2023, the Pension Committee asked about the possibility of providing training to potential substitutes.

4.2 Officers are mindful that, currently, substitutes for Pension Committee meetings can be drawn from any elected member of the East Sussex County Council. As such, providing training to potential substitutes would pose a significant challenge and potential cost burden where potential substitutes may not be called upon for a significant period, or at all.

4.3 Officers would welcome a nominated substitute to be identified for existing committee members, who would be asked in the first instance to substitute where required. This would give a finite number of people to include when providing training and these elected members can be added to the mailing list for Committee training exercises.

5 Pension Fund Policy

5.1 The Risk Mitigation policy has been reviewed in line with the policy review programme. An updated copy can be found in **Appendix 1**. The existing wording of the policy continues to meet the

Funds approach to Risk Management and is compliant with best practice. No material changes are required beyond updating the formatting to the current Fund style.

6 Conclusion

6.1 The Board is asked to note this report.

IAN GUTSELL
Chief Finance Officer

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Risk Management Policy

February 2024



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Summary

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

Policy Statement

Introduction and Objectives

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

Scope and Definitions

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

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

Risk is unavoidable and effective risk management is not about the elimination of risk. The Administering Authority's ability to manage risk effectively and proportionately, and maximise opportunity, plays a crucial role in its ability to achieve the key objective.

Risk management is not simply a compliance issue but is a decision-making tool, utilised at both strategic and operational levels, and is an essential element of effective governance.

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

Roles and Responsibilities

Administering Authority

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

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

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

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

Local Pension Board

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

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

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

Working Groups

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

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

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

Fund Officers

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

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

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

Third party service providers

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

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

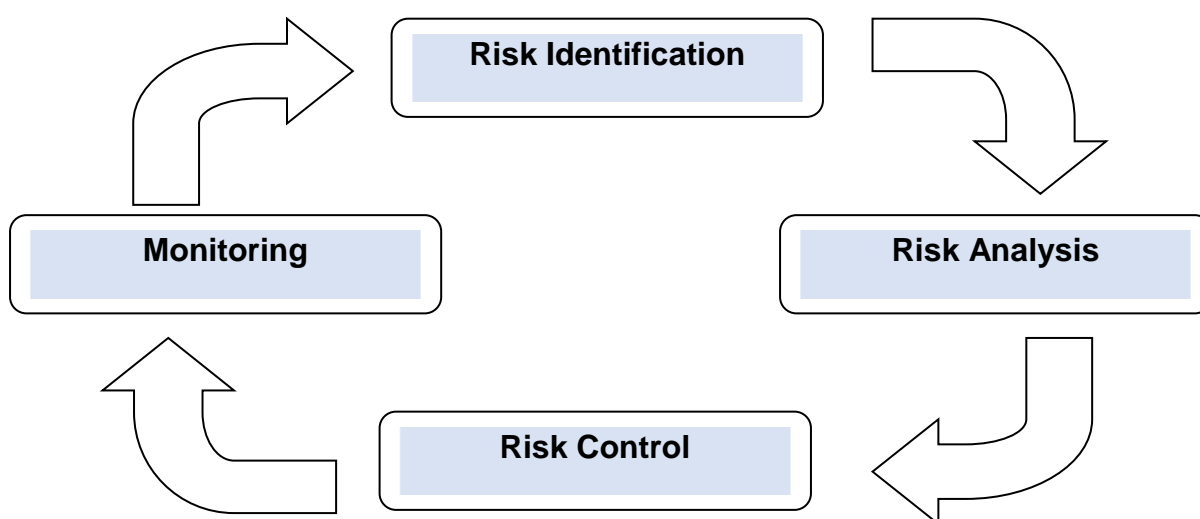
Third party services providers are to be encouraged to raise potential risks with Officers to appropriate changes to the risk register can be made.

Risk Management Strategy

Risk Management Process

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

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



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

Risk Identification

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

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

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

Table 1 – Escalating new risks

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

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

Table 2 – Risk categories

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

Risk analysis

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

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

Table 3.1 - Likelihood

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

Table 3.2 – Impact

	Negligible	Minor	Major	Critical
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 comment.	Limited local publicity. Mainly within local government community.	Local media interest. Comment from external inspection agencies	National media interest seriously affecting public opinion

	Negligible	Minor	Major	Critical
Reputation (continued)		Causes staff concern.	Noticeable impact on public opinion.	
Score	1	2	3	4

Table 3.3 – Risk scoring

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

Risk Control

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

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

- **Terminate** – avoid the risk altogether by ceasing the activity to which the risk relates. This tends to be adopted where the level of risk is extreme and where there is little opportunity to control it cost effectively. This option may often be unavailable to the Fund, especially in areas where we have a statutory duty to deliver a service;
- **Treat** – mitigate or control the risk. Involves implementing actions aimed at reducing either the impact or likelihood of the risk, recognising these actions should not be in excess of the level of risk exposure in terms of cost or resources;
- **Tolerate** – accept the risk, without any mitigations, based on the potential rewards outweighing the level of risk exposure. This approach tends to be used most often where the rewards or the costs of mitigation are especially high;
- **Transfer** – achieved through use of insurances or payments to third parties who are prepared to take on the risk as part of a contract. This approach is, however, unlikely to reduce any reputational risk to the Fund.

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

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

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

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

Post Mitigation Scoring

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

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

Monitoring and Reporting

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

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

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

Conclusions

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

Approval and review process

This Policy was approved on 22 February 2024 by the East Sussex Pension Committee, and effective from this date. The policy will be formally reviewed at least every three years.

The latest version of this Strategy will always be available on the Fund website:
<https://www.eastsussexpensionfund.org/forms-and-publications/>

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Report to:	Pension Board
Date of meeting:	8 February 2024
By:	Chief Finance Officer
Title:	East Sussex Pension Fund – Governance changes
Purpose:	To present changes to the East Sussex County Council governance structure where it relates to the East Sussex Pension Fund

RECOMMENDATIONS

The Pension Board is recommended to note the following changes to the East Sussex County Council Constitution where it relates to the East Sussex Pension Fund (the Fund):

- **Agree the amendment to the write off of debt authorisation process in relation to the Fund**
 - **Agree the revisions to the Chief Finance Officer responsibilities in relation to the Fund as laid out in Appendix 1**
-

1. Background

1.1. The East Sussex Pension Fund (the Fund) undertook a review of decision-making responsibilities in line with the recommendations of the Scheme Advisory Board “Good Governance Review”. An external consultant was appointed to review existing decision-making levels documenting responsibilities into a decision making matrix. As part of this review, the consultant highlighted where changes could be made to the existing governance structure in order to maximise best practice and ensure alignment with changes to the constitution and governance structure approved in 2020. The paper proposes some changes to ensure efficiency of day-to-day operations.

2. Financial decisions: Debt Write Off

2.1. The Fund is ring-fenced, with assets held separately from the general assets of the authority; the Fund’s assets must be used for the sole purpose of paying Local Government pension benefits. The operational and financial decisions of the Fund are separate from those of the Council, with the budget, budget monitoring, outturn reports and Annual Report and statement of accounts being approved by the Pension Committee, rather than Full Council. The Pension Committee are charged with governance of all financial matters for the Fund.

2.2. **Debt Write Off:** The Financial Procedure Rules are set out in the Constitution under Part 4 - Rules of Procedure, (7) Financial Procedure Rules. Section A.13.4 sets out the rules in relation to Write Off of Debts, which states that “The write-off of debts below £5,000 may be authorised by the Chief Officer. The write-off of debts in excess of £10,000 shall only be

authorised by the Lead Member for Resources. All other debts falling between these limits may only be written off by a Chief Officer after consultation with the Chief Finance Officer and Assistant Chief Executive. A complete record of debts written off shall be maintained by the appropriate Chief Officer and retained in accordance with Standard Financial Procedures”.

2.3. Under the current wording of the constitution the Chief Operating Officer and Lead Member for Resources are decision makers for write off levels for debts owed to the Pension Fund. However neither have direct operational oversight or responsibilities for the debt or the wider financial position of the Fund. It is proposed that the constitution refers directly to the write off of debt for the Fund to sit with the Chief Finance Officer, who will advise the Pension Committee of such write offs. It is recommended that there is a change to section A.13.4. to add a paragraph:

“Where the debt is owed to the East Sussex Pension Fund the write of any value debt may be actioned by the Chief Finance Officer and reported to the Pension Committee.”

3. Responsibilities of the Chief Finance Officer

3.1. The Responsibilities of the Chief Finance Officer are laid out in the Constitution under Part 3 - Responsibility for Functions, Table 6 - Scheme of Delegation to Officers, 3. Delegations to Particular Officers, G. Chief Finance Officer. The existing responsibilities intermingle responsibilities relating to County Council roles and Pension Fund roles. As the Chief Finance Officer, as Section 151 officer, is required to wear two hats in some circumstances where the best interest of the Pension Fund may differ to the best interest of the County Council, it is recommended the role is clearly defined separating out the Pension Fund responsibilities. A draft version of the revised Chief Finance Officer responsibilities is included as Appendix 1 to this report to show the recommended changes.

3.2. In addition to the layout of the Chief Finance Officer responsibilities, it is proposed that decisions with financial implications sit with the Chief Finance Officer and Pension Committee. For example, under current arrangements, decisions relating to staffing (recruitment, training etc) are defined as responsibilities of the Chief Operating Officer under Part 3 - Responsibility for Functions, Table 6 - Scheme of Delegation to Officers, 2. Delegations to Chief Executive and all Directors. The day-to-day operational responsibilities for the Pension Fund, including staffing, administration and investments, sit with the Chief Finance Officer and Head of Pensions, in consultation with the Pension Committee and Pension Board, and not the Chief Operating Officer. The changes proposed are to support the efficient operation of the Pension Fund.

3.3. At the Pension Committee meeting on 30 November 2022 the Committee agreed for the Chief Finance Officer to have delegated authority to make decisions to invest up to 5% of the Fund assets outside of the defined Investment Strategy Statement, Implementation plan or rebalancing range to react to market risks or opportunities. It is proposed that this is explicitly added to the role of the Chief Finance Officer to ensure consistency in the governance documentation.

3.4. Article 12.04 lays out the Functions of the Chief Finance Officer as a statutory officer, under this article the Chief Finance Officer “will provide financial information to the media, members of the public and the community.” It is recommended that this is explicitly extended in relation to Pension Fund specific communications beyond financial information but inclusion of a role with in the Chief Finance Officer’s responsibilities as laid out in the appendix.

4. Conclusion

4.1. The Pension Board is asked to note the changes to the Constitution laid out in this report to better align the decision making for the Pension Fund in relation to financial matters and improve the efficient functional operation of the Fund. The report will be considered by the Pension Committee and then the ESCC Governance Committee for final approval.

IAN GUTSELL
Chief Finance Officer

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G. Chief Finance Officer

1. To make arrangements for the borrowing of such money as the County Council has decided shall be borrowed in accordance with such policy as may be laid down from time to time by the Council and subject to the receipt of the necessary Government approvals.

2. In accordance with the provisions of the Local Government and Housing Act 1989:

- (a) to issue bonds and to deal with allied detailed matters as reported to the Cabinet;
- (b) to issue bills in accordance with conditions reported to the Cabinet.

Note: Delegation 2 above is granted subject to the Chief Operating Officer's reporting at regular intervals to the Cabinet on action taken.

4. After consultation with the relevant Cabinet members (subject to the provisions of Financial Regulations) to:

- (a) authorise transfers between budget headings;
- (b) vary the capital programme;
- (c) deal with urgent budgetary matters;
- (d) deal with urgent matters relating to borrowing, investments and excusal of debts; and
- (e) vary the interest rate chargeable for staff housing advances.

5. After consultation with the Director of Adult Social Care and Health, to set future inter authority and standard charges for residential and day care accommodation, in accordance with the formula recommended by the Local Government Association.

6. To approve fees and charges for 2019/20 onwards and to report to Cabinet and the County Council on those set at a level above inflation as part of the quarterly monitoring

7. To determine whether additional income, e.g. one-off grants, should be held corporately or passed to the relevant department within the Medium Term Financial Plan (See A.5.1.3)

8. To determine the resources available for the Capital Programme, taking into consideration the availability of reserves and balances, funding from other bodies and the affordability of borrowing. (see A.5.3.6)

9. To agree variations within 10% of a capital scheme's current budget where funding has been identified as outlined in A.5.3.8 (see A.5.3.9)

10. To determine annually the capital risk provision and to approve use of the provision for individual project, in consultation with the Capital Strategic Asset Board. (see A.5.3.10)

Note: The Chief Finance Officer has been designated as the Officer with responsibility for the proper administration of the Council's financial affairs under Section 151 of the Local Government Act 1972.

Responsibilities in relation to the Pension Fund

1. To carry out the statutory duties referred to in Section 151 of the Local Government Act 1972 in relation to the Pension Fund and to provide advice to the County Council, Pension Committee and Pension Board in carrying out their responsibilities.
2. To implement strategies and policies approved by the Administering Authority (including those delegated to the Pension Committee).
3. To manage, in accordance with the policies and strategies approved by the Administering Authority (including the Pension Committee), and in accordance with legislative requirements, the East Sussex Pension Fund including ensuring arrangement for investment of assets and administration of contributions and benefits.
4. To implement policies decided by the Administering Authority (including the Pension Committee).
5. To take action or decide any other Pension Fund related matter on behalf of the Administering Authority in special or emergency situations, in consultation with the Chair of the Pension Committee, including but not limited to where delay in the purchase or sale of investments might be detrimental to the interests of the East Sussex Pension Fund.
6. To approve the terms of an admission or cessation agreement and, where appropriate, any related bond or indemnity, with a body wishing to participate in or leave the East Sussex Pension Scheme/Fund.
7. To undertake any necessary actions relating to employers joining and leaving the fund, or monitoring of such employers, based on decisions made by the Pension Committee.
8. To agree Administering Authority responses to consultations on LGPS matters and other matters where they have minimal impact on the Fund or its stakeholders including relating to minor technical operational matters impacting the Administering Authority only.
9. To implement the Fund's agreed strategic allocation including use of both rebalancing and conditional ranges in accordance with the Investment Strategy.
10. To make decisions to invest up to 5% of the Fund assets outside of the defined Investment Strategy Statement, Implementation plan or rebalancing range to react to market risks or opportunities.

11. To approve payments under the Market Supplement Policy, subject to the other options for addressing staff retention problems having been considered and the following criteria having been satisfied:

- (a) the market in which the County Council is competing being examined;
- (b) salary levels in that market for the required skills, qualifications and experience being clearly above the County Council pay levels; and
- (c) non-pay items which might provide a recruitment/retention incentive being thoroughly examined.

12. Within the approved budget to set the staffing complement and to appoint employees to all posts other than those reserved for elected member appointment and to approve starting salaries.

13. Provided that the cost can be met from within the approved training budgets

(a) to arrange and approve the training of employees in accordance with the Pension Funds training policy; and

(b) to approve the attendance of officers at professional conferences.

14. In accordance with the policy of the County Council to authorise:

(a) honoraria payments for special merit up to £1000;

(b) honoraria payments to staff who temporarily undertake additional duties or responsibilities in accordance with the scheme for the time being in force;

(c) planned overtime for staff on or above Spinal Column Point 23 on the Single Status Scheme;

(d) in special cases, variations in the normal repayment provisions relating to:

(i) training expenses where the employee leaves within two years of completing a course of study;

(ii) relocation expenses where the employee leaves within the period stated in the scheme in consultation with the Chief Operating Officer;

15. To provide information to the media, members of the public and the community

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Report to: Pension Board

Date: 8 February 2024

By: Chief Finance Officer

Title: Employer Engagement and Communications Report

Purpose: This report provides an update on activities by the Employer Engagement team and on Fund Communications activities.

RECOMMENDATION

The Pension Board is recommended to note the report.

1. Background

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

1.2 Scheme Employers (scheduled and admitted bodies) are required to pay both employee and employer contributions to the Fund monthly, no later than 19 days of the following month in which the contributions were deducted from payroll. The contribution rates for members are set annually by the LGPS and are based on salary bandings. The Employer contribution rate is set at the triennial valuation and recorded in the rates and adjustment certificate issued by the Funds actuary or set on admission to the Fund agreed by the Fund's actuary.

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

2. i-Connect

2.1. The i-Connect onboarding project is continuing; the i-Connect team have received some test files from employers, which they have been reviewing. Feedback has been provided around formatting and data queries, so that these employers can work on these issues in order to proceed with onboarding. It can be challenging and time consuming for employers and the i-Connect team to resolve these queries and can take a significant number of calls and time with the employer and their payroll provider to get the first file ready before it can be loaded onto the i-Connect portal.

2.2. The i-Connect team have also been busy maintaining existing employers and there have been further staff changes occurring among employers and payroll providers. This causes a lot of retraining and multiple calls to establish the correct contacts are in place and that they understand the specifications and requirements of i-Connect each month. Officers have emphasised that any changes to staff or payroll systems need to be communicated to the Pension Fund at the earliest possible stage to manage the transition accordingly. Generally, employers and payroll providers do inform the Fund within a reasonable timescale of such changes, however it does take up time and resource within the team.

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

Still to engage with	Initial enquiries ongoing	In Progress to onboard	Onboarded
0	9	11	125

2.4. Fund Officers are continuing to work with Brighton and Hove City Council to resolve queries from their March 2023 submission and to support them with progressing with further onboarding. The Fund received a significant proportion of outstanding data queries back in mid-January and will be working through processing this in the coming weeks, as this will now need to be actioned in order for onboarding to re-commence. BHCC have informed Fund officers that they have been working on their April 2023 file in preparation, although this has not yet been received by the i-Connect Team.

3. Training

3.1. As previously indicated, the Engagement Team launched a pilot programme of bite size/lunchtime learning sessions within ESCC in September 2023 and the final sessions will be taking place in January and February 2024. The training covers an introduction to the LGPS, a pensions MOT and planning for retirement sessions.

3.2. It is the intention that once the pilot has concluded and full feedback received and reviewed, this training will be offered to all scheme employers. It is likely that this roll out will commence once a new Employer Engagement Manager has been appointed.

4. Employer Forum

4.1. The Employer Forum took place on 30th November 2023. 40 individuals from employers attended alongside Fund Officers, Board and Committee members.

4.2. The feedback from the forum was very positive – with an overall score of 8.55 out of a possible 10.

5. Employer Contributions

5.1. The below table sets out the number of late payments, received after 19 days have elapsed following contributions deducted from payroll. Up to November 2023.

Overall	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Total Payments Due	138	139	140	140	141	141	141	140	139	143	142	142
Payments Received Late	0	1	1	1	0	0	0	1	1	2	1	1

5.2. In the last 12-month period, there have been 9 late payments of contributions out of 1,707 expected payments (<1%).

5.3. The same employer failed to pay in September, October and November 23, and this has been recorded as a breach. The employer is an admitted body who has ceased trading, and the Fund are engaging with the audit and compliance team of the letting employer to resolve.

6. Communications

6.1. Employer newsletter – An employer newsletter was issued in December centred around reminding employers about the support material available to both themselves and their employees. It also provided a reminder of what was covered at the Employer Forum, i-Connect and McCloud updates.

6.2. Website – The website continues to be updated with relevant and engaging information for members and employers. The Fund is reviewing improved website analytics data. The main website

and MSS must now work on being ready to embed the latest accessibility guidelines by October 2024.

6.3. McCloud – the Communications Manager has been working alongside the Governance and Administration teams to capture and implement changes to transfer/leavers/retirement/divorce processes and letters needed as a result of the McCloud regulations coming into force. This included issuing a letter to all members, within three months of the regulations coming into effect, who were potentially in-scope for McCloud as the changes were a material change to legislation.

6.4. Pensioners move to electronic communications – The 1st letter to pensioners advising of the Fund's intention to move payslips and P60s online was issued in mid-November. This explained what was happening and gave pensioners the ability to opt out and retain paper correspondence if necessary. The 2nd letter (of 3) will be issued in mid-January. Opt out rate at 17th of January was approx. 17%, but this is expected to rise by the end of the exercise.

7. Staffing changes

7.1. Tim Hillman has now left East Sussex Pension Fund and the post of Employer Engagement Manager is currently vacant. The position is out to advert.

8. Conclusion and reasons for recommendation

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

IAN GUTSELL
Chief Finance Officer

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Report to: Pension Board

Date of meeting: 8 February 2024

By: Chief Finance Officer

Title: Pension Administration - updates

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

RECOMMENDATION

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

1. Background

1.1 The in-house Pensions Administration Team (PAT) carries out the operational, day-to-day tasks on behalf of the members and employers of the East Sussex Pension Fund (the 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 to December 2023 can be found at **Appendix 1**. The PAT saw performance numbers during quarter four 2023, average at 78.99% (volume completed 4,274) which continued, as predicted, lower than targeted. The previous quarter (88.08% with a volume of 3,854).

The lower-than-normal performance, despite a record level of work completed, was caused by a number of issues:

- A knock-on result of the impact of the large volumes of BHCC 2021/22 member movements being added to the worklist in one go.
- A backlog of transfers (almost all types) was also created by the uncertainty of the Government Actuaries Department (GAD) freeze due to the Actuarial Factors review and the resulting updates required to the Altair system.
- McCloud remedy going live and ESPF not being data ready to implement. Having to manually identify cases in scope is slowing down all calculations. Still finalising a new suite of letter templates including holding letters.
- Ongoing data cleansing including preparation for Pensions Dashboards.
- Storing up certain calculation types during October to be ready for new Apprentices.
- Using cases for Robotics Automation testing for both deferred members (now live) and refund quotations (testing ongoing).
- Backdated pay awards starting to come through which will lead to thousands of leaver re-calculations.

- Resources redirected to focus on completing projects such as the historical Annual Allowance, GMP Rectification calculations, McCloud data, supplementing the pensions helpdesk plus finalising the last process reviews & supporting robotic developments.

Looking at the position in late January, it is expected that performance will begin to improve throughout quarter one, 2024. The determining factors will be the unknown impacts around:

- The implementation of the GMP rectification together with the 2024 pensions increase.
- The BHCC i-Connect roll-forward to April 2024.
- Pensions Helpdesk resources to cover the service in full.

2.2 The Fund has a gold standard service provision for the Pensions Helpdesk and the results are included in **Appendix 2**. The Helpdesk is currently supported by Surrey County Council, however this service will cease in March 2024 with the service being brought in-house on 1 April 2024.

2.3 The helpdesk had four designated ESPF resources, however, in December 23 one retired and one changed careers. This loss of key resource together with the two bulk mailings to all pensioners (with the proposal to move to a default online communication strategy which caused a significant spike in calls, emails and letters) has meant the KPI performance has significantly fallen in late 2023 and early 2024. PAT has stepped in to support the team during this time, including with recruitment in January 2024 and some phone line cover.

2.4 A project is underway to ensure a smooth transfer for this service to ESPF and the Pensioner Payroll to ESCC. The staff TUPE consultation period began on 24 January 2024.

3. Pension Administration Staffing Update

3.1 Two new Pension Administration Apprentices started in November 2023, and a short-term temporary Pensions Administrator also joined to help support reducing the backlog. One permanent Pension Administrator position vacancy remains, which is not currently being recruited to.

4. Projects update

4.1 Guaranteed Minimum Pension – Reconciliation & Rectification

The data was provided to Mercers to recommence the project in May 2023 and their project plan provided on 18 September 2023 suggests it should be completed by February 2024. A number of key decisions were made by the Admin Working Group on 26 October 2023 to enable the project to start to rectify. Mercers raised circa 500+ individual member queries in December 2023 and 20 remain outstanding. The team have worked with Heywood to come up with a bulk solution to import the Mercer results into Altair and the data is expected in early February. Until the data has been received and the results accessed we cannot quantify the extent or value of the changes to GMP liabilities.

4.2 Member Self Service (MSS)

MSS is a portal used by members to help members keep track of their ESPF pension. Members can view ABS, update personal info, update nomination forms, and use a range of benefit

projectors. The portal is being replaced with an improved portal called Transformational Member Experience (TME). Officers are progressing the project with Heywood and will look to carry out a pilot with ESCC members after user acceptance testing before rolling out to all scheme members. This project timing will be considered alongside other Fund priorities and resources.

4.3 Pension increases as at 1 April 2024

We will shortly be running the pension increase routine in test to review errors and issues ahead of receipt of the GMP data. This year's CPI figure will be 6.7% (based on September 2023 inflation index).

4.4 Annual Benefit Statements - 2024

The end of year data requests for any non i-Connect employers will be requested in late March 2024. The project plan and testing matrix will also be prepared at this time.

5 Conclusion and reasons for recommendation

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

IAN GUTSELL
Chief Finance Officer

Contact Officer: Paul Punter, Head of Pensions Administration
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APPENDIX 1

East Sussex Pensions Administration - Key Performance Indicators

	Activity	Impact	Target	Target	Dec-23		Nov-23		Oct-23		Sep-23		Aug-23		Jul-23		Jun-23		May-23		Apr-23		Mar-23		Feb-23		Jan-23		Performance for the period Apr 22 to Mar 23 inclusive	
	Scheme members	Pensioners, Active & Deferred			85,239		85,304		85,532		86,016		86,083		83,923		83,939		83,857		83,910		84,074		84,394		84,232			
	New starters set up	Bulk, i-Connect & New Starter Task			293		487		556		252		2,137		232		357		332		311		402		530		373			
					Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score	Total	Fails
1a	Death notification acknowledged, recorded and documentation sent	M	95%	within 2 days	23	100%	17	100%	29	100%	22	100%	23	100%	17	100%	26	100%	26	100%	30	100%	28	100%	35	100%	48	100%	324	0
1b	Award dependent benefits (Death Grants)	H	95%	within 5 days	18	94%	3	100%	11	100%	9	100%	22	100%	18	100%	21	86%	8	100%	11	100%	25	100%	32	100%	29	100%	207	4
2a	Retirement notification acknowledged, recorded and documentation sent	M	95%	within 7 days	64	97%	73	88%	74	96%	68	92%	119	94%	98	91%	121	99%	200	99%	137	98%	190	98%	203	99%	155	99%	1,502	51
2b	Payment of lump sum made	H	95%	within 5 days	75	98%	138	99%	163	99%	169	99%	149	98%	155	99%	133	99%	132	99%	145	98%	141	100%	115	100%	105	100%	1,620	16
3	Calculation of spouses benefits	M	90%	within 5 days	2	100%	1	100%	3	100%	4	100%	4	100%	13	100%	14	100%	13	100%	14	100%	12	100%	26	100%	26	100%	132	0
4a	Transfers In - Quote (Values)	L	90%	within 10 dys, aggregation 15	38	98%	26	100%	30	100%	46	98%	47	94%	28	97%	47	98%	48	98%	33	91%	63	96%	48	98%	70	99%	524	16
4b	Transfers In - Payments	L	90%	within 5 dys, aggregation 25	43	100%	49	98%	31	100%	27	100%	42	98%	29	100%	20	100%	22	100%	21	100%	28	100%	19	100%	22	100%	353	2
5a	Transfers Out - Quote	L	90%	within 10 dys, aggregation 15	45	94%	51	100%	72	98%	58	99%	144	96%	134	98%	53	87%	29	73%	22	96%	65	97%	72	99%	76	100%	821	33
5b	Transfers Out - Payments	L	90%	within 10 dys, aggregation 25	14	72%	35	83%	31	94%	49	92%	49	74%	36	100%	12	100%	19	85%	7	100%	40	98%	22	100%	30	100%	344	33
6a	Employer estimates provided	M	95%	within 15 days	12	100%	18	100%	17	100%	27	97%	24	100%	10	100%	27	100%	21	100%	19	100%	17	100%	33	100%	13	100%	238	1
6b	Employee projections provided	L	95%	within 15 days	6	100%	24	100%	15	100%	17	100%	19	100%	9	100%	21	100%	24	100%	15	100%	17	100%	17	100%	15	100%	199	0
7	Refunds (inc frozen refunds)	L	95%	settle 5 days	202	95%	271	77%	178	79%	250	92%	160	84%	159	89%	173	92%	172	100%	132	97%	182	96%	125	86%	245	87%	2,249	257
8	Deferred benefit notifications	L	95%	within 15 days	181	96%	475	85%	288	79%	293	91%	264	96%	250	95%	282	90%	308	98%	257	97%	229	98%	203	99%	431	99%	3,461	245
9a	Aggregation Quote	M	95%	within 15 days	167	23%	140	22%	113	49%	122	46%	76	69%	52	66%	89	66%	42	70%	62	81%	93	76%					956	483
9b	Aggregation Actual	M	95%	within 10 days	117	72%	332	56%	559	74%	312	81%	94	62%	137	47%	68	70%	115	96%	324	98%	423	93%					2,481	556
	TOTAL TASKS COMPLETED				1,007	81.03%	1,653	75.26%	1,614	80.67%	1,473	86.90%	1,236	89.40%	1,145	87.95%	1,107	90.42%	1,179	96.70%	1,229	96.90%	1,553	98.39%	950	97.47%	1,265	96.76%	15,411	1,697
	Figures for the previous year				698	97.56%	889	93.81%	963	94.91%	762	90.16%	908	94.93%	794	97.78%	669	97.76%	806	98.01%	782	97.95%	844	96.68%	792	97.85%	722	98.34%		
	Figures for two years ago				606	95.21%	883	97.62%	699	98.28%	847	97.17%	789	98.61%	734	99.32%	664	94.73%	643	96.89%	481	94.59%	550	91.45%	557	90.84%	617	93.70%		
	Figures for three years ago				408	98.28%	486	97.53%	591	98.31%	494	95.34%	516	92.64%	543	92.63%	394	96.70%	359	98.61%	617	93.70%	598	99.00%	642	99.53%				
	Missed target cases				191		409		312		193		131		138		106		39		38		76		24		41			
10	Complaints received				3		3		1		1		6		6		2		2		3		7		2		6			
11	Compliments received				0		0		0		0		0		0		0		0		0		1		1		0			

Summary for failed cases		Dec-23	Nov-23	Oct-23	Sep-23	Aug-23	Jul-23	Jun-23	May-23	Apr-23	Mar-23	Feb-23	Jan-23
1b	Award dependent benefits (Death Grants)	3 over by average 6.67 days											
2a	Retirement notification acknowledged, recorded and documentation sent	9 over by average 5.6 days		6 over by average 4.2 days		8 over by average 2.6 days	9 over by average 1.5 days						
2b	Payment of lump sum made												
5a	Transfers Out - Quote								7 over by average 6.43 days	8 over by average 4.25 days			
5b	Transfers Out - Payments	4 over by average 4 days	6 over by average 1.8 days			13 over by average 3.3 days			3 over by average 4.33 days				
7	Refunds (inc frozen refunds wef Aug 22)	63 over by average 30.0 days		39 over by average 17.2 days	22 over by average 8.9 days	26 over by average 3.2 days	19 over by average 7.4 days	14 over by average 3.5 days	18 over by average 1.2 days34 over by average 2 days				
8	Deferred benefit (DB5YE)	72 over by average 19.1 days		61 over by average 9.2 days	28 over by average 6.5 days			28 over by average 6.36 days					
9a	Aggregation Quote	129 over by average 90.7 days	110 over by average 105.9 days	58 over by average 105.1 days	67 over by average 117.9 days	24 over by average 78.5 days	18 over by average 21.7 days	30 over by average 38.42 days	13 over by average 48.05 days	12 over by average 8.08 days			
9b	Aggregation Actual	33 over by average 52.2 days	147 over by average 10.4 days	146 over by average 5.8 days	61 over by average 4.5 days	36 over by average 8.5 days	73 over by average 53.4 days	20 over by average 6.90 days					
General comments		New KPI/SLA MI from Altair complete but need to be run on the last day of each month. More tasks received in bulk from BHCC and backdated pay. McCloud has complicated all post October 23 activity particularly transfers (widest sense). Deferred Benefit calcs are now performed by AI and the refunds will be live next quarter (UAT on live cases did impact KPI's). Project activity remains high and keeps coming, we are looking to re-prioritise and push some out a bit.				New KPI/SLA MI from Altair Insights not completed yet. Backlog on Aggregations being cleared and the BHCC 2022/23 cases all at once. Next day transfer process live on 18/9/23 for all employers. New GAD Actuarial Factors in place. Resources re-deployed to work on i-Connect onboarding, ABS production, Annual Allowance projects.		New KPI/SLA MI from Altair Insights not completed yet. Backlog on Aggregations being cleared and the BHCC 2021/22 cases all at once (plus creating & testing new next day transfer process). GAD Actuarial Factor review creating additional backlog		New KPI/SLA MI from Altair Insights not completed yet. Interviewing for Project Manager role in Jan 23. Process reviews continue. GAD Actuarial Factor review. March was impacted by the Pension Increase exercise.			

Staffing	Advertised for two Pension Helpdesk Officers.	Two Apprentices joined 1/11 as did a fixed term contractor for 3 months.		Advertise & Interview for 2 Apprentices. Looking at a temp Administrator	Project Officer appointed (moved to Projects from Admin). Will Bamber left 18/8	Promote Apprentice to Administrator 1/8	Project Manager started 26/6			1 job advertised plus 1 new pensions administrator & 1 project officer started	1 new pension administrator & 1 i-Connect administrator started	1 job offer made & 1 casual project officer removed
	One vacancy	One vacancy	Three vacancies	Three vacancies	Three vacancies	Two vacancies	Two vacancies	Three vacancies	Three vacancies	Three vacancies	Five vacancies	Seven vacancies

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Appendix 2

Helpdesk performance for last 12 months

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

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%
January 23	87%	86%	1%	97%
February 23	84%	88%	1%	96%
March 23	86%	86%	1%	100%
April 23	87%	82%	1%	100%
May 23	87%	88%	1%	100%
June 23	85%	92%	0%	100%
July 23	87%	93%	0%	100%
August 23	89%	92%	0%	100%
September 23	85%	93%	1%	100%
October 23	85%	91%	1%	100%
November 23	92%	76%	1%	80%
December 23	89%	85%	1%	0%

Note: In Nov 23 the pensioner mailing about online comms becoming a default creating a significant spike in both calls and written communications. In Dec 23 one team member retired and one team member moved to bank support. The email's in December were all processed within seven days.

Website Helpline

Period	First time fix	Call answer time	Abandoned call rate	Email response time
GOLD TARGETS	85%	75%	5%	100%
October 22	100%	51%	15%	70%
November 22	95%	51%	5%	100%
December 22	100%	69%	0%	100%
January 23	100%	80%	2%	100%
February 23	100%	77%	2%	100%
March 23	100%	76%	1%	100%
April 23	100%	66%	2%	100%
May 23	100%	60%	3%	100%
June 23	100%	82%	2%	100%
July 23	100%	72%	2%	100%
August 23	100%	79%	3%	100%
September 23	100%	78%	2%	100%
October 23	85%	70%	2%	100%
November 23	92%	49%	10%	80%
December 23	89%	60%	4%	0%

Monthly transaction volumes

Month	Telephone Calls	Email's Processed	Call Back's	Total
October 22	736	1,050	17	1,803
November 22	513	1,660	25	2,148
December 22	518	875	6	1,399
January 23	1,064	1,302	15	2,381
February 23	923	1,308	10	2,241
March 23	1,077	1,439	13	2,529
April 23	1,024	1,114	6	2,114
May 23	1,157	1,561	10	2,728
June 23	934	1,441	15	2,390
July 23	969	1,352	9	2,330
August 23	1,027	2,005	15	3,047
September 23	819	1,486	17	2,322
October 23	915	1,470	12	2,397
November 23	1,882	1,827	10	3,719
December 23	875	1,165	2	2,042

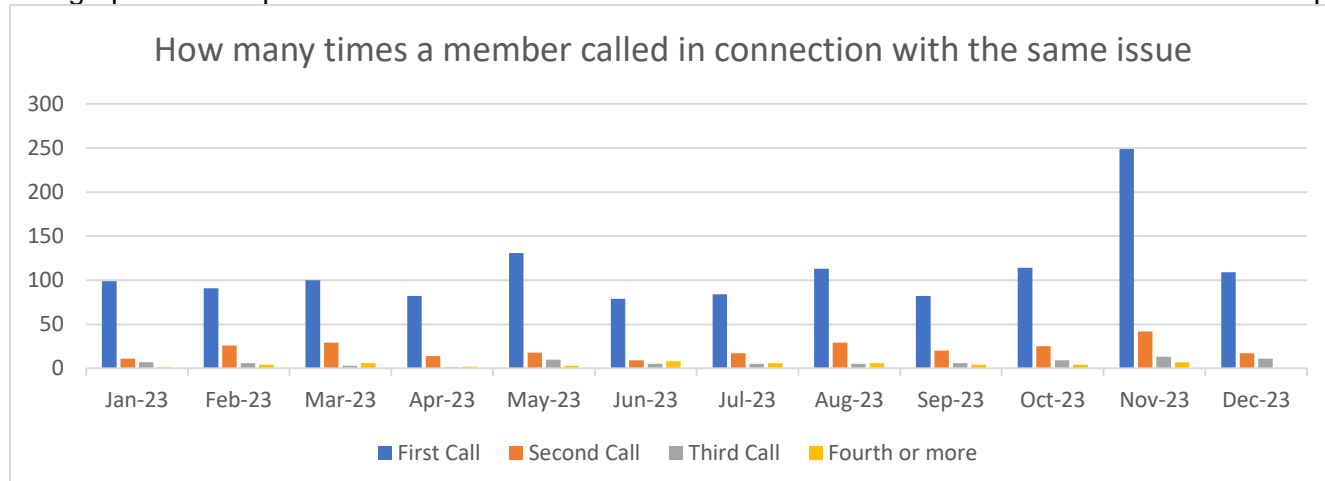
Top five reasons for calls

Month	Self Service Activation	Login issues	Claim form guidance	Leaver form received	Document or Form enquiry	Other
Jul 23		3 rd	1 st	2 nd	4 th	5 th
Aug 23	1 st	2 nd	4 th		5 th	3 rd
Sep 23	2 nd	1 st	4 th		3 rd	5 th
Oct 23	5 th	1 st	4 th		2 nd	3 rd
Nov 23	2 nd	3 rd	5 th		4 th	1 st
Dec 23	2 nd	3 rd	5 th		4 th	1 st

Telephone survey

Quarter 4 2023	1 Star	2 Star	3 Star	4 Star	5 Star
1. How easy was it for you to contact the Pensions Helpdesk today?	7	7	13	61	517
2. How confident are you that your question was resolved or will be resolved in the relevant timelines?	19	7	27	79	470
3. Based on your recent experience how strongly would you recommend using the Helpdesk to a colleague?	15	3	14	69	496
4. How satisfied were you with your overall experience today?	14	9	25	64	477

The graph below represents the number of times the member called in connection with the same enquiry.



Report to: Pension Board

Date of meeting: 08 February 2024

By: Chief Finance Officer

Title: Business plan, 2024/25 Budget and Quarterly budget report

Purpose: This report provides an update on the 2023/24 Forecast Financial Outturn and sets out the business plan and budget for 2024/25

RECOMMENDATION

The Board is recommended to:

1. note the 2023/24 Q3 forecast financial outturn position
 2. note the Business Plan and Budget for 2024/25 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 is charged with meeting the duties of the Council as administering authority in respect of the Fund.

1.2 At its meeting on the 22 February 2023 the Pension Committee agreed a budget of £4.463m to support the business plan for 2023/24. The budget estimates do not incorporate any provision for investment fees earned by the investment managers since there is limited scope for the Fund influence these costs. This is due to the nature of the fees being based on factors outside the control of the Fund such as market movements along with other decisions affecting these such as strategic asset allocation changes.

2. Supporting information

2023/24 Q3 Forecast Outturn as at 31 December 2023

2.1 The budget requirements for 2023/24 were set at £4.463m (£4.269m 2022/23 excluding manager fees) to support the Business Plan activities and administration of the Fund.

2.2 The forecast outturn at the third quarter of 2023/24 is £4.379m, this is a slight increase from the last projected position however reflects an underspend to the approved budget of £0.084m. The 2023/24 outturn against budget line items is shown in the table below.

2.3 The change in projected costs mostly relates to a clarification around staffing costs provided by East Sussex County Council along with an increase expected on external audit and operational support services costs. This is being offset slightly by savings on the Fund's administration IT systems costs where savings have been negotiated by paying costs for licenses upfront along with lower than budgeted indexation charges; lower projected legal advisory costs and lower governance related consultancy costs. Detail on these have been set out in paragraph 2.4 to 2.7.

2023/24 Outturn Report

2022/23 Outturn £000	Item	2023/24 Budget £000	2023/24 Actual Outturn Q3 £000	Previous Outturn £'000	Current Forecast Outturn £'000	Variance to previous Forecast £000
1,482	Pension Fund Staff Costs	2,023	1,351	1,834	1,968	(134)
1,482	Sub Total	2,023	1,351	1,834	1,968	(134)
	Oversight and Governance Expenses					
318	Investment Advice	392	291	408	394	14
125	Actuarial Fund Work	87	14	59	51	8
69	Actuarial Employer Work	81	72	79	87	(8)
(76)	Employer reimbursement	(81)	(19)	(79)	(87)	8
56	Legal Fees	69	27	74	46	28
48	Governance consultancy costs	70	29	68	48	20
96	Audit	71	(49)	71	123	(52)
636	Sub Total	689	365	680	662	18
	Investment Expenses					
101	Custodian	97	(46)	97	98	(1)
101	Sub Total	97	(46)	97	98	(1)
	Administration Expenses					
438	IT Systems licenses costs and Hardware	572	372	568	492	76
256	Overheads	475	310	475	448	27
267	Admin operational support services	279	147	279	309	(30)
13	Improvement projects	100	45	100	99	1
235	Consultancy	45	35	81	80	1
7	Communications	47	7	48	68	(20)
13	Training	20	15	27	28	(1)

2022/23 Outturn £000	Item	2023/24 Budget £000	2023/24 Actual Outturn Q3 £000	Previous Outturn £'000	Current Forecast Outturn £'000	Variance to previous Forecast £000
87	Subscriptions	75	62	78	85	(7)
48	Other Expenses	60	2	60	60	-
1,364	Sub Total	1,673	995	1,716	1,670	47
	Income					
(15)	Other Income	(19)	(11)	(19)	(19)	-
(15)	Sub Total	(19)	(11)	(19)	(19)	-
3,568	Total	4,463	2,653	4,309	4,379	(70)

2.4 The Fund has been working with East Sussex County Council to get better forecasts around the staffing costs expected. There have been several clarifications around vacancies taken into account in this forecast which were not included in the last forecast. In addition to this there was no allowance included for a pay award in the previous forecast model, which have now been agreed and paid out. This has resulted in an increase to the last reported position, but remains below budget.

2.5 The outturn for the System Services and Licenses has also decreased against the last quarter forecast. The drivers behind this are that the Fund budgeted an allowance for indexation costs. However, these inflationary costs have not materialised this year and the forecast has been reduced to reflect actual costs being incurred for service. Also negotiation on the licences on one of the systems has resulted in a lower than projected costs. Together this has resulted in a £76k reduction in costs.

2.6 The outturn for the Admin Operational Support Services has increased against the previous outturn by £30,000, this is due to an increase in the volumes of calls received by the Helpdesk provided by Surrey County Council. These costs are based on the volumes of calls received. We are in the process of bringing the Helpdesk in house and so should have a better understanding of costs going forward.

2.7 The external audit forecast for the rest of the year includes the audit fee of 2023/24 which was agreed by the PSAA which is now set at £90,337. This increase is being introduced to ensure it reflects current audit requirements and to set fees on a consistent and equitable basis at the start of the new contract period. This means that the scale fee for each opted-in body better reflects the audit work required under the current Code of Audit Practice published by the National Audit Office and the regulatory expectations of the Financial Reporting Council. Updating the fee scale in this way will have the benefit of making expected fees clearer for opted-in bodies much earlier in the audit cycle and reducing the volume of fee variations. This along with finalised cost for the 2021/22 audit have resulted in a £52,000 increase on the previously reported position.

3. 2024/25 Business Plan and Budget

3.1 The Business Plan and Budget is set out in Appendix 1.

3.2 Total budget proposed is £4.561m (£4.463m 2023/24) to support the Business Plan activities and administration of the Fund.

3.3 The budget for 2024/25 is an increase of £0.098m on the 2023/24 budget. There has been a full review of the costs for 2024/25 and the budget for individual lines have changed. The overall result was a budget which was slightly above the previous years. The main movement has been from admin operational support as the Helpdesk budget has been removed from here and added to Staff Costs a movement of £0.190m. This is to reflect that the Helpdesk will be provided in house next year however the exact cost of the staff for this is unclear so the budget has been left at the same level but moved to a more appropriate

heading. A further reduction of this line has been the removal of most CHF Docmail costs which are now coming through the recharge from East Sussex from the digital postal hub and reflected in the overheads line on the budget.

3.4 There has been a change to the methodology around calculating the budget for staffing costs, as the Fund is close to being fully staffed, instead of budgeting as fully staffed the Fund has left vacancies which are known will be vacant at the beginning of the year with an appropriate start date included. Along with this the Fund is budgeting a 3% pay award and these changes have resulted in the staff costs increasing by £0.223m.

3.5 There is a reduction expected on IT Systems with one off payments incurred in 2023/24 for new system functionality removed, along with specific inflation related allowance £0.043m.

3.6 There have been some smaller reductions to other lines to reflect the current level of work going through these items such as legal advice.

3.7 The other areas that have seen the larger increases in budget are external and internal audit which has been set based on the revised PSAA costs of 2023/24 and chargeable rate this is resulting in an increase to the previous year of £0.044m. Along with an increase to the investment advice line as this the main cost will be going out for procurement this year we have added some prudence on this of £0.050m on a potential new supplier fee model.

4. Conclusion and reasons for recommendation

4.1 The Board is recommended to note the Q3 2023/24 forecast position and the Business Plan and Budget for 2024/25.

IAN GUTSELL
Chief Finance Officer

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2024/25
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 2024/25 and the 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 2024/25 compared against 2023/24 forecast spend,
- key assumptions in setting the budget and
- key deliverables of the budget plan themes.

Business Plan

It is anticipated that 2024/25 will see key activities within the following themes:

Team Development:

- Continue to develop staff providing training and opportunities to the team to support staff retention now the Fund team is at its establishment level.
- Recognition of staff achievements, dedication and success.
- Integrate the Helpdesk team into the Pension Fund Team and culture.
- New starters will be trained, supported in understanding and delivering their responsibilities and integrated into the team.
- Roll out formal qualifications for Pensions Administration staff to aid career development and succession planning. Provide opportunities for staff to attend conferences and training courses.

Oversight and Governance:

- Build on training provided to Board and Committee members to expand knowledge and drive best practice, ensuring a robust induction for new members.
- Further embed a culture of cyber security and resilience
- Production of Fund Annual Report and Accounts
- Take an active role in supporting ESCC in implementing a new ERP Finance System to include the Pension Fund Company, to ensure the Fund can be financially administered effectively and robustly with clear reporting from any system change or developments.
- Ensure a robust SLA arrangement is in place between the Fund and ESCC for services provided to the Fund.

Investment:

- Monitor the Fund's investments and effectiveness of investment managers,
- Implementation of strategic investment decisions,
- Development and submission of ESG and climate risk management reporting
- Support the ACCESS pool in providing pool investment opportunities, increasing the allocation of investments to the pool as more strategic offering are available and ensuring a comprehensive governance framework in place within the pool.

Administration:

- Maintain the high level of administration KPI standards and other team performance activities,
- Focus on Data Quality held on the pension administration system,
- Completion of robotics for processing,
- Improve member experience,
- Work to resolve outstanding projects.

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 2024/25 activities build on work previously undertaken and continue into 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 **£4,561k** (£4,463k 2023/24) is detailed in the table below.

Item	2023/24 Budget £000	2023/24 Forecast Outturn £000	2024/25 Budget £000
Fund Staff Costs			
Fund Officers	2,023	1,968	2,436
Sub Total	2,023	1,968	2,436
Oversight and Governance Expenses			
Investment advice	392	394	448
Actuarial Fund Work	87	51	51
Actuarial Employer Work	81	87	89
Employer reimbursement	(81)	(87)	(89)
Legal	69	46	57
Governance Costs	70	48	60
Audit (internal and external)	71	123	120
Sub Total	689	662	736
Investment Expenses			
Custodian	97	98	100
Sub Total	97	98	100
Administration Expenses			
IT Systems licenses costs and Hardware	572	492	487
Overheads	475	448	531
Admin operational support services	279	309	18
Improvement projects	100	99	87
Consultancy	45	80	20
Communications	47	68	37
Training	20	28	33
Subscriptions	75	85	80
Other Expenses	60	60	11
Sub Total	1,673	1,670	1,304
Income			
Income	(19)	(19)	(15)
Sub Total	(19)	(19)	(15)
Total	4,463	4,379	4,561

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 market volatility. The majority of investment management fees are deduced from the investment assets, so this is not comparable year on year and is not complete picture of the cost to the Fund. The complete position of investment management fees is assessed at year end and accounted for in the Financial Accounts.

The budget does not include items of future pension liability.

Fund staff costs include the Pension Fund team including helpdesk staff transferring over, a percentage of S151 officer time.

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 and payment of the monthly Pensions payroll. The service provision changes in 2024/25 where Pensioner payroll will be recharged from ESCC, and helpdesk moves in house.

Improvement projects for 2024/25 budget include McCloud, Dashboard and Transformational Member Experience.

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, these costs will have mostly be incurred in 2023/24 when the project was completed.

Key budget assumptions

The key budget assumptions are set out below:

- Staffing cost assumes that vacancies will be filled at the most realistic opportunity and existing staff continue in post.

- Helpdesk costs have been moved to Staffing costs and are held at the value in 2023/24 as full cost of the new team are not yet known.
- The 2024/25 Pay Award is forecast to be 3% 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 lower expected actuarial costs
- The overhead rate from ESCC for property, IT, business administration and other ancillary services is rate set out by ESCC.

Business plan deliverables by key theme

Theme	Tasks	2024/25 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. Recognise team and individual achievements.
	Helpdesk	Integrate the helpdesk team into the wider Pension Team and establish ways of working that help the Fund to meet its KPI's around the helpdesk and embed the Funds culture.
	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. Provide 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	Training	Enhance and continually improve the training program to develop knowledge and understanding for both new and existing Pension Board and Pension Committee members.
	Cyber Resilience	Ensure all key systems are mapped for data transfers internally and externally to understand risk points.

Theme	Tasks	2024/25 activity
	<p>Pension Fund Annual Report and Accounts</p> <p>Compliance</p>	<p>Continue engagement with IT team for testing resilience of systems.</p> <p>Continue to support staff in identifying cyber risk and phishing scams.</p> <p>Ensure cyber security risk is taken into account in any new procurements.</p> <p>Production of Fund's Financial Statements and Audit Working papers and creation of the Annual Report</p> <p>Liaise with external auditor as appropriate.</p> <p>Develop and maintain accounting controls to ensure correct financial records are held.</p> <p>Report quarterly budget monitoring positions.</p> <p>Set an annual Budget.</p> <p>Cash Management Strategy finalisation and implementation</p> <p>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.</p> <p>Carry out a review of existing internal controls against the requirements of any new Code of Practice produced by The Pensions Regulator including the new General Code.</p> <p>Continue to develop and evolve internal policies and procedures to ensure best practice is achieved across the various workstreams</p>
Investment	Monitor the Fund's investments and effectiveness of investment managers.	<p>Provide reporting on the performance of the Fund on a strategic asset allocation level and individual mandate basis.</p> <p>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.</p> <p>To meet with all the Fund's investment manager to ensure challenge and oversight of stewardship of the Fund's assets and investments are in line with the expectations when managers were appointed.</p>

Theme	Tasks	2024/25 activity
	<p>Implementation of strategic investment decisions</p> <p>Development and Submission of Environmental, Social and Governance (ESG) and climate risk management information.</p>	<p>Challenge investment managers on holdings and stewardship activity to evidence managers activities are in line with the Funds SIRP and expected RI activities.</p> <p>Implement strategic changes previously agreed which have not yet been enacted. With a focus on the private credit.</p> <p>Develop a plan to implement any changes to the investment strategy decided upon during the year.</p> <p>Review effectiveness of the current strategy at the strategy meeting to ensure the Fund is best placed to meet its required performance set out in the Funding Strategy Statement.</p> <p>Continue to develop the Funds reporting in line with Taskforce for Climate related Financial Disclosures (TCFD) requirements including scenario analysis.</p> <p>Annual review of the ESG credentials of all managers and develop appropriate analytic metrics to monitor the Fund.</p> <p>Report quarterly the ESG activities</p> <p>Undertake an annual review of the carbon footprint of the Fund and to assess the transition position of the investments.</p> <p>Build on the submission provided to UK Stewardship Code with a view to the Fund maintaining signatory status.</p> <p>Reporting of Fund Activities to Principle of Responsible Investment (PRI) as part of requirements of being a signatory. Reviewing areas where the Fund could improve from the report findings.</p> <p>Consider the actions required to enact the motions put forward to the pension Committee at its meeting in September. Providing the consequences of implementing these motions to the Fund and its investments.</p>
Pooling	Support the ACCESS pool in providing pool investment opportunities and ensuring a comprehensive governance framework in	<p>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.</p> <p>A 3rd party review of the ASU took place in 2023/24 which identify strengths and weaknesses within the ACCESS Pool activities. The Fund will support the development and implementation of solutions to the points raised in the review.</p>

Theme	Tasks	2024/25 activity
	<p>place within the pool.</p> <p>Continue to actively invest more through the pool in line with government guidelines where Investment strategy can be effectively implemented.</p>	<p>The Fund will support the delivery of ACCESS by engaging with the Governance arrangements that have been put in place. By being represented in all the ACCESS groups East Sussex will be able to input at every level of the development of ACCESS.</p> <p>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.</p> <p>Support the launch of sub-funds.</p> <p>Support the development of a 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.</p> <p>Rolling program of engagement with the investment managers on the ACCESS platform.</p> <p>Support the review and development of the ACCESS voting policy and how this is administered by investment managers. Support discussions on RI reporting requirements and submission of a stewardship code for the pool.</p>
Administration	<p>Maintain the high level of administration team performance.</p> <p>Focus on Data Quality held on the pension administration system.</p>	<p>Maintain the high level of KPI performance & expand the MI coverage where relevant.</p> <p>Production of Annual Benefit Statement by the statutory deadlines. 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.</p> <p>Implementation of Pensioner CPI Pension Increase.</p> <p>Management of data submitted through i-Connect, forms, MSS and other input sources. Ensuring task lists are managed effectively and KPI's achieved.</p> <p>Roll out the i-Connect employer interface module to all remaining employers to simplify data submission and validation.</p> <p>Development of timeline for i-Connect file submissions including management of the submissions to ensure the</p>

Theme	Tasks	2024/25 activity
		<p>uploads can be spread over the month for the workload 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.</p> <p>Continue to develop contribution monitoring and reconciliation in conjunction with the roll out of i-Connect.</p> <p>Producing high TPR validator common/conditional scores</p> <p>Project to review old status 2 records.</p> <p>Create Employer Management System on Altair to store employer contacts & documents.</p>
	Completion of robotics for processing	Update policies and procedures with process mapping including the development of robots to automate the deferred benefits and frozen refunds process.
	Improve member experience.	<p>Member Self Service (MSS) transition to Transformational Member Experience (TME)</p> <p>Moving to online payslips/P60's for pensioners from 1 April 2024</p>
	Work to resolve outstanding projects.	<p>Complete the project work on the redress of benefit calculations in relation to the Guaranteed Minimum Pension (GMP)</p> <p>Implement the McCloud data & process calculations to determine whether in scope members would have been better off in the CARE or final salary scheme.</p>

Report to: Pension Board

Date of meeting: 8 February 2024

By: Chief Internal Auditor

Title: Internal Audit Strategy for Pensions 2024/25

Purpose: This report provides the Board with the opportunity to comment on the draft Internal Audit Strategy for Pensions.

RECOMMENDATIONS

The Board is recommended to:

- 1) consider and comment on the 2024/25 Internal Audit Strategy for Pensions and Annual Plan (Appendix 1).
-

1. Background

1.1 The Council's Internal Audit Strategy for Pensions 2024/25 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.

1.2 The proposed number of audit days in the Strategy remains at 75.

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

2. Conclusions and Reasons for Recommendation

2.1 The Pension Board is requested to consider and recommend the Internal Audit Strategy for Pensions 2024/25 to the Pension Committee for its approval.

RUSSELL BANKS
Orbis Chief Internal Auditor

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

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

BACKGROUND DOCUMENTS:
None

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East Sussex
Local Government Pension Scheme
Internal Audit Strategy and Plan
2024/25

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 £59.5bn, of which £35.3bn is pooled. The ESPF has assets of £4.5bn of which £2.3bn 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. In 2024/25, the responsibility for running the Fund's pension helpdesk and pension payroll systems will be transferred from Surrey County Council to the Fund itself. Where appropriate, testing will include the impact of these on controls.
- 2.5. The Strategy seeks to provide assurance on the following aspects of pension fund activities:
 - Financial controls;
 - Investments and accounting;
 - Regulatory compliance; and
 - The administration of benefit payments.

3. Approach

- 3.1. The Strategy uses risk assessment as its foundation. On a periodic basis, risks are reviewed in consultation with the Chairs of the Pension Committee and Board and with management to identify any new risks. The risk assessment considers 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 is an objective view of those areas of the Fund where the organisation requires assurance that risks are being managed effectively.
- 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.
- 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. We plan to deliver 75 audit days for the year 2024/25. 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 2.

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. In our most recent assessment, undertaken by the Chartered Institute of Internal Auditors during Autumn 2022, we were assessed as achieving the highest level of conformance available against the professional standards, with no areas of non-compliance identified.

5. Reporting Arrangements

- 5.1. Internal Audit work will be reported in the following manner:
 - Terms of Reference for each review will be drafted and agreed with management.
 - Following our fieldwork, 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:
 - o in full, to the Pension Board and Pension Committee; and
 - o in summary form, to the Audit Committee as part of our routine quarterly progress reports.
- 5.2. Audit work for 2024/25 will be reported in four separate reports (in addition to any specific follow-up audits), covering the risks detailed below:
 - Financial Controls
 - o Errors in transactions result in financial loss to the Fund.

- o Accounting of the Pension Fund is inaccurate, resulting in misstatement of the Fund's annual accounts.
- Investments and Accounting
 - o Ineffective stewardship results in the loss of assets or breaches of regulatory requirements.
 - o Poor performance of the Fund's investments results in financial loss, the potential for liabilities not to be met and reputational damage.
 - o Investment returns are not received in full and in a timely manner.
- Regulatory Compliance
 - o Scheme governance arrangements, including clear separation between the Council's and the Fund's responsibilities, do not meet regulatory requirements, leading to regulatory sanction and/or reputational damage to the Council.
 - o Employers who do not fulfil their responsibilities impact the Fund's ability to comply with regulatory requirements.
- The Administration of Benefit Payments
 - o Poor data quality leads to inaccuracies in transactions, or a failure to meet statutory requirements, resulting in financial loss, and/or regulatory sanction.
 - o Inaccuracies or delays to pension benefit payments, may cause financial loss to the Scheme or financial hardship to members and reputational damage to the Council.
 - o Poor or inadequate delivery of the pension administration service, including as a result of inadequate procedure notes, failure to access current information (e.g. deaths register) or system access controls, may result in financial loss, regulatory breach, or reputational damage to 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:

Name	Last Audit
Information Governance	2020/21
Altair - Application Controls	2021/22
The implementation of Altair	2021/22
Compliance with Regulatory Requirements	2021/22 (2023/24)
Pension Fund Governance	2022/23
I-Connect – Application Controls	2022/23
Cyber Security	2022/23
Investments and External Control Assurance	Current year (2023/24)
The Administration of Pension Benefits ¹	Current Year (2023/24)
Collection of Contributions	Current year (2023/24)
Cash Management	Current year (2023/24)

The most significant risks covered by audits that are not in next year's plan, will be incorporated into the audits for 2024/25.

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.

¹ Formerly known as Pension Administration – People, Processes and Systems

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EAST SUSSEX PENSION FUND - INTERNAL AUDIT PLAN 2024/25

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 terms of reference will be developed in consultation with management.

Review Name	Outline Objective	Estimated Timing
Accounting Controls	This review will focus on the controls in place to ensure that funds have been correctly accounted for and are accurately reflected in the Council's accounting system, (SAP).	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 and receipt of, and accounting for, investment income.	Q4
Regulatory Compliance	We shall review the arrangements in place to ensure that the fund complies with the requirements of the Pension Regulator. The aim will be to provide assurance that employers in the Scheme comply with their regulatory obligations (e.g. to draw up and publish a range of discretionary policies) and that the respective responsibilities of the Council, as Scheme Manager, and the Fund, are clearly segregated.	Q2
The Administration of Benefit Payments	We shall review controls over the payment of pension benefits, transfers to and from the Pension Fund (including the retention of appropriate evidence) and the maintenance of the Fund's data.	Q3

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Report to: Pension Board

Date of meeting: 8 February 2024

By: Chief Finance Officer

Title: Additional Voluntary Contributions Report

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

RECOMMENDATIONS

The Pension Board is recommended to note the report

1. Background

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

2. Supporting information

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

2.2. There were 1,107 active members and 268 deferred members with an AVC 's as at 30 June 2023. This is around 4.5% of active and 1.1% of deferred members. The total value of AVC's were £17.2m (excluding terminal bonus for the with profits funds), with an average pot size is £12.9k.

2.3. Annual contributions by members into the AVC funds amounted to £2.3m during the 2022/23 financial year around £2.1k per member per year.

2.4. Total payments out of AVC's in the year were £3.1m with an average AVC pot paid out of £31.1k.

2.5. The AVC arrangement currently consists of 10 self-selected funds which are open for new investment, there are 7 actively managed funds with 3 passively managed funds. In addition, members have access to two lifestyle options:

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

2.6. The Board has been provided this paper for awareness. The Pension Committee is required to consider the on-going suitability of the AVC offering available to members. Noting that members will have a range of potential risk appetites, members will have a range of understanding of investments products. The Committee will need to consider the offering in light of the performance of both funds and the provider on review of this paper after this Board meeting.

3. Executive Summary

Responsibility

- 3.1. It is the Pension Committee's ongoing governance responsibility to ensure that:
- The fund options made available remain appropriate.
 - The AVC provider offers a good quality service that meets the needs of members and the Fund.
 - The charges paid by members are competitive and offer good value to money.
- 3.2. The Pension Board is provided the information in this report to consider the status of the AVC offering from an oversight perspective.

Key findings

- 3.3. Overall, there are no aspects of the investments that are of major concern, however the following should be noted:
- Prudential are one of the largest AVC providers in the UK and have significant experience in administering AVC arrangements for local authorities. Prudential is financially strong and compares well across the industry.
 - The default investment fund for ESPF members under the AVC arrangement is the Prudential With-Profits Fund. This fund aims to provide competitive long-term real returns whilst smoothing the peaks and troughs of day-to-day market movements. Whilst considering if this remains the default option for investors. Key reflections for this are:
 - Risk appetite of default investors
 - How engaged with investments a default investor might be
 - What understanding of investments a default investor may haveConsidering these factors explored further in the document it is not felt that there is any need to amend the default selection at this point.
- 3.4. Prudential's charges for the unit-linked funds are consistent with other AVC arrangements.
- 3.5. The Current offering covers the main asset classes that the average AVC investor would need to provide a bespoke investment choice to meet their needs. However possible areas that could improve the options would be the addition of:
- Sharia compliant equity option and:
 - Active equity management options

4. Current investment options

Overview of current investment options

4.1. The Prudential provide a range of 10 Investments fund (full list of investments provided in the table below) that members can choose from. This consists of 3 equity, 5 multi asset, 1 gilt and 1 cash fund. This provides a wide range of investments options to members and covers a wide level of risk appetite.

4.2. There are also 2 lifestyle options available to members to invest in which look to de-risk the members investments as they approach retirement.

4.3. There is currently £17.2m (excluding terminal bonuses) invested within the East Sussex Pension Fund offering with the largest being the Prudential With-Profits Fund (Default option) fund at £8.8m (51.2% of invested assets).

4.4. There is one Environmental Social and Governance (ESG) option within the offering this is limited to a pure equity fund and does not form part of the Multi Asset offering. Currently 69 people (7%) invest in this fund which equates to 3.3% of investments or 27.3% of the equity only investments.

4.5. All 10 funds have been invested in with contributions being made to all open funds during the year the smallest contribution was to the Prudential Dynamic Growth I Fund with £20k or 0.9% of contributions being paid in.

4.6. There are six funds that have been closed to new members. Two of the closed funds have no value or active members. No contributions have been made to the Prudential UK Equity Fund during the year. The Prudential International Equity fund and the Prudential Global Equity remain open to existing members to continue to contribute. 8.7% of investments remain in the closed funds with 8.1% being in the Prudential Deposit Fund.

4.7. Performance (detail can be seen in Appendix 1) for the current open investments in general these have performed in line with their benchmarks. However, it is not clear as to how difficult these benchmarks are to achieve for some funds as they are internally determined or in the case of the with-profit funds no benchmark or costs are disclosed in the fund literature.

4.8. From the returns provided the higher risk assets have provided in general a higher return over the 3, 5 and 10 year investment periods. With the exception being, the Prudential Long-Term Gilt Passive Fund which has large negative performance figures for the 3 and 5 year period with the marginal positive for the 10 year figure.

Funds available for investment

Investment Fund Name	Asset Class, Active or Passive	Prudential's risk rating
Prudential UK Equity Index Fund	Equities, Passive	High
Prudential Overseas Equity Index Fund	Equities, Passive	Medium to higher risk

Prudential Positive Impact Fund	Equities, Active	Medium to higher risk
Prudential Discretionary Fund	Multi-Asset, Active	Medium
Prudential Dynamic Growth IV Fund	Multi-Asset, Active	Medium
Prudential Long-Term Gilt Passive Fund	Government Bond, Passive	Medium
Prudential Dynamic Growth I Fund	Multi-Asset, Active	Lower to medium risk
Prudential Dynamic Growth II Fund	Multi-Asset, Active	Lower to medium risk
Prudential With-Profits Fund (Default option)	Multi-Asset, Active	Lower to medium risk
Prudential Cash Fund	Deposits, Active	Minimal risk

4.9. It should be noted that AVC investors have the ability to invest in multiple funds.

Environmental, Social and Governance (ESG)

4.10. There is one ESG offering in the arrangement – the Prudential Positive Impact Fund. The fund gains its positive impact exposure through the M&G Positive Impact Fund. The fund is a concentrated portfolio of global stocks, investing in companies that make a positive social and/or environmental impact alongside a financial return. The fund embraces the United Nations Sustainable Development Goals framework and invests in companies focused on areas including climate action, pollution reduction, circular economy, health and wellbeing, education and innovation, and working conditions.

4.11. The objective is to support and influence their contribution to the world's major social and environmental challenges. The fund manager has discretion to invest in companies with limited exposure to fossil fuels but which are driving or significantly participating in the transition to a more sustainable economy. There are 87 members invested in this fund which equates to 6.5% of member exposure to the investment options. This fund was added to the options available in February 2020.

Lifestyle funds

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

4.12. Members have access to two lifestyle options (a) that is designed for a member planning to take all their AVCs as cash on retirement or (b) retirement options where only 25% of the fund is aimed at cash on retirement. The lifestyle invests in a range of predominantly growth seeking assets (equities, property etc.) when more than 10 years from retirement and gradually de-risks into consolidation assets (bonds and cash) over the 10 years to selected retirement date. Currently 331 members are invested in a lifestyle investment.

Default fund

4.13. The Prudential arrangement offers a default investment, where members' contributions will be invested unless they make an active choice otherwise.

4.14. For East Sussex Pension Fund the default investment is the Prudential With-Profits Fund. This is due to the With-Profits Fund aim to offer the prospect of a competitive long-term real return whilst smoothing the peaks and troughs of day-to-day market movements.

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

4.16. There are 693 members invested in this fund which equates to 51.8% of member exposure to the investment. However only 38.0% of new contributions go into this investment. There is also very limited switching between the with profits investments and other investment offerings. As such the choice of a default is likely to determine where a significant proportion of all AVC investments go.

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

Closed Funds

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

Investment Fund Name	Asset Class, Active or Passive	Prudential's risk rating	Investment pot % value	Existing members still contributing?
Prudential Deposit Fund	Cash/Cash Equivalent, Active	Minimal Risk	7.1%	Y
Prudential Fixed Interest Fund	Government Bond, Active	Lower to medium risk	Nil	N
Prudential Global Equity Fund	Equities, Active	Medium to higher risk	0.2%	Y
Prudential Index-Linked Fund	Government Bond, Active	Medium to higher risk	Nil	N
Prudential International Equity Fund	Equities, Active	Medium to higher risk	0.3%	Y

Prudential UK Equity Fund	Equities, Active	High	0.1%	N
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5. Commentary on alternate investments

Overview of alternate investments

5.1. The analysis of the current investments above does shows that the investment choices available to the AVC investors cover the range of asset classes that an average AVC investor would need. There is no suggestion that there is a major absence of options available or that the investments are significantly underperforming their benchmarks.

5.2. There are many LGPS funds that use Prudential to run their AVC arrangements with 7 of the other 10 ACCESS partner funds using Prudential. Of these 4 offer the with profits fund as the default option the other 3 do not state a default option in their documentation.

5.3. 3 of the 7 ACCESS Funds offer substantially different options to East Sussex with 2 offering 18 different investments however there is limited additional asset classes provided by these. The main asset class distinction offered is a sharia compliant investment option which is provided by 1 of these Funds. The main point of difference between these options and East Sussex is around active management choices, non-prudential funds and a wider set of both the pure equity and fixed income opportunities.

5.4. The other ACCESS fund with a substantially different offer has just 3 investments with only with-profits fund, the discretionary fund and the cash fund available.

5.5. The remaining 4 ACCESS Funds offer 14-15 choices all of which are either offered by East Sussex or which were closed to new investments in 2008 and are detailed in the table above.

5.6. The offerings provided by other ACCESS Funds give an indication that ESPF are in line with other pension funds of a similar size, geographic area and membership.

Sharia Compliant Investment

5.7. The asset class offering not currently offered to East Sussex AVC investors is the Sharia compliant investment. This is a unique investment option that could be available through the Prudential offering; no other similarly focused investment options to align with other religions are available.

5.8. The Scheme Advisory Board commissioned a report from an expert in Islamic finance to provide advice as to whether the LGPS is Sharia complaint following legal advice on the issue of members opting out of the scheme on the basis of their religious (principally Islamic) beliefs. The report was published on 23 January 2024. The findings of the report were that Muslim employees can continue to contribute to, and benefit from the LGPS.

5.9. Looking at the possible Sharia Complicit Investment fund in more detail, the aim of the Fund is to track as closely as possible the performance of the Dow Jones Islamic Market Titans 100 Index (the Islamic Index). The Index is comprised of the shares of companies in emerging and developed markets that are based anywhere in the world. The fund is passively managed and will aim to invest in the shares of the companies in generally the same proportion as in the Index.

5.10. The shares are selected by filtering the Index universe through screens for business activities and financial ratios to remove stocks that are not Shariah compliant. The fund will only invest in shares of companies that meet Shariah compliance principles as interpreted or approved by the Shariah Committee. The Shariah Committee monitors the fund throughout the year and issues an annual Shariah certificate on the fund's compliance with Shariah principles. This certificate is included in the annual report of the fund as confirmation of the Shariah compliance for that year. The fund will not invest in derivatives.

5.11. The performance of the Sharia Complaint fund to 30 June 2023 is set out below:

	Quarter 2 2023	3 Years to 30/06/23	Annualised 5 Years to 30/06/23	10 Years to 30/06/23
Fund	8.3%	12.6%	14.7%	14.7%
Benchmark	8.0%	12.9%	15.3%	15.3%

5.12. The current Prudential Overseas Equity Index Fund's performance offered by the Fund for comparison was:

	Quarter 2 2023	3 Years to 30/06/23	Annualised 5 Years to 30/06/23	10 Years to 30/06/23
Fund	0.0%	8.5%	7.0%	9.4%
Benchmark	0.7%	8.3%	7.3%	9.6%

5.13. The risk profile of this investment is classed as medium to higher risk the same as the overseas equity index fund. If the Fund were to provide this option, it would increase the passive equity offering.

5.14. In terms of the current investments AVC investors have £1.4m (7.8%) invested in passive equity funds. This is relatively small allocation. To date the Fund has not been asked to offer a Shariah compliant AVC Fund or had any requests for information associated with this as an investment option.

Active management options

5.15. Looking at the offerings of the other ACCESS Funds East Sussex provides a smaller number of actively managed pure equity and fixed income Funds, however a wide range of Multi asset active options are provided.

5.16. Within the AVC investments of the Funds members there is a relatively small amount invested within the pure equity or fixed income options available to the AVC investors, amounting to £2.3m 13.5% of investments (£2.0m in equity and £0.3m in Gilts) of this £0.6m 3.3% is invested in active managed equity funds. There is in contrast is £4.5m, 26.1% invested in non with profits multi assets funds representing 33.7% of members. £8.8m in with-profits investments 51.2% all the multi asset investments are actively managed investments.

5.17. The actively managed funds that have been closed by East Sussex have not significantly outperformed the passive managed funds that is offered to investors.

5.18. An active managed fund would necessitate for an AVC member to be more attentive to the performance of the investments, which may be an unrealistic ask of AVC investors these also come at a greater cost to the investor.

5.19. It is not evident from the amounts invested that a new active manage pure equity option is needed.

6. Review of the Default Option

6.1. The Prudential arrangement offers a default investment, where members' contributions will be invested unless they make an active choice otherwise. When the thought for an appropriate default investment is considered the attributes of how a default investor might act should for part of this consideration in this instance the following has been taken into account:

- Risk appetite of default investors
- How engaged with investments a default investor is
- Understanding of the investment a default investor may have.

Risk appetite

6.2. The risk that a default investor would be willing to take will be considered as a risk averse investor. For this characteristic the default fund for the investor would need to prioritise having a reliant amount at the retirement age rather than a volatile investment that may or may not provide a larger return.

Engagement with investments

6.3. The default investor has been considered as less engaged with investments and may not look or consider other options offered. For this characteristic the default fund needs to be something that provides steady growth over time and would not need to actively be considered by the investor.

Understanding of investments

6.4. Understanding of investments is considered as low for the default investor and they are therefore less likely to understand the investment they are in, or the options and risks involved with other investments. Therefore, the default investment would ideally be easy to understand and for the information and documentation to be accessible. Complexity should be kept to a minimum and transparency should be sought. The product needs to provide many different and contradictory attributes, it needs to provide good growth whilst being a stable fund to allow members to plan their retirement.

Current Fund

6.5. For East Sussex Pension Fund the default investment is the Prudential With-Profits Fund. This is primarily due to the aim of the investment to offer the prospect of a competitive long-term real return whilst smoothing the peaks and troughs of day-to-day market movements. This occurs as the value of with-profits funds are not directly exposed to fluctuations in the value of the

underlying assets. Instead, returns are 'smoothed' through the addition of bonuses (regular and final) which aim to provide members with a steady rate of return.

6.6. The level of bonuses applied, are not guaranteed, vary depending on a number of factors and will make an allowance for the charges associated with running the fund. This characteristic makes the with-profits investment one of the least risky of the available choices within the portfolio offered by East Sussex. As a result, it has lower volatility whilst still providing reasonable growth.

6.7. The performance of the with profits investments has been similar to the Discretionary Fund but at a lower risk profile.

6.8. The with profit fund is a simple in theory product to explain to investors but there is a lot of complexity underpinning this. In particular the smoothing function makes the underlying investments within the with profits fund opaque along with the making the underlying performance difficult to assess. It is hard to get information on the exact management charge for the investment and to assess how the bonuses are calculated. Whilst the premise is straight forward the ability for a non-investment minded investor to completely understand these investments is low.

6.9. With this being a default option for other similar LGPS Funds there is a level of comfort with this investment. However, this is not in and of itself a reason to maintain this as the East Sussex default fund.

Options for default investment

6.10. With 49.7% of investments within the default option and 38.0% of new contributions paid into this fund. Any change needs to be considered carefully as it would have an impact on 45.9% of the investments of the AVC membership.

6.11. Any decision to change the default investment the implications of this need to be considered as in would any existing arrangements stay in place, do all new investments go into a new default investment is this option left open for investment. It should be noted that if money invested in the With-Profits Fund is taken out at any time other than on death or normal retirement date, a Market Value Reduction (MVR) may be applied; this may have the effect of reducing the fund value.

6.12. The table below compares the 9 non-cash investments against the ideal investment for a default fund:

Criteria	Risk	3 Year Performance %	Complexity	Transparency
Ideal requirements	Lower to Medium Risk	5.6*	Simple	Transparent
Prudential With-Profits Fund	Lower to Medium Risk	6.9	Complex	Opaque
Prudential UK Equity Index Fund	Higher Risk	9.6	Simple	Transparent
Prudential Overseas Equity Index Fund	Medium to Higher Risk	8.5	Simple	Transparent
Prudential Positive Impact Fund	Medium to Higher Risk	8.2	Simple	Transparent

Prudential Long-Term Gilt Passive Fund	Medium Risk	(19.6)	Simple	Transparent
Prudential Discretionary Fund	Medium Risk	5.3	Complex	Opaque
Prudential Dynamic Growth IV Fund	Medium Risk	4.0	Complex	Opaque
Prudential Dynamic Growth II Fund	Lower to Medium Risk	0.8	Complex	Opaque
Prudential Dynamic Growth I Fund	Lower to Medium Risk	(0.8)	Complex	Opaque

*This is 1% above the actuary's discount rate at the 2022 Valuation.

6.13. From the table above in a simplistic form the Fund that offers the best alignment to the characteristics wanted by the default investment described above is the with profits fund then the Discretionary Plan. The discretionary fund is currently the second most popular option within the AVC offering with 17.9% of investment in this fund.

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

7. Conclusion

7.1. The Board is asked to note the report.

IAN GUTSELL
Chief Finance Officer

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Appendix I AVC Investment information

September 2023

Fund Costs Benchmarks and Performance

Investment Fund Name	Cost %	Benchmark	Performance								
			3 Year			5 Year			10 Year		
			Fund	Benchmark	Relative	Fund	Benchmark	Relative	Fund	Benchmark	Relative
Higher Risk											
Prudential UK Equity Index Fund	0.57	FTSE All-Share Index	9.6	10.0	(0.4)	2.9	3.1	(0.2)	5.8	5.9	(0.1)
Medium to Higher Risk											
Prudential Overseas Equity Index Fund	0.62	Mix of FTSE and MSCI Regional Indices	8.5	8.3	(0.2)	7.0	7.3	(0.3)	9.4	9.6	(0.2)
Prudential Positive Impact Fund	0.66	MSCI ACWI	8.2	10.5	(2.1)	-	-		-	-	
Medium Risk											
Prudential Discretionary Fund	0.70	Internal composite benchmark, asset allocation set by the M&G Treasury & Investment Office (T&IO)	5.3	5.4	(0.1)	3.2	4.2	(1.0)	6.6	6.7	(0.1)
Prudential Dynamic Growth IV Fund	0.63	Internal composite benchmark, asset allocation set by the M&G Treasury & Investment Office (T&IO).	4.0	3.4	0.6	3.6	3.3	0.3	-	-	-

Prudential Long-Term Gilt Passive Fund	0.56	iBoxx Sterling Gilts (15+) Index	(19.6)	(19.8)	0.2	(7.8)	(7.9)	0.1	0.3	0.3	0.0
Lower to Medium Risk											
Prudential Dynamic Growth I Fund	0.63	Internal composite benchmark, asset allocation set by the M&G Treasury & Investment Office (T&IO).	(0.8)	(1.7)	0.9	1.6	1.0	0.6	-	-	-
Prudential Dynamic Growth II Fund	0.63	Internal composite benchmark, asset allocation set by the M&G Treasury & Investment Office (T&IO).	0.8	0.0	0.8	2.4	1.8	0.6	-	-	-
Prudential With-Profits Fund (Default option)	Not Disclosed	Competitive long-term real returns	6.9	Not Disclosed	-	4.9	Not Disclosed	-	5.7	Not Disclosed	-
Minimal											
Prudential Cash Fund	0.55	SONIA 1 Week	1.2	1.1	0.1	1.0	0.8	0.2	0.7	0.6	0.1

Fund descriptions

Open Funds

Investment Fund Name	Prudential's risk rating
Higher Risk	
Prudential UK Equity Index Fund	<p>Objective: The investment strategy of the fund is to purchase units in the M&G PP UK Equity Index Fund – the underlying fund.</p> <p>Underlying fund objective: The fund gains its exposure via the M&G (ACS) BlackRock UK All-Share Equity Fund. The underlying fund aims to be fully invested in the equity securities and equity related securities of companies that are constituents of the FTSE All-Share Index.</p> <p>Within the index-related limits, the Investment Manager uses a structured and systematic, bottom-up stock selection process to build a portfolio with similar risk-return characteristics as the index in order to meet the fund's investment objectives. In addition, the Investment Manager aims to maximise the fund's ESG characteristics by overweighting its investments in securities which score well against the Investment Manager's ESG research framework and underweighting the securities which score less well.</p> <p>Performance objective: The fund aims to provide a total return (i.e. capital growth plus income), gross of the Ongoing Charges Figure, over any three year period.</p>
Medium to Higher Risk	
Prudential Overseas Equity Index Fund	<p>Objective: The investment strategy of the fund is to purchase units in the M&G PP Overseas Equity Index Fund – the underlying fund.</p> <p>Underlying fund objective: The fund invests, primarily via other M&G funds, in the shares of overseas companies against a benchmark mix, with fixed proportions.</p> <p>The funds follow a structured and systematic, bottom-up stock selection process to build a portfolio with similar risk-return characteristics as their indices in order to meet their investment objectives. In addition, the Sub-Investment Manager aims to maximise the fund's ESG characteristics by overweighting its investments in securities</p>

	<p>which score well against the Sub-Investment Manager's ESG research framework and underweighting the securities which score less well. Derivative instruments may be used for efficient portfolio management.</p> <p>Performance objective: To provide a return that is in line with that of the benchmark.</p>
Prudential Positive Impact Fund	<p>Objective: The investment strategy of the fund is to purchase units in the M&G PP Positive Impact fund (the underlying fund).</p> <p>Underlying fund objective: The Fund has two aims:</p> <ul style="list-style-type: none"> • To provide a higher total return (the combination of capital growth and income), net of the Ongoing Charges Figure, than the MSCI ACWI Index over any five-year period; and • To invest in companies that aim to have a positive societal impact through addressing the world's major social and environmental challenges. The Fund gains its exposure through the M&G Positive Impact Fund, an M&G OEIC. The Fund is a concentrated portfolio of global stocks, usually holding fewer than 40 stocks, investing over the long term in companies that make a positive social and/or environmental impact alongside a financial return, using a disciplined stock selection process. Sustainability and impact considerations are fundamental in determining the Fund's investment universe and assessing business models. The Fund embraces the United Nations Sustainable Development Goals framework and invests in companies focused on areas including climate action, pollution reduction, circular economy, health and wellbeing, education and innovation, and working conditions. <p>The Fund invests in three categories of positive impact companies:</p> <ul style="list-style-type: none"> • "Pioneers", whose products or services have a transformational effect on society or the environment; • "Enablers", which provide the tools for others to deliver positive social or environmental impact; and • "Leaders", which spearhead the development of sustainability in their industries. Investing in these categories provides diversification across industries and maturity of business models. <p>Dialogue with the companies in which the Fund invests is fundamental to the investment approach. The objective is to support and influence their contribution to the world's major social and environmental challenges. The fund manager has discretion to invest in companies with limited exposure to fossil fuels but which are driving or significantly participating in the transition to a more sustainable economy. The Fund may also invest in other transferable securities, cash, and near cash, directly or via collective investment schemes (including funds managed by M&G). Derivatives may be used for Efficient Portfolio Management and hedging.</p>
Medium Risk	
Prudential Discretionary Fund	<p>Objective: The investment strategy of the fund is to purchase units in the M&G PP Discretionary Fund - the underlying fund.</p>

	<p>Underlying Fund Objective: The fund provides a multi-asset approach to investment, holding a mix of UK and overseas company shares, bonds, property, cash plus listed alternative assets primarily through other M&G funds or direct holdings. It is actively managed against an internal benchmark asset allocation set by the M&G Treasury & Investment Office. It is a “fund of funds” where both active stock selection, within the underlying sector funds, and asset allocation decisions are used to add value. Derivative instruments may be used for efficient portfolio management.</p> <p>Performance Objective: To outperform the internal composite benchmark by 1.15% - 1.40% a year (before charges) on a rolling three year basis</p>
Prudential Dynamic Growth IV Fund	The fund aims to deliver long term growth through investing in a diversified range of assets both in the UK and globally. At any time, the fund will invest at least 40% of its assets in equities but not more than 80%. Investments are managed across asset classes and across world markets with a focus on long run investment potential as forecast on a rolling 10 years basis. The fund may invest in a range of permitted assets which include equities, bonds, property and cash accessed directly or indirectly via appropriate fund vehicles. The fund may include other assets as deemed appropriate by both the manager and current regulations.
Prudential Long-Term Gilt Passive Fund	<p>Objective: The investment strategy of the fund is to purchase units in the M&G PP Long-Term Gilt Passive Fund - the underlying fund.</p> <p>Underlying Fund Objective: The fund invests in UK Government gilts with over 15 years to maturity. The fund is passively managed against its benchmark, the iBoxx Sterling Gilts (15+) Index. Tracking this index is achieved by fully replicating the stocks in the index.</p> <p>Performance Objective: To match the performance of the benchmark as closely as possible.</p>
Lower to Medium Risk	
Prudential Dynamic Growth I Fund	The fund aims to deliver long term growth through investing in a diversified range of assets both in the UK and globally. At any time, the fund will invest a maximum of 30% of its assets in equities. Investments are managed across asset classes and across world markets with a focus on long run investment potential as forecast on a rolling 10 years basis. The fund may invest in a range of permitted assets which include equities, bonds, property and cash accessed directly or indirectly via appropriate fund vehicles. The fund may include other assets as deemed appropriate by both the manager and current regulations.
Prudential Dynamic Growth II Fund	The fund aims to deliver long term growth through investing in a diversified range of assets both in the UK and globally. At any time, the fund will invest at least 10% of its assets in equities but not more than 40%. Investments are managed across asset classes and across world markets with a focus on long run investment potential as forecast on a rolling 10 years basis. The fund may invest in a range of permitted assets which include equities, bonds, property and cash accessed directly or indirectly via appropriate fund vehicles. The fund may include other assets as deemed appropriate by both the manager and current regulations.

Prudential With-Profits Fund (Default option)	<p>The fund offers the prospect of competitive long-term real returns whilst smoothing the peaks and troughs of day-to-day market movements.</p> <p>Investment returns are passed to policyholders through bonuses. The fund is invested in a diversified portfolio of UK and overseas shares, bonds, property and cash. A significant proportion of the fund is invested in shares and property which can be expected to produce attractive long term returns, but the return on these assets can be volatile and so the fund is actively managed to optimise the returns while controlling risk.</p>
Minimal Risk	
Prudential Cash Fund	The current practice, which we can review at any time, is to set and declare the interest rate on the first of each month, in line with the Bank of England base rate. Any interest is declared monthly and there are no explicit charges. The assets of this fund are part of the With-Profits Fund which is a multi-asset fund. The capital you hold in the Prudential Deposit Fund will not decrease.

Closed Funds

Investment Fund Name	Prudential's risk rating
Higher Risk	
Prudential UK Equity Fund	<p>Objective: The investment strategy of the fund is to purchase units in the M&G PP UK Equity Fund - the underlying fund.</p> <p>Underlying Fund Objective: The fund invests, via other M&G PP funds, in the shares of UK companies. The fund is actively managed against its benchmark, the FTSE AllShare Index. It is a “fund of funds” holding units in several more specialised UK equity funds giving access to a variety of methods for generating investment returns in differing market conditions.</p> <p>Performance Objective: To outperform the benchmark by 0.75%-1.0% a year (before charges) on a rolling three year basis</p>
Medium to Higher Risk	
Prudential Global Equity Fund	Objective: The investment strategy of the fund is to purchase units in the M&G PP Global Equity Fund - the underlying fund.

	<p>Underlying Fund Objective: The fund provides an all-equity approach to investment, holding a 60% UK equity and 40% mix of overseas company shares. For the overseas shares the fund is actively managed against an internal composite benchmark asset allocation set by the M&G Treasury & Investment Office (T&IO). It is a “fund of funds” where both active stock selection, within the underlying sector funds, and asset allocation decisions are used to add value.</p> <p>Performance Objective: To outperform the internal composite benchmark by 1.0% a year (before charges) on a rolling three year basis.</p>
Prudential International Equity Fund	<p>Objective: The investment strategy of the fund is to purchase units in the M&G PP International Equity Fund - the underlying fund.</p> <p>Underlying Fund Objective: The fund invests, primarily via other M&G funds, in the shares of overseas companies. It is actively managed against an internal benchmark asset allocation set by the M&G Treasury & Investment Office. It is a "fund of funds" where both active stock selection, within the underlying sector funds, and asset allocation decisions are used to add value. Derivative instruments may be used for efficient portfolio management.</p> <p>Performance Objective: To outperform the internal composite benchmark by 1.0% a year (before charges) on a rolling three year basis.</p>
Medium Risk	
Prudential Index-Linked Fund	<p>Objective: The investment strategy of the fund is to purchase units in the M&G PP Index-Linked Fund - the underlying fund.</p> <p>Underlying Fund Objective: The fund invests mainly in UK Government index-linked gilts, typically with over five years to maturity. The fund is actively managed against its benchmark, the iBoxx UK Gilt Inflation-Linked Over 5 Year Index. The fund can also invest in corporate bonds, overseas government bonds and fixed interest gilts. Exposure to short-term exchange rate movements from any overseas holdings is mitigated by hedging.</p> <p>Performance Objective: To outperform the benchmark by 0.75% a year (before charges) on a rolling three year basis.</p>

Lower to Medium Risk	
Prudential Fixed Interest Fund	<p>Objective: The investment strategy of the fund is to purchase units in the M&G PP Fixed Interest Fund - the underlying fund.</p> <p>Underlying Fund Objective: The fund invests mainly in UK government gilts. The fund is actively managed against its benchmark, the iBoxx Sterling Gilts Index. The fund can also invest in overseas government bonds and corporate bonds issues by UK and overseas companies and institutions. Exposure to short-term exchange rate movements from any overseas holdings is mitigated by hedging.</p> <p>Performance Objective: To outperform the benchmark by 0.75% a year (before charges) on a rolling three year basis.</p>
Minimal Risk	
Prudential Deposit Fund	<p>The Prudential Deposit Fund earns a variable rate of interest. The current practice, which we can review at anytime, is to set the interest rate on the first of each month, in line with the Bank of England base rate at the time. The Deposit Fund is backed by the assets held within Prudential's With-Profits Fund. Any interest is declared monthly and there are no explicit charges. Interest once added is guaranteed and withdrawals from this fund are not subject to a Market Value Reduction (MVR)</p>

East Sussex Pension Fund Membership of AVC's

Membership Demographics

Status by age group as at 30 June 23

	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65+	Total No. of members
Active	6	10	22	56	115	242	331	249	76	1,107
Deferred	-	1	7	9	18	63	94	48	28	268
Totals	6	11	29	65	133	305	425	297	104	1,375

Status by membership duration as at 30 June 23

	30+ Yrs	20-30 Yrs	10-20 Yrs	5-10 Yrs	4-5 Yrs	3-4 Yrs	2-3 Yrs	1-2 yrs	<1 Yr	Total No. of members
Active	1	246	139	324	26	38	81	67	185	1,107
Deferred	2	159	44	50	4	6	3	-	-	268
Totals	3	405	183	374	30	44	84	67	185	1,375

Status by years to retirement as at 30 June 23

	Past retirement date	<1 Yr	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	5-10 Yrs	10-20 yrs	20-30 Yrs	30+ Yrs	Total No. of members
Active	8	63	65	68	71	75	353	317	73	14	1,107
Deferred	-	9	7	20	7	17	113	77	16	2	268
Totals	8	72	72	88	78	92	466	394	89	16	1,375

Investment Information

Funds Under Management as at 30 June 2023

Prudential Fund	Units	Price	Value (£)	% of total fund	No. of members **
Prudential With-Profits Fund			8,820,095	51.24	693
Prudential Discretionary Fund	763,303.11	404.6	3,088,324	17.94	214
Prudential Overseas Equity Index Fund	173,522.86	533.1	925,050	5.37	113
Prudential Deposit Fund (Closed)			1,223,637	7.11	93
Prudential Positive Impact Fund	438,432.21	128.8	564,701	3.28	87
Prudential Cash Fund	381,825.27	161.4	616,266	3.58	74
Prudential Long-Term Gilt Passive Fund	122,000.37	209.8	255,957	1.49	69
Prudential UK Equity Index Fund	142,013.98	333.4	473,475	2.75	60
Prudential Dynamic Growth IV Fund	522,269.10	158.2	826,230	4.8	119
Prudential Dynamic Growth II Fund	259,661.09	141	366,122	2.13	75
Prudential Dynamic Growth I Fund	159,620.22	131.5	209,901	1.22	43
Prudential International Equity Fund (Closed)	9,573.97	551.2	52,772	0.31	7
Prudential Global Equity Fund (Closed)	8,546.96	407.7	34,846	0.2	5
Prudential UK Equity Fund (Closed)	4,383.62	343.1	15,040	0.09	2
Totals	2,985,152.74		17,214,677	100.00	1,339*

*The total does not equal the number of members in each investment as some members have made multiple investments.

Number of investors in each fund as at 30 June 2023 by age (non-lifestyle)

Prudential Fund choice by age	Asset Class	25-29	30-34	34-39	40-44	45-49	50-54	55-59	60-64	65+	Total
Prudential With-Profits Fund (Default)	Multi-Asset, Active	2	5	10	31	56	127	193	138	46	608
Prudential Discretionary Fund	Multi-Asset, Active	1	1	7	7	15	46	51	39	7	174
Prudential UK Equity Index Fund	Equities, Passive	-	1	3	5	3	13	15	12	1	53
Prudential Overseas Equity Index Fund	Equities, Passive	2	2	1	6	13	24	14	22	4	88
Prudential Positive Impact Fund	Equities, Active	1	2	3	7	14	16	14	9	3	69
Prudential Cash Fund	Deposits, Active	1	-	2	4	5	5	22	14	7	60
Prudential Long-Term Gilt Passive Fund	Government Bond, Passive	1	-	3	1	9	13	16	7	3	53
Prudential Dynamic Growth IV Fund	Multi-Asset, Active	-	1	-	2	4	15	6	6	1	35
Prudential Dynamic Growth II Fund	Multi-Asset, Active	-	-	-	4	1	8	6	6	1	26
Prudential Dynamic Growth I Fund	Multi-Asset, Active	-	-	-	-	1	2	9	3	3	18
Prudential Deposit Fund (Closed)		-	-	1	2	4	10	24	23	10	74
Prudential International Equity Fund (Closed)		-	-	-	-	1	1	1	-	1	4
Prudential Global Equity Fund (Closed)		-	-	-	1	-	1	1	-	-	3
Prudential UK Equity Fund (Closed)		-	-	-	-	-	-	1	-	-	1
Total*		5	9	21	49	98	216	302	234	74	1,008

*The total does not equal the number of members in each investment as some members have made multiple investments.

Note membership numbers do not include members investing in a lifestyle option, so do not align with previous tables.

Report to: Pension Board

Date of meeting: 8 November 2024

By: Chief Finance Officer

Title: Pension Fund Risk Register

Purpose: To consider the Pension Fund Risk Register

RECOMMENDATIONS

The Pension Board is recommended to review and note the Pension Fund Risk Register.

1 Background

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

1.2 Effective risk management is an essential part of any governance framework as it identifies risks and 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 Risk E3 – Employer Covenant, has been increased in likelihood, moving the overall risk score to a 6. This is because an increasing number of Local Authorities are at risk of a s.114 notice and not having sufficient cash to meet their expenditure. Pension payments would be expected to continue in such circumstances but it is unclear what would happen in the event of a Local Authority not being in funds. This rationale has also seen the suggested pre-mitigation likelihood increase.

3.2 Risk G1 – Key Person Risk, has increased. A member of the Officer leadership team has recently left, it is believed there may be delays in finding a suitable candidate for the vacant position and agency support for the team has not yet been successful.

3.3 The definition of risk G5 – Data Breach, has been updated to make it clear that the risk does not just apply to GDPR, other Regulations exist which determine how data is handled and used.

3.4 Risk G6 - Fraud, has seen its likelihood being reduced. Fund Officers have not seen material cases of fraud either against the Fund or its members. Mitigations in place are believed to be effective, however, it is recommended that the risk remain on the register as both a point of good practice and the potential pre-mitigation risk level.

3.5 Risk I6 – ESG, has seen both pre and post mitigation likelihood scoring increase. There is expected to be an increase in the level of political interest in this area which will mean it is more likely further action will need to be taken by the Fund. Risk I7 – Climate Change has had its post mitigation risk increased for the same reasons.

4 Items under review

4.1 Item G3 – Cyber Security, has been noted as needing closer monitoring ahead of the next quarterly report. Training is due to be provided by the Information Technology team on the issue of cyber security. The outcomes from this training will determine future considerations of this area.

4.2 Risk I1 – Investment Returns, is under review as investments have not been performing to the same extent as the recent positive position. Currently, this is not expected to materially impact the operation of the Fund as the Fund is a long-term investor and will go through periods where return is negative or low. Quarterly reports on both funding and investment return are received and will be used to determine if a change needs to be made to the grading in the future.

4.3 Risk I5 – High Inflation impact on Funding level, may receive a reduced risk score and will be monitored closely ahead of next quarter. This is because the inflation level is expected to decrease although the potential impact on the issues around the Suez are yet to become clear.

4.4 Risk I8 – Liquidity, is being more closely monitored whilst the Fund transitions to a cashflow negative position. As the impact on using matching assets to fund the payment of contributions becomes clearer, Officers will pay increased attention to this risk.

5 Conclusion

5.1 The Pension Board is recommended to review and note the Pension Fund Risk Register.

IAN GUTSELL
Chief Finance Officer

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Email: Sian.Kunert@EastSussex.gov.uk

Summary Post Mitigation Risk scores

Reference	Strategic Risk	Feb-22	Jun-22	Sep-22	Nov-22	Feb-23	May-23	Sep-23	Nov-23	Feb-24	Change from September
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	4	4	4	4	↔
E2	Employer data Employers fail to provide accurate and timely data to the PAT team	9	9	9	12	12	12	9	9	9	↔
E3	Employer Covenant Delay in employers agreeing Admission Agreement, risk of insufficient security	4	4	4	4	4	4	4	4	6	↑
Administration											
A1	Pensions service Delivery Inadequate delivery of Pensions Administration	6	6	6	6	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	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	10	6	6	6	↔
A5	Transfer Scams Failure to comply with CETV anti scam checks	2	2	2	2	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	3	6	6	6	↔
Governance											
G1	Key Person risk Risk of loss of key / senior staff resulting in lost knowledge and skills with in the Pensions Team	4	4	4	4	4	4	4	4	6	↑
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	9	9	6	6	↔
G3	Cyber Security Risk of Loss of data or systems breaches through cyber attacks	8	8	8	8	8	8	8	12	12	↔
G4	Governance and Compliance Inadequate governance arrangements and controls to discharge powers & duties	3	3	3	3	6	6	6	3	3	↔
G5	Data Breach Failure to comply with General Data Protection Regulations	4	4	4	4	4	4	4	4	4	↔
G6	Fraud Internal and External fraud risk	3	6	6	4	4	4	4	4	2	↓
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	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	2	2	2	2	↔
I4	Investment Pooling Inability to comply with government direction on pooling, insufficient sub funds to implement investment strategy, poor management of the pool	6	6	6	6	12	12	12	9	9	↔
I5	Funding risk - higher inflation Risk of inflation leading to increased liabilities, lower asset returns and a funding gap	2	6	6	6	6	6	6	6	6	↔
I6	Environmental, Social and Governance Risk of ESG factors within Investment strategy, underlying holdings and implementations of investment decisions	4	4	4	4	4	4	4	4	6	↑
I7	Climate change Risk to assets and liabilities associated with Climate Change	4	4	4	4	4	4	4	4	6	↑
I8	Liquidity Insufficient cash to pay benefits as they fall due	4	4	4	4	4	4	4	4	4	↔
I9	Money Purchase Additional Voluntary Contributions Inadequate offering to Scheme Members							2	2	2	↔

Ref	Strategic risk	High risk					Low risk						
E1	Contribution Funding Risk						!				*		
E2	Employer data risk				!		*						
E3	Delay in Agreeing Admission Agreement							!	*				
A1	Pension Service Delivery						!		*				
A2	Regulatory change						!		*				
A3	Production of Statutory Member returns				!				*				
A5	Failure to comply with anti-scam checks								!			*	
A7	MBOS project				!		*						
G1	Key Person risk		!						*				
G2	Lack of decision making caused by loss of Pension Committee/ Pension Board member						!		*				
G3	Cyber security		!					*					
G4	Inadequate governance arrangements to discharge powers & duties						!				*		
G5	Failure to comply with General Data Protection Regulations						!			*			
G6	Fraud				!							*	
I1	Funding risk due to poor investment returns						!			*			
I3	Regulatory Risk						!					*	
I4	Investment Pooling Risk		!				*						
I5	High inflation				!				*				
I6	Environmental, Social and Governance risks							!	*				
I7	Climate change				!				*				
I8	Insufficient cash to pay benefits as they fall due							!		*			
I9	AVC									!		*	

! = Before Mitigation

* = Post Mitigation

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	<ul style="list-style-type: none"> •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 for each employer to track employer cashflows in line with actuarial requirements for Valuation and FRS17/IAS19 reporting requirements. Also enables ability to see trends in contributions collected •Pension 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. This strategy was refreshed in February 2023 •Implementation of i-Connect is improving the quality of contribution data received to better aid reconciliation of payments and drill into the accuracy of employers' contribution payments, however functionality is still being improved by the software provider •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. Triennial Valuation complete for 2022 and new rates set for April 2023 onwards. LGPS31 forms issued to all employers with new rates. •Guide to Employers on implications of Pensions on Outsourcing published and issued to all employers •Contribution deferral policy approved by Committee in June 2020 •Deferred debt and debt spreading policies approved in June 2023 •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 •Cash Management covered by internal audit in 2022/23 year looking at contribution collection and cash management strategy •Cash Management and Contribution rate collection both identified in the 2023/24 internal audit programme for further investigation 	4	Head of Pensions
E2	Employer data Employers fail to provide accurate and timely data to the PAT team	12	<ul style="list-style-type: none"> •Pension Administration Strategy approved in operation from January 2021 and refreshed in February 2023 with consultation with employers April 2023 •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 was conducted by the Actuary with PAT to ensure the integrity of data 	9	Head of Pensions

E3	Employer Covenant Delay in employers agreeing Admission Agreement, risk of insufficient security	8	<ul style="list-style-type: none"> •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. New employers are given a copy as part of Admission Agreement process •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 •Security obtained for new admissions in form of bond or a guarantee from an appropriate body which has the means to support the guarantee 	6	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	<ul style="list-style-type: none"> •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 •Regular meetings with payroll, HR, ICT and PAT •Pensions Admin working group in place to discuss service delivery issues on a regular basis •Pensions Admin Team has skills matrix to identify training needs for particular processes 	6	Head of Pensions Administration
A2	Regulatory Change Risk that new benefit structures can not be set up correctly or in time	9	<ul style="list-style-type: none"> •Projects and/or working groups in place to deal with current regulatorily benefit changes •Attendance at networks and officer groups to stay on top of 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	<ul style="list-style-type: none"> •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 	6	Head of Pensions Administration
A5	Transfer Scams Failure to comply with CETV anti scam checks	6	<ul style="list-style-type: none"> •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	9	<ul style="list-style-type: none"> •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 and will make go/no go decision •Heywood's paid to produce a scheme specific payroll data output report for transfer to Oracle 	6	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	<ul style="list-style-type: none"> •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 prior to recruitment processes •Training officer post within team structure since 2021 •Training strategy in place and regularly reviewed with training log where required •Recruitment project to fill to vacant positions coming to an end with nearly all posts now filled •Utilisation of apprenticeships allow for bring new staff into to train in advance of vacancies •Team responsibilities being reviewed to ensure appropriate coverage of workstreams 	6	Head of Pensions / Head of Pensions Administration
G2	Committee / Board Member Lack of decision making/functionality caused by loss of Pension Committee/Pension Board members or insufficient knowledge and skills of members	9	<ul style="list-style-type: none"> •Record kept of terms of Office •Pension Board terms of Office staggered •Vice Chairs in place to cover chair absence •Officers aware of election cycles and request for officers as a preference over elected members is communicated to employers •Robust Terms of reference in place that is clear and comprehensive •Training plans in place for new members to build knowledge to required levels 	6	Head of Pensions

G3	Cyber Security Risk of Loss of data or systems breaches through cyber attacks	16	<ul style="list-style-type: none"> • 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 • Information security report no material vulnerabilities. Recommendations to be implemented. • Cyber training is provided to all staff around techniques and methods used to launch cyber attacks 	12	Head of Pensions
G4	Governance and Compliance Inadequate governance arrangements and controls to discharge powers & duties	9	<ul style="list-style-type: none"> • Training strategy in place which covers Pension Committee, Pensions Board and officers • 100 days of internal audit commissioned for each calendar year to 2022/23 and 75 days from 2023/24 with regular reporting from IA to committee and board, including areas Governance and Compliance • 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 • Working groups in place, with own terms of reference, which report findings to full Board and Committee • Governance of meetings supported by Democratic Services • Governance structures held within ESCC constitution • Conflict of interest policy in place 	3	Head of Pensions
G5	Data Breach Failure to comply with General Data Protection Regulations and Disclosure Regulations	9	<ul style="list-style-type: none"> • 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 each year • 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	<ul style="list-style-type: none"> • 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, with appropriate seniority levels • Mortality checks, Tell us once and NFI data • Contract in place with a third party to support with mortality and address training • Journals over £1m have to be signed off by Head of Pensions 	2	Head of Pensions

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	9	<ul style="list-style-type: none"> •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
I3	Regulatory risk Failure to comply with regulations, legislation and guidance from an accounting and investment perspective	9	<ul style="list-style-type: none"> •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
I4	Investment Pooling Inability to comply with government direction on pooling, insufficient sub funds to implement investment strategy, poor management of the pool	16	<ul style="list-style-type: none"> •ACCESS Support Unit team provide support to the pool •Operator contract provided by Weyland for assets held within the ACS. Operator novation imminent. •The ACCESS Contracts Manager will monitor Weyland'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 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, working groups or distributions 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 •ACCESS governance review completed •ACCESS have secured a stewardship consultant to support development in RI activities for the pool •Illiquid assets are in progress for pooling •Fund has responded to key government consultations to ensure its view is shared with policy makers on recommended future changes in pooling. 	9	Head of Pensions

I5	Funding risk - higher inflation Risk of inflation leading to increased liabilities, lower asset returns and a funding gap	12	<ul style="list-style-type: none"> •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 completed - inflation models used to estimate the average inflation across a 20 year time horizon, including consideration of the current high inflation environment. Index linked gilt triggers introduced to benefit from market opportunities which provide alignment with changing liabilities 	6	Head of Pensions
I6	Environmental, Social and Governance Risk of ESG factors within Investment strategy not being properly considered affecting underlying holdings and implementations of investment decisions	8	<ul style="list-style-type: none"> •Statement of Responsible Investment Principles outline responsible investment beliefs, implementation of decisions and monitoring of ESG factors •ESG is in the heart of all investment decisions and not a separate function or workign group •The Fund has trimmed 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 approved in February 2023 for the 2021 reporting year •Membership of collaborative groups to help drive policy change •Officers challenge managers on their holdings with regard ESG issues and query voting decisions. •Annual ESG impact assessment for all managers, including improvement actions on ESG methodology, reporting or collaboration. •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 •ESG factors incorporated into all decision making 	6	Head of Pensions

17	Climate change Risk to assets and liabilities associated with Climate Change	12	<ul style="list-style-type: none"> •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 •Restructuring of the equity portfolio removed structural exposure to fossil fuel companies to avoid high risk companies from a climate perspective and minimises stranded asset risk from direct holdings in underlying portfolios. •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 •Report in line with the TCFD framework •The Fund is investigating 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. 	6	Head of Pensions
18	Liquidity Insufficient cash to pay benefits as they fall due	8	<ul style="list-style-type: none"> •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 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
19	Money purchase AVC Inadequate offering for the scheme members on cost, return and/or risk grounds	4	<ul style="list-style-type: none"> •A range of fund options provided, catering for different levels of member risk and return so they can design investment strategy for own circumstances •Continuing suitability of AVC offering is reviewed regularly 	2	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									
				Negligable No noticeable impact		Minor Minor impact, Some degradation of service		Major Significant impact, disruption to core services		Critical Disastrous impact, Catastrophic failure			
				SERVICE DELIVERY		Handled within normal day-today routines.		Management action required to overcome short-term difficulties.		Key targets missed. Some services compromised.		Prolonged interruption to core service. Failure of key Strategic Project	
				FINANCAL		Little loss anticipated.		Some costs incurred. Handled within management responsibilities.		Significant costs incurred. Service level budgets exceeded.		Severe costs incurred. Statutory intervention triggered.	
				REPUTATION		Little or no publicity. Little staff comments.		Limited local publicity. Mainly within local government community. Causes staff concern.		Local media interest. Comment from external inspection agencies. Noticeable impact on public opinion.		National media interest seriously affecting public opinion	

Report to: Pension Board

Date of meeting: 08 February 2024

By: Chief Finance Officer

Title: Work Programme

Purpose: To note the Board and Committee work programme

RECOMMENDATION

The Pension Board is recommended to

- 1) note the work programme; and
 - 2) advise of training completed, not recorded in the training log
-

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 quarterly 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 Board and Committee 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 Board is recommended to consider the updated work programme including regularity of agenda items to ensure effective governance of the Fund at the scheduled meetings; advise of training completed, not recorded in the training log.

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 Update	A consideration of the draft agenda of the Pension Committee and summary minutes of the last Pension Committee meeting decisions.	Head of Pensions
Governance Report	A report on governance issues effecting the fund, developments in the LGPS and regulatory environment, policy amendments and ACCESS pool updates	Pensions Manager – Governance and Compliance
Employer Engagement and Communications Report	A report on Employer Engagement matters to note, Employer Contributions update and Communications from the Fund	Pensions Manager – Employer Engagement
Pensions Administration report	An update on the performance of the Pensions Administration Team covering KPI's and projects.	Head of Pensions Administration
Internal Audit reports	All internal audit reports on the Fund are reported to the Board	Head of Internal Audit

East Sussex Pension Fund (ESPF) Quarterly budget report	An update on the Funds budget. This is reported in Q2-4 only.	Pensions Manager – Investment and Accounting
East Sussex Pension Fund (ESPF) Risk Register	A report on the Funds 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 Funds breaches log	Pensions Manager – Governance and Compliance
Employer Admissions and Cessations	A report on the admission and cessation of employers to the Fund	Head of Pensions
5 June 2024		
External Audit Plan for the East Sussex Pension Fund 2023/24	Draft External Audit Plan for 2023/24 Pension Fund Financial Statements	Pensions Manager – Investment and Accounting
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
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

Training Strategy	Two-year review and refresh of the Funds Training Strategy	Governance and Compliance Pensions Manager
11 September 2024		
Supplier Update	Update on supplier contracts and procurements	Head of Pensions
Conflict of Interest Policy	Three-year review of the Conflict of Interest Policy	Governance and Compliance Pensions Manager
7 November 2024		
Independent Auditors Report on the Pension Fund Accounts 2023/24	A report on the External Audit findings of the Pension Fund financial Statements for 2023/24	Head of Pensions
Pension Fund Annual Report and Accounts 2023/24	2023/24 Annual Report and Accounts for approval	Head of Pensions
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	Governance and Compliance Pensions Manager
13 February 2025		
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.	Pensions Manager – Investment and Accounting

Actions requested by the Pensions Board		
Subject Area	Detail	Status
Ill Health insurance review	The Board requested a review to be carried out on the Ill Health Insurance provision in place in terms of commercial arrangements.	TBC
Prudence in cessation policy	The Board requested further details to understand the prudence level in relation to the revision of the FSS for the Cessation Policy	Training arranged for 20 th February 10 am

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 and regulatory environment, policy amendments and ACCESS pool updates	Pensions Manager – Governance and Compliance
Pensions Administration report	An update on the performance of the Pensions Administration Team covering KPI's and projects.	Head of Pensions Administration
Internal Audit reports	Internal audit reports on the Fund and annual audit plan.	Head of Internal Audit
East Sussex Pension Fund (ESPF) Quarterly budget report	An update on the Funds budget - <i>reported Q2-4 only</i>	Pensions Manager – Investment and Accounting
East Sussex Pension Fund (ESPF) Risk Register	A report on the Funds 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 Funds 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 Fund - <i>reported only when outstanding admissions or cessations.</i>	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.	Pensions Manager – Investment and Accounting
19 June 2024		
External Audit Plan for the East Sussex Pension Fund 2023/24	Draft External Audit Plan for 2023/24 Pension Fund Financial Statements	Pensions Manager – Investment and Accounting
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
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
Training Strategy	Two year review and refresh of the Funds Training Strategy	Governance and Compliance Pensions Manager

Risk Management Policy	Three years review and refresh of the Funds Risk Management Policy	Governance and Compliance Pensions Manager
17 July 2024 - Investment Strategy Workshop and training day		
25 September 2024		
Carbon Footprinting	A report on the carbon footprint of the portfolio of ESPF including whether investments are in line with transition pathways.	Head of Pensions
ESG Impact Assessment	Annual assessment by Investment consultants on the ESG standing of Investment managers with action plan	Head of Pensions
Investment Strategy Statement	Review of the Investment Strategy Statement to take into account any revisions to the investment strategy. Review to include Statement of Investment Principles.	Head of Pensions
Stewardship Code submission for 2023	Update on status for submitting second annual submission to FRC for Stewardship activities for calendar year 2023 prior to October submission date	Head of Pensions
Conflict of Interest Policy	Three-year review of the Conflict of Interest Policy	Governance and Compliance Pensions Manager
Supplier Update	Update on supplier contracts and procurements	Head of Pensions
21 November 2024		

Independent Auditors Report on the Pension Fund Accounts 2023/24	A report on the External Audit findings of the Pension Fund financial Statements for 2023/24	Head of Pensions
Pension Fund Annual Report and Accounts 2023/24	2023/24 Annual Report and Accounts for approval	Head of Pensions
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	Governance and Compliance Pensions Manager
27 February 2025		
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.	Pensions Manager – Investment and Accounting

Actions requested by the Committee		
Subject Area	Detail	Status
Training	<p>Requests were made, following the July 2023 investment workshop day, for training on the following areas</p> <ul style="list-style-type: none"> • How to invest in the energy transition. Eg electric storage/batteries, renewables, nuclear, hydrogen, EV's. What is cost and access to markets for these investments. • How are Private Equity Companies selected for the underlying portfolios, do we know what is held, do the IM's have influence/control of the underlying companies, can we influence what is included or not? Are there Impact or ESG PE options? • What are the pros and cons of DGF / absolute return funds? How are they correlated to other asset classes? • Global sovereign gilts – access to market, pros and cons of investing in other jurisdictions rather than the UK including ESG • How does LGPS investment strategy evolve over time, what is rebalancing, when is it done, what are the timelines associated with setting investment strategies, what are the impacts of pooling on strategy implementation • Cost benefit implications of de-risking the portfolio • Core responsibilities of Councillors in their role on the pension committee to ensure proper exercise of its responsibilities and powers. Readdressing the need for Governance framework role of the Committee and considering strategic investment change recommendations from expert advisers, rather than directing underlying investment holdings. 	<p>In progress</p> <p>DGF and Global Government Bonds – 5 February 3.30pm</p> <p>Private Equity – 29 January 2pm</p>
Proposals raised on divestment in September	Three sets of proposals on divestment within investment strategy tabled in September Committee meeting. Officers to collate data to understand exposure to areas of divestment proposed and provide a cover note to aid understanding of proposals	Aim for Spring completion

Current working groups		
Title of working group	Detail and meetings since last Pensions Board and Committee meetings	Membership
Investment Implementation Working Group (IIWG)	<p>The Investment Working Group and ESG working group have been amalgamated, as agreed at Pensions Committee 21 September 2020.</p> <p>The IIWG has an advisory role to over oversee the implementation of decisions by the Pension Committee in relation to investment decisions and carry out detailed research and analysis for Pensions Committee.</p>	<p>William Bourne, Russell Wood, Sian Kunert, James Sweeney, Representatives from Investment Consultant</p> <p>Cllr Fox or substitute committee member is invited to attend</p>
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 including McCloud implementation.	Cllr Fox, Ray Martin, Neil Simpson, Zoe O'Sullivan, Tim Oliver, Paul Punter, Sian Kunert, Ian Gutsell

Training and Development – attendance at recent events			
Date	Topic	Committee	Board
08-Nov	<p>Local Pension Boards Training by CIPFA</p> <p>The aim is to support LPB members to maintain their knowledge and understanding in line with the legislative requirements. Ensuring delegates have access to the latest updates and information on legislation, administration and governance in relation to the LGPS.</p>		Neil

16&23 Nov	Fundamentals Day 2 A scheme overview and covers current issues in relation to administration, investments and governance of the Local Government Pension Scheme (LGPS)		Zoe
29-Nov	Autumn Statement 2023 - A Shifting Landscape for UK Pensions? Aon experts will discuss the announcements from the Autumn Statement and other upcoming changes to pensions. This will include the key takeaways as well as the strategic opportunities these present.	Cllrs Taylor, Hollidge	Trevor
06-Dec	Procurement Regulations and Admissions & Cessations	Cllrs Taylor, Hollidge	Neil, Trevor, Zoe
11&19 Dec	Fundamentals Day 3 A scheme overview and covers current issues in relation to administration, investments and governance of the Local Government Pension Scheme (LGPS)		Zoe

Training and Development – Upcoming Training Offered to Pension Board

January

18 - 19 January Organiser: LGA Location: Online Cost: £400 * Limited places are available, so please let me know if interested in attending this event	LGPS Governance Conference The programme is designed to cover the key issues for the Local Government Pension Scheme (LGPS) and our speakers are all experts in their fields. The programme includes sessions on: <ul style="list-style-type: none"> • Scheme Advisory Board update • The employer landscape - panel session • Legal update • Responsible investment - panel session • An update from DLUHC • The risk of de-risking - panel session • Cyber security • Improving and measuring your knowledge and skills - interactive session Investment outlook
24 January	Managing risk in the LGPS - a spotlight on cyber risk

<p>Organiser; Hymans & Robertson</p> <p>Time: 10:30 – 11:15</p> <p>Location: Online</p> <p>Cost: Free</p>	<p>To be discussed:</p> <ul style="list-style-type: none"> • The current cyber risk guidance from the Pensions Regulator • What actions LGPS funds can take in order to better understand and manage cyber risk in accordance with the guidance • How best to engage with the relevant stakeholders on cyber risk
<p>29 January</p> <p>2pm, inhouse / Harbourvest</p>	<p><u>Investment asset classes</u></p> <p>Private Equity</p> <ul style="list-style-type: none"> • How are Private Equity Companies selected for the underlying portfolios • What is the control structure and ability to influence • Are there Impact or ESG PE options?
<p>30 January</p> <p>3pm, inhouse</p>	<p><u>Cyber Risk</u></p> <ul style="list-style-type: none"> • How do the Funds systems look from a Cyber Risk perspective • What are Cyber Risks
February	
<p>5 February</p> <p>3.30pm, Inhouse / Linchpin</p>	<p><u>Investment asset classes</u></p> <ul style="list-style-type: none"> • Diversified Growth Funds • Global Government Bonds
<p>20 February</p> <p>10 am – Inhouse / Barnet Waddingham</p>	<p><u>Actuarial</u></p> <ul style="list-style-type: none"> • Funding Update and insights • New cessation methodology, how is the prudence level calculated, when is this reviewed, and what it means

21 February Organiser: PMI Time: 14:00 – 15:00 Location: Online Cost: Free	<u>Demystifying ESG for Trustees</u> Topics of discussion: <ul style="list-style-type: none"> • ESG Fundamentals including risk and opportunity of ESG integration. • Regulatory Compliance – current and up-and-coming requirements. • Measuring and Reporting Impact
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Training and Development – Upcoming Training Offered to Pension Committee

2024 January

17 January Organiser: Pensions for Purpose Time: 14:00–15:30 Location: Online Cost: Free	<u>The governance gap in impact management</u> A conversation on how pension funds can ensure they have enough strategic thinking time, and the resources and skills to integrate impact. In a bid to measure everything from Scope 1 - 3 emissions, to biodiversity indicators and beyond, a significant resource and financial burden is being created for pension funds, their advisers and other asset owners.
18 - 19 January Organiser: LGA Location: Online	<u>LGPS Governance Conference</u> The programme is designed to cover the key issues for the Local Government Pension Scheme (LGPS) and our speakers are all experts in their fields. The programme includes sessions on: <ul style="list-style-type: none"> • Scheme Advisory Board update

<p>Cost: £400</p> <p>* Limited places are available, so please let me know if interested in attending this event</p>	<ul style="list-style-type: none"> • The employer landscape - panel session • Legal update • Responsible investment - panel session • An update from DLUHC • The risk of de-risking - panel session • Cyber security • Improving and measuring your knowledge and skills - interactive session <p>Investment outlook</p>
<p>24 January</p> <p>Organiser; Hymans & Robertson</p> <p>Time: 10:30 – 11:15</p> <p>Location: Online</p> <p>Cost: Free</p>	<p><u>Managing risk in the LGPS - a spotlight on cyber risk</u></p> <p>To be discussed:</p> <ul style="list-style-type: none"> • The current cyber risk guidance from the Pensions Regulator • What actions LGPS funds can take in order to better understand and manage cyber risk in accordance with the guidance • How best to engage with the relevant stakeholders on cyber risk
<p>29 January</p> <p>2pm, inhouse / Harbourvest</p>	<p><u>Investment asset classes</u></p> <p>Private Equity</p> <ul style="list-style-type: none"> • How are Private Equity Companies selected for the underlying portfolios • What is the control structure and ability to influence • Are there Impact or ESG PE options?
<p>30 January</p> <p>3pm, inhouse</p>	<p><u>Cyber Risk</u></p> <ul style="list-style-type: none"> • How do the Funds systems look from a Cyber Risk perspective • What are Cyber Risks
<p>31 January</p> <p>Organiser: Schroders</p>	<p><u>The impact of Mansion House and the path to Net Zero</u> - LGPS SEMINAR</p>

<p>Time: 12:30 - 18:00</p> <p>Location: London</p> <p>Cost: Free</p>	<p>The speakers will share their insights on the structural changes impacting the economy, the regulatory landscape, and the resulting implications for asset allocation strategies. We will also be delving into aligning investment portfolios with long-term objectives, while simultaneously navigating the environmental and political considerations being placed on the LGPS. Full Agenda</p>
February	
<p>1 February</p> <p>Organiser: DG Publishing</p> <p>Time: 09:00 – 18:30</p> <p>Location: London</p> <p>Cost: Free</p>	<p>LAPF Strategic Investment Forum</p> <p>To be explored: Fixed income forecast; Global equities; Private markets; Pooling objectives for the LGPS; Levelling up and infrastructure; Infrastructure opportunities; Social bonds; How can investing in private assets help reduce carbon emissions?; Investing in renewables; Real estate; Fighting deforestation to preserve biodiversity; Impact investing across public and private markets; Currency effects on LGPS portfolios; Green private debt.</p>
<p>5 February</p> <p>3.30pm, Inhouse / Linchpin</p>	<p>Investment asset classes</p> <ul style="list-style-type: none"> • Diversified Growth Funds • Global Government Bonds
<p>14 February</p> <p>Organiser: SPS Conferences</p> <p>Time: 09:00 – 16:15</p> <p>Location: London</p> <p>Cost: Free</p>	<p>Local Authority Pension Funds Annual Investment Conference</p> <p><u>This conference will review a range of topical investment strategies, opportunities and new ideas of interest to public sector investors. It will take account of the latest trends and the prevailing investment and governance landscape as well as specific issues or challenges facing LGPS investors and key practical implementation considerations.</u></p>
20 February	Actuarial

10 am – Inhouse / Barnet Waddingham	<ul style="list-style-type: none"> • Funding Update and insights • New cessation methodology, how is the prudence level calculated, when is this reviewed, and what it means
21 February Organiser: PMI Time: 14:00 – 15:00 Location: Online Cost: Free	<u>Demystifying ESG for Trustees</u> Topics of discussion: <ul style="list-style-type: none"> • ESG Fundamentals including risk and opportunity of ESG integration. • Regulatory Compliance – current and up-and-coming requirements. • Measuring and Reporting Impact
27 -29 February Organiser: PLSA Location: EICC, Edinburgh Cost: Free to attend the event Reasonable expenses for travel and accommodation will be covered by the Fund	<u>INVESTMENT CONFERENCE 2024 - The UK's largest event focused on pension fund investment</u> The conference promises to bring the full investment chain together to discuss the future of pensions investment across a variety of session types <ul style="list-style-type: none"> • Insightful sessions: Get ahead with insights from experts discussing the macroeconomic outlook and risks in the pension industry. • Answers to your challenges: Discuss crucial subjects such as how CIOs are dealing with economic uncertainty, biodiversity investing, diversity in decision-making, climate change action, growth strategies, and consolidation. • Government initiatives: The government has big plans for pension schemes; hear about the opportunities for illiquid investments, sustainable assets, and stimulating UK growth. • Election insights: Gain unique perspectives on the upcoming UK general election of IPSOS UK and Ireland. • Future trends: Discover megatrends and learn how they will shape our world and our work. Inspiration from outside pensions: Be inspired by Lesley Paterson, a renowned Scottish triathlete, author, and film producer, during our exclusive after-dinner session.

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